HANCOCK COUNTY
BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT
(Including Independent Auditor's Report)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

HANCOCK COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

February 25, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Hancock County Board of Education

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Hancock County Board of Education (School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements. We were also engaged to audit the aggregate remaining fund information. These financial statements collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion on Aggregate Remaining Fund Information" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate remaining fund information.

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matter described in the "Basis for Disclaimer of Opinion on Aggregate Remaining Fund Information" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on Aggregate Remaining Fund Information

Due to lack of adequate documentation supporting the school activity (principals) accounts maintained at the individual schools and recorded in the fiduciary fund, we were not able to obtain sufficient appropriate audit evidence to substantiate the balances recorded in the financial statements. As a result of these matters, we were unable to determine if the fiduciary fund was materially correct.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on Aggregate Remaining Fund Information" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the fiduciary fund. Accordingly, we do not express an opinion on the aggregate remaining fund information.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities and each major fund of the School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2017, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 82, *Pension Issues*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages 33 through 37, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hancock County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 6 through 8, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is 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.

The accompanying supplementary 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. Such 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019 on our consideration of the 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 the 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 the School District's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

HANCOCK COUNTY BOARD OF EDUCATION

HANCOCK COUNTY BOARD OF EDUCATION

EXHIBIT "A"

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,261,890
Receivables:	
Taxes	1,526,179
Intergovernmental:	
State	963,280
Federal	1,391,274
Other	163,414
Inventory	15,250
Prepaid items	7,069
Capital assets (nondepreciable)	162,777
Capital assets (net of accumulated depreciation)	7,845,863
Total assets	13,336,996
DEFERRED OUTFLOWS OF RESOURCES	
Related to defined benefit pension plan	2,876,015
LIABILITIES	
Accounts payable	585,564
Salaries and benefits payable	1,243,859
Contracts payable	95,415
Accrued interest payable	395
Retainage payable	49,702
Capital leases, due within one year	11,383
Net pension liability	11,656,786
Total liabilities	13,643,104
DEFERRED INFLOWS OF RESOURCES	
Related to defined benefit pension plan	1,548,327
NET POSITION	
Net investment in capital assets	7,997,257
Restricted for:	
Continuation of federal programs	33,315
Capital projects	59,776
Unrestricted (deficit)	(7,068,768)
Total net position	$ 1,021,580

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

HANCOCK COUNTY BOARD OF EDUCATION

EXHIBIT "B"

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 7,687,267	$ 105,741	$ 4,907,474	$ 452,620	$ (2,221,432)
Support services:					
Pupil services	631,393	-	514,673	-	(116,720)
Improvement of instructional services	827,938	-	670,789	-	(157,149)
Educational media services	162,063	-	116,133	-	(45,930)
General administration	334,984	-	486,911	-	151,927
School administration	1,002,682	-	605,236	-	(397,446)
Business administration	299,550	-	27,694	-	(271,856)
Maintenance and operation of plant	1,811,109	-	497,187	-	(1,313,922)
Student transportation services	1,283,697	-	647,295	-	(636,402)
Central support services	525,665	-	1,994	-	(523,671)
Other support services	183,047	-	64,356	-	(118,691)
Food service operations	915,460	41,853	981,140	-	107,533
Interest on long-term debt	557	-	-	-	(557)
Total governmental activities	$ 15,665,412	$ 147,594	$ 9,520,882	$ 452,620	(5,544,316)
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations					5,067,264
Sales taxes, for capital projects					318,049
Intangible taxes					15,716
Transfer taxes					16,060
Unrestricted investment earnings					3,630
Miscellaneous					563,534
Total general revenues					5,984,253
Change in net position					439,937
Net position, beginning of year					581,643
Net position, end of year					$ 1,021,580

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

HANCOCK COUNTY BOARD OF EDUCATION

EXHIBIT "C"

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 975,232	$ 286,658	$ 1,261,890
Receivables:			
Taxes	1,488,333	37,846	1,526,179
Intergovernmental:			
State	510,660	452,620	963,280
Federal	1,391,274	-	1,391,274
Other	396	163,018	163,414
Due from other funds	85,277	-	85,277
Prepaid items	7,069	-	7,069
Inventory	15,250	-	15,250
Total assets	$ 4,473,491	$ 940,142	$ 5,413,633
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 388,212	$ 197,352	$ 585,564
Salaries and benefits payable	1,243,859	-	1,243,859
Contracts payable	-	95,415	95,415
Retainage payable	-	49,702	49,702
Due to other funds	-	85,277	85,277
Total liabilities	1,632,071	427,746	2,059,817
DEFERRED INFLOWS			
Unavailable revenue - property taxes	1,342,212	-	1,342,212
Unavailable revenue - GSFIC	-	452,620	452,620
Total Deferred Inflows of Resources	1,342,212	452,620	1,794,832
FUND BALANCES			
Nonspendable:			
Inventory	15,250	-	15,250
Prepaid items	7,069	-	7,069
Restricted:			
Federal programs	18,065	-	18,065
Capital projects	-	59,776	59,776
Assigned:			
Student activities	6,606	-	6,606
Unassigned	1,452,218		1,452,218
Total fund balances	1,499,208	59,776	1,558,984
Total liabilities, deferred inflows, and fund balances	$ 4,473,491	$ 940,142	$ 5,413,633

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

HANCOCK COUNTY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

Total fund balances - governmental funds			$ 1,558,984
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
	Cost	$ 19,967,793	
	Less accumulated depreciation	(11,959,153)	8,008,640
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.			
	Property taxes		1,342,212
Georgia State Financing and Investment Commission grants that are not available to pay current period expenditures are deferred in the funds.			452,620
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Accrued interest	$ (395)	
	Deferred outflows - pension plans	2,876,015	
	Deferred inflows - pension plans	(1,548,327)	
	Net pension liability	(11,656,786)	
	Capital leases	(11,383)	(10,340,876)
Net position of governmental activities			$ 1,021,580

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

HANCOCK COUNTY BOARD OF EDUCATION

EXHIBIT "E"

STATEMENT OF REVENUES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Capital Projects	Total Governmental Funds
REVENUES			
Property taxes	$ 5,236,026	$ -	$ 5,236,026
Sales taxes	31,776	318,049	349,825
State funds	4,616,463	-	4,616,463
Federal funds	4,898,524	-	4,898,524
Charges for services	147,594	-	147,594
Investment earnings	3,015	615	3,630
Miscellaneous	102,223	-	102,223
Total revenues	15,035,621	318,664	15,354,285
EXPENDITURES			
Current:			
Instruction	7,334,528	193,944	7,528,472
Support Services:			
Pupil services	637,232	-	637,232
Improvement of instructional services	839,861	-	839,861
Educational media services	164,864	-	164,864
General administration	336,246	-	336,246
School administration	1,019,120	-	1,019,120
Business administration	292,459	-	292,459
Maintenance and operation of plant	1,783,383	-	1,783,383
Student transportation services	1,143,823	-	1,143,823
Central support services	526,089	-	526,089
Other support services	184,670	-	184,670
Food services operation	907,657	-	907,657
Capital outlay	-	532,096	532,096
Debt service:			
Principal retirement	11,001	-	11,001
Interest and fees	777	-	777
Total expenditures	15,181,710	726,040	15,907,750
Excess (deficiency) of revenues over (under) expenditures	(146,089)	(407,376)	(553,465)
OTHER FINANCING SOURCES			
Insurance Proceeds	-	461,311	461,311
Net change in fund balances	(146,089)	53,935	(92,154)
FUND BALANCE, beginning of year	1,645,297	5,841	1,651,138
FUND BALANCE, end of year	$ 1,499,208	$ 59,776	$ 1,558,984

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

HANCOCK COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

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

Net change in fund balances - total governmental funds		$ (92,154)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which capital outlay exceeded depreciation is to increase net position.		
Capital outlay	$ 577,114	
Depreciation expense	(478,538)	98,576
Net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net position.		(16,839)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	$ (168,762)	
Georgia State Financing and Investment Commission	452,620	283,858
Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments - capital leases	$ 11,001	
Change in net pension liability and deferred inflows and outflows related to pension activity	155,275	166,276
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest		220
Changes in net position of governmental activities		$ 439,937

HANCOCK COUNTY BOARD OF EDUCATION

EXHIBIT "G"

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	Agency Fund
ASSETS	
Accounts Recievable	$ 3,848
LIABILITIES	
Cash Overdraft	$ 3,848

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Hancock County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements of the Hancock County Board of Education. The government-wide statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide Statements

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Statements (Continued)

2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.

3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements are presented for governmental and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for and reports all financial resources of the School District, except those resources required to be accounted for in another fund.

- The *Capital Projects Fund* accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) that are restricted, committed, or assigned to the expenditure for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

The School District reports the following fiduciary fund type:

- The *Agency Fund* is used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide governmental activities and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The School District considers all tax revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. All other revenues are considered to be available if they are collected within 120 days after year-end. Property taxes, sales taxes, grants and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there is both restricted and unrestricted net position available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a 12-month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School District over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

New Accounting Pronouncements

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information: (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

Statement No. 39, *Determining Whether Certain Organization Are Component Units – an amendment of Statement No. 14*. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District's financial statements.

Cash and Cash Equivalents

Composition of Deposits - Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (OCGA) §45-8-14, authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations, or insured chartered building and loan associations.

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, state or other grants for expenditures made, but not reimbursed, and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded in the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Food Inventories - On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (first-in, first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

Prepaid Items

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items, in both the government-wide and governmental fund financial statements.

Capital Assets

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The School District does not capitalize book collections or works of art.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is computed using the straight-line for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Construction in Progress	$ 5,000	N/A
Land Improvements	5,000	50 Years
Buildings and Improvements	5,000	15 to 80 Years
Equipment	5,000	3 to 20 Years
Intangibles	300,000	3 to 20 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of resources that applies to future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and/or balance sheet will report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of resources that applies to future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

Long-Term Liabilities and Bond Discounts/Premiums

In the School District's government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the straight-line method. To conform to generally accepted accounting principles, bond premiums and discounts should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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 pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Fund Balance

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The School District's fund balances are classified as follows:

Nonspendable – Amounts that are not in spendable form (e.g., inventory and prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

Restricted – Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for the specific purposes determined by a formal action of the Board. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned – Amounts within the general fund not meeting the definition of any aforementioned category. The general fund is the only fund that reports positive unassigned fund balance. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

The responsibility for designating funds to specific classification is as follows:

Committed Fund Balance – The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Funds should be committed prior to the end of the fiscal year, although the exact amount may be determined in the subsequent fiscal year.

Assigned Fund Balance – The Board of Education has authorized the Superintendent and the Director of Finance as officials authorized to assign fund balance to a specific purpose in accordance with the School District's policy. The accounting records should reflect sufficient documentation to support an assignment of funds by administration.

When multiple categories of fund balances are available for expenditures, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

The Hancock County Board of Commissioners adopted the property tax levy for the 2016 tax digest year (calendar year) on August 26, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on November 20, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The Hancock County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2017, for maintenance and operations amounted to $5,055,092.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

The tax millage rate levied for the 2016 tax year (calendar year) for the Hancock County Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	14.457 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $180,934 during the fiscal year ended June 30, 2017.

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $318,049 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Note 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of OCGA §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

If expenditure of funds in any fund is anticipated to be more than the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Any position or expenditure not previously approved in the annual budget that exceeds $5,000 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case,

Note 3: BUDGETARY DATA (CONTINUED)

the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstances is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section for a detail of any over/under expenditures during the fiscal year under review.

Note 4: DEPOSITS AND CASH EQUIVALENTS

Collateralization of Deposits - Official Code of Georgia Annotated (OCGA) §45-8-12, provides that there shall not be on deposit at any time in any depository for a time longer than 10 days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA §45-8-13.1), the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance.

Acceptable security for deposits consists of any one of or any combination of the following:

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

Note 4: DEPOSITS (CONTINUED)

Categorization of Deposits - Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2017, the School District had deposits with a carrying value of $971,731 and bank balances of $1,506,560. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution's agent in the School District's name.

Categorization of Cash Equivalents

The School District reported cash equivalents of $286,311 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share, which approximates fair value. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days.

The weighted average maturity for Georgia Fund 1 on June 30, 2017, was 26 days.

The Georgia Fund 1, (local government investment pool), is administered by the State of Georgia, Office of the State Treasurer and is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia Comprehensive Annual Financial Report*. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their federally assigned value. **See Note 2 - Inventories**

Note 6: CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 162,777	$ -	$ -	$ 162,777
Total	162,777	-	-	162,777
Capital assets, being depreciated:				
Buildings and improvements	15,331,483	577,114	-	15,908,597
Equipment	3,621,389	-	(52,699)	3,568,690
Land improvements	327,729	-	-	327,729
Total	19,280,601	577,114	(52,699)	19,805,016
Less accumulated depreciation for:				
Buildings and improvements	(8,482,629)	(298,368)	-	(8,780,997)
Equipment	(2,876,826)	(158,321)	35,860	(2,999,287)
Land improvements	(157,020)	(21,849)	-	(178,869)
Total	(11,516,475)	(478,538)	35,860	(11,959,153)
Total capital assets, being depreciated, net	7,764,126	98,576	(16,839)	7,845,863
Governmental activities capital assets, net	$ 7,926,903	$ 98,576	$ (16,839)	$ 8,008,640

Current year depreciation expense by function is as follows:

Instruction		$ 307,485
Support Services		
Business Administration	$ 3,616	
Maintenance and Operations	28,401	
Student Transportation	132,805	164,822
Food Services		6,231
Total Depreciation Expense		$ 478,538

Note 7: INTERFUND ASSETS, LIABILITIES AND TRANSFERS

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances for the year ended June 30, 2017, consisted of the following:

	Due From
Due To	Capital Projects Fund
General Fund	$ 85,277

Interfund balances were incurred to repay the general fund for capital construction project expenditures with future SPLOST receipts.

There were no interfund transfers reported for the year ended June 30, 2017.

Note 8: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees, acts of God and unemployment compensation.

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees, and acts of God. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the general fund with expenses/expenditures and a liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2017	$ -	$ 4,688	$ 4,688	$ -
2016	$ -	$ 3,715	$ 3,715	$ -

Note 8: RISK MANAGEMENT (CONTINUED)

The School District has purchased surety bonds to provide additional insurance coverage as follows:

Position Covered	Amount
Superintendent	$ 100,000
Finance Director	$ 100,000

Note 9: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The changes in long-term liabilities during the fiscal year ended June 30, 2017, for governmental activities, were as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Capital Leases	$ 22,384	$ -	$ (11,001)	$ 11,383	$ 11,383
Net Pension Liability	9,260,002	3,525,634	(1,128,850)	11,656,786	-
Total	$ 9,282,386	$ 3,525,634	$ (1,139,851)	$ 11,668,169	$ 11,383

Capital Leases

The School District has acquired equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The following assets were acquired through capital leases and are reflected in the capital asset note at fiscal year-end:

	Governmental Activities
Equipment	$ 65,000
Less: Accumulated Depreciation	(29,250)
Total	$ 35,750

Note 9: LONG-TERM LIABILITIES (CONTINUED)

Capital leases currently outstanding are as follows:

Purpose	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
HVAC System	September 15, 2012	September 15, 2017	$ 65,000	$ 11,383

Scheduled Maturities of Long-Term Liabilities

At June 30, 2017, payments due by fiscal year which include principal and interest for these items are as follows:

Fiscal Year Ended June 30	Capital Leases	
	Principal	Interest
2018	$ 11,383	$ 395

Note 10: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2017.

Project	Unearned Executed Contracts
Hancock County High School Roof	$ 43,984

Note 11: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. Any disallowances resulting from the grantor audit may become a liability of the School District. However, the School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to have a material adverse effect on the financial condition of the School District.

Note 12: OTHER POST-EMPLOYMENT BENEFITS

Georgia Retiree Health Benefit Fund

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Insurance Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the State of Georgia *Comprehensive Annual Financial Report.* This report can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Note 12: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Georgia Retiree Health Benefit Fund (Continued)

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2017:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

Period	Contribution
July 2016 - June 2017	$945 per member per month

For non-certificated school personnel:

Period	Contribution
July 2016 - December 2016	$746.20 per member per month
January 2017 - June 2017	$846.20 per member per month

No additional contribution was required by the Board for fiscal year 2017 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School District's plan for other post-employment benefits and are subject to appropriation.

Currently, the state is requiring that local Boards of Education pay only on active employees. The School District's contribution to the health insurance plans for the fiscal years ended June 30, 2017, 2016 and 2015, was $1,750,146, $1,621,964, and $1,880,151 respectively, which equaled the required contribution.

Note 13: RETIREMENT PLANS

The School District participates in various retirement plans administered by the State of Georgia as further explained below.

Teachers Retirement System of Georgia (TRS)

Plan Description. All teachers of the School District as defined in §47-3-60 of the Official Code of Georgia Annotated (OCGA) and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the OCGA assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers' Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided. TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions. Per Title 47 of the OCGA, contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The School District's contractually required contribution rate for the year ended June 30, 2017, was 14.27% of annual school district payroll. For the current fiscal year, employer contributions to the pension plan were $925,601 from the School District.

Public School Employees Retirement System (PSERS)

Plan Description. PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administer PSERS. Title 47 of the OCGA, assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Note 13: RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS) (Continued)

Benefits provided. A member may retire and elect to receive normal monthly retirement benefits after completion of 10 years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of 10 years of service.

Upon retirement, the member will receive a monthly benefit of $14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions. The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with OCGA §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012, contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012, contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was $39,311.

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

At June 30, 2017, the School District reported a liability of $11,656,786 for its proportionate share of the net pension liability for TRS.

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016, was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2016.

At June 30, 2016, the School District's TRS proportion was 0.056501%, which was a decrease of 0.004324% from its proportion measured as of June 30, 2015.

Note 13: RETIREMENT PLANS (CONTINUED)

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

At June 30, 2017, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is $275,751.

The PSERS net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016, was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of $769,368 for TRS and $45,206 for PSERS and revenue of $45,206 for PSERS. The revenue is support provided by the State of Georgia.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 173,655	$ 57,643
Changes of assumptions	302,128	-
Net difference between projected and actual earnings on pension plan investments	1,474,631	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,490,684
School District contributions subsequent to the measurement date	925,601	-
Total	$ 2,876,015	$ 1,548,327

Note 13: RETIREMENT PLANS (CONTINUED)

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

School District contributions subsequent to the measurement date of $925,601 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	TRS
2018	$ (251,947)
2019	(251,947)
2020	498,622
2021	412,381
2022	(5,022)

Actuarial assumptions: The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.75%
Salary increases	3.25 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Public School Employees Retirement System

Inflation	2.75%
Salary increase	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Note 13: RETIREMENT PLANS (CONTINUED)

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

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward five years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on TRS and PSERS 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 rates 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 are summarized in the following table:

Asset class	TRS Target allocation	PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	100.00%	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

Note 13: RETIREMENT PLANS (CONTINUED)

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

Discount rate: The discount rate used to measure the total TRS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS 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.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate: The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 18,143,932	$ 11,656,786	$ 6,315,691

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and PSERS financial reports which are publicly available at www.trsga.com/publications and http://www.ers.ga.gov/formspubs/formspubs.html.

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HANCOCK COUNTY BOARD OF EDUCATION

SCHEDULE "1"

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEMS OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	2017	2016	2015
School District's proportion of the net pension liability	**0.056501%**	0.060825%	0.064599%
School District's proportionate share of the net pension liability	**$ 11,656,786**	$ 9,260,002	$ 8,161,232
School District's covered payroll	**$ 6,204,324**	$ 6,418,380	$ 6,590,342
School District's proportionate share of the net pension liability as a percentage of its covered payroll	**187.88%**	144.27%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	**76.06%**	81.44%	84.03%

Note: The measurement date for the year ended June 30, 2017 is June 30, 2016.

The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEE RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	2017	2016	2015
School District's proportion of the net pension liability	**0.000000%**	0.000000%	0.000000%
School District's proportionate share of the net pension liability	**$ -**	$ -	$ -
State of Georgia's proportionate share of the net pension liability associated with the School District	**275,751**	187,254	170,734
Total	**$ 275,751**	$ 187,254	$ 170,734
School District's covered payroll	**$ 812,236**	$ 819,724	$ 896,034
School District's proportionate share of the net pension liability as a percentage of its covered payroll	**0.00%**	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	**81.00%**	87.00%	88.29%

Note: The measurement date for the year ended June 30, 2017 is June 30, 2016.

The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

HANCOCK COUNTY BOARD OF EDUCATION

SCHEDULE "3"

SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	2017	2016	2015
Contractually required contribution	**$ 925,601**	$ 885,357	$ 844,017
Contributions in relation to the contractually required contribution	**925,601**	885,357	844,017
Contribution deficiency (excess)	**$ -**	$ -	$ -
School District's covered payroll	**$ 6,486,342**	$ 6,204,324	$ 6,418,380
Contributions as a percentage of covered payroll	**14.27%**	14.27%	13.15%

The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Teachers Retirement System

***Changes of assumptions*:** In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the School District. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Public School Employees Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the School District. Primary among the changes were the updates to rates of mortality, retirement, disability and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females).

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget			Variance With
	Original [1]	Final [1]	Actual	Final Budget
REVENUES				
Property taxes	$ 5,113,676	$ 5,113,676	$ 5,236,026	$ 122,350
Sales taxes	20,000	20,000	31,776	11,776
State funds	5,535,408	5,545,136	4,616,463	(928,673)
Federal funds	3,956,001	3,950,846	4,898,524	947,678
Charges for services	-	-	147,594	147,594
Investment earnings	7,000	7,000	3,015	(3,985)
Miscellaneous	198,229	198,229	102,223	(96,006)
Total revenues	14,830,314	14,834,887	15,035,621	200,734
EXPENDITURES				
Current:				
Instruction	7,603,853	7,381,498	7,334,528	46,970
Support services:				
Pupil services	778,605	742,182	637,232	104,950
Improvement of instructional services	1,046,735	1,172,850	839,861	332,989
Educational media services	166,655	166,655	164,864	1,791
General administration	567,295	534,721	336,246	198,475
School administration	998,302	941,532	1,019,120	(77,588)
Business administration	345,221	347,818	292,459	55,359
Maintenance and operation of plant	1,629,932	1,654,041	1,783,383	(129,342)
Student transportation services	1,139,044	1,195,809	1,143,823	51,986
Central support services	386,281	385,781	526,089	(140,308)
Other support services	211,120	184,777	184,670	107
Food services operations	1,359,207	1,349,557	907,657	441,900
Debt service:				
Principal retirement	-	-	11,001	(11,001)
Interest and fiscal charges	-	-	777	(777)
Total expenditures	16,232,250	16,057,221	15,181,710	875,511
Excess (deficiency) of revenues over (under) expenditures	(1,401,936)	(1,222,334)	(146,089)	1,076,245
OTHER FINANCING USES				
Other uses	(2,900,600)	(2,900,600)	-	2,900,600
Net change in fund balances	(4,302,536)	(4,122,934)	(146,089)	3,976,845
FUND BALANCE, beginning of year	1,645,297	1,645,297	1,645,297	-
FUND BALANCE (DEFICIT), end of year	$ (2,657,239)	$ (2,477,637)	$ 1,499,208	$ 3,976,845

Note to the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $148,211 and $69,217, respectively.

The accompanying schedule of revenues, expenditures, and changes in fund balances, budget and actual, is presented on the modified accrual basis of accounting, which is the basis of accounting used in the presentation of the fund financial statements.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
Agriculture, U.S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	17175GA324N1099	$ 294,007
National School Lunch Program	10.555	17175GA324N1100	531,444
Total U.S. Department of Agriculture			825,451
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	287,065
Preschool Grants	84.173	H173A160081	6,643
Total Special Education Cluster			293,708
Other Programs			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Education Agencies	84.010	S010A150010	74,806
Title I Grants to Local Education Agencies	84.010	S010A160010	710,626
Supporting Effective Instruction State Grants	84.367	S367A150001	73,184
Supporting Effective Instruction State Grants	84.367	S367A160001	89,746
Rural Education	84.358	S358B150010	3,578
Rural Education	84.358	S358B160010	6,516
Twenty-First Century Community Learning Centers	84.287	S287C150010	21,338
Twenty-First Century Community Learning Centers	84.287	S287C160010	395,908
Career and Technical Education - Basic Grants to States	84.048	V048A160010	11,209
			1,386,911
Total U.S. Department of Education			1,680,619
Health and Human Services, U.S. Department of			
Direct			
Head Start Cluster			
Head Start	93.600		2,258,559
Total U.S. Department of Health and Human Services			2,258,559
Defense, U.S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.unknown		65,214
Total Expenditures of Federal Awards			$ 4,829,843

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Hancock County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2017. 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).

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Agency/Funding	Governmental Fund Type General Fund
Grants	
Bright from the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 218,896
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	267,929
Kindergarten Program - Early Intervention Program	19,007
Primary Grades (1-3) Program	504,656
Primary Grades - Early Intervention (1-3) Program	70,994
Upper Elementary Grades (4-5) Program	302,699
Upper Elementary Grades	
Early Intervention (4-5) Program	48,871
Middle School (6-8) Program	473,876
High School General Education (9-12) Program	485,159
Vocational Laboratory (9-12) Program	75,101
Students with Disabilities	590,399
Program for Intellectually Gifted Students - Category VI	23,230
Remedial Education Program	14,995
Alternative Education Program	33,018
Media Center Program	80,723
20 Days Additional Instruction	25,650
Staff and Professional Development	14,193
Indirect Cost	
Central Administration	254,596
School Administration	257,523
Facility Maintenance and Operations	187,149
Vocational Supervisors	6,653
Categorical Grants	
Pupil Transportation	
Pupil Transportation	335,191
Sparsity	130,699
Nursing Services	45,000
Mid-term Adjustment Hold-Harmless	113,436
Food Services	19,816
Amended Formula Adjustment	(57,475)
Other State Programs	
Math and Science Supplements	8,200
Preschool Handicapped Program	26,968
Office of the State Treasurer	
Public School Employees Retirement System	39,311
	$ 4,616,463

See notes to the basic financial statements.

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HANCOCK COUNTY BOARD OF EDUCATION

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Project	Original Estimated Cost (1)	Current Estimated Costs (2)	Amount Expended In Current Year (3) (4)	Amount Expended In Prior Years (3) (4)	Total Completion Cost	Estimated Completion Date
Adding to, renovating, repairing, reroofing, improving and demolishing, furnishing and equipping existing school buildings and other buildings and facilities useful and desirable in connection therewith, including, but not limited to, agricultural and band buildings, additional classrooms, administrative facilities, gymnasiums and physical education/athletic facilities; (ii) acquiring technology improvements, including safety and security improvements and computer technology; (iii) acquiring new school equipment, including new buses and maintenance vehicles; (iv) acquiring real property; (v) acquiring, constructing, and equipping new school buildings and other facilities; (vi) acquiring any necessary or desirable property, both real and personal, including textbooks and band instruments, the maximum amount of the projects to be paid with sales and use tax proceeds will be $3,000,000; and (vii) payment of expenses incident to accomplishing the foregoing.						
Project #1 Reroofing of Hancock Central High/Middle School	$ 1,000,000	$ 615,000	$ 532,096	$ -	$ 532,096	June 30, 2017
Project #2 Cameras	500,000	500,000	-	-	-	June 30, 2020
Project #3 Purchase/Repair of School Buses	600,000	600,000	-	-	-	June 30, 2019
Project #4 Purchase of Instructional Technology	300,000	300,000	-	-	-	June 30, 2021
Project #5 Textbooks	400,000	400,000	193,944	-	-	June 30, 2018
Project #6 Renovations	200,000	200,000	-	-	-	June 30, 2021
	$ 3,000,000	$ 2,615,000	$ 726,040	$ -	$ 532,096	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Hancock County approved the imposition of a 1% sales tax to fund the above projects. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) The School District does not have any excess proceeds on hand not yet expended.

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

February 25, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Hancock County Board of Education

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*

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Hancock County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements. We were engaged to audit the aggregate remaining fund information. These financial statements collectively comprise the School District's basic financial statements and we have issued our report thereon dated February 25, 2019. Our report disclaims an opinion on the aggregate remaining fund information due to the lack of sufficient appropriate audit evidence to support the fiduciary fund.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the School District, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items FS 2017-001, FS 2017-003, FS 2017-004 and FS 2017-007, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items FS 2017-002, FS 2017-005 and FS 2017-006, to be significant deficiencies.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the School District's, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item FS-2017-007. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the engagement to audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

February 25, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Hancock County Board of Education

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Hancock County Board of Education (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2017. The School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Respectfully submitted,



Greg S. Griffin
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-6701-12-01	**Inadequate Access Controls – Separation of Duties**
Control Category:	Accounting Controls (Overall)
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

The School District has implemented controls to make sure that employees only have access to the accounting functions that are necessary for the performance of the employee's job duties. This finding is repeated because we don't have enough funds to employ additional help. This finding should be corrected by the end of fiscal year 2019.

FS-6701-12-02	**Inadequate Internal Controls Procedures**
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will make sure that all bank reconciliations are completed and reviewed in a timely manner, and all outstanding checks are documented. We are training all bookkeepers so that this will not be a repeat finding. This should be completely resolved by the end of fiscal year 2019.

FS-6701-12-03	**Inadequate Internal Controls Over School Activity Accounts**
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will make sure that established and approved internal controls are followed and enforced thereby making sure that transactions are processed accurately and in a timely manner. This finding is repeated because we don't have enough funds to employ additional help. This finding should be corrected by the end of fiscal year 2019.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-6701-12-09 **Failure to Adequately Maintain Capital Assets**
Control Category: Capital Assets
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Partially Resolved

The School District will reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review will be conducted to make sure that the capital assets listing is accurate, and to make sure that the list conforms to generally accepted accounting principles. We are updating and inputting the fixed assets into our accounting system so we can correct this finding. This finding should be resolved by the end of fiscal year 2019.

FS-6701-13-01 **Inadequate Access Controls – Separation of Duties**
Control Category: Accounting Controls (Overall)
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

The School District will implement controls to make sure that employees only have access to the accounting functions that are necessary for the performance of the employee's job duties. This finding is repeated because we don't have enough funds to employ additional help. This finding should be corrected by the end of fiscal year fiscal year 2019.

FS 6701-13-02 **Inadequate Internal Control Procedures**
Control Category: Cash and Cash Equivalents
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Partially Resolved

The School District will make sure that all bank reconciliations are completed and reviewed in a timely manner, and all outstanding checks are documented. This should be completely resolved by the end of fiscal year 2019.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 6701-13-03	**Inadequate Internal Controls Over School Activity Accounts**
Control Category:	Cash and Cash Equivalents Expenditures/Liabilities/Disbursements Revenues/Receivables/Receipts
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will make sure that established and approved internal controls are followed and enforced thereby making sure that transactions are processed accurately and in a timely manner. We have updated our internal control manual and implemented the procedures. This finding will be resolved by the end of fiscal year 2019.

FS 6701-13-08	**Failure to Adequately Maintain Capital Assets**
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review will be conducted to make sure that the capital assets listing is accurate, and to make sure that the list conforms to generally accepted accounting principles. We are updating and inputting the fixed assets into our accounting system so we can correct this finding. This finding should be resolved by the end of fiscal year 2019.

FS 2014-001	**Inadequate Access Controls – Separation of Duties**
Control Category:	Accounting Controls (Overall)
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

The School District will implement controls to make sure that employees only have access to the accounting functions that are necessary for the performance of the employee's job duties. This finding is repeated because we don't have enough funds to employ additional help. This finding should be corrected by the end of fiscal year fiscal year 2019.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-002	**Inadequate Internal Controls Procedures**
Control Category:	Cash and Cash Equivalents Investments
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will make sure that all bank reconciliations are completed and reviewed in a timely manner, and all outstanding checks are documented. We are training all bookkeepers so that this will not be a repeat finding. This should be completely resolved by the end of fiscal year 2019.

FS 2014-003	**Inadequate Internal Controls Over School Activity Accounts**
Control Category:	Cash and Cash Equivalents Expenditures/Liabilities/Disbursements Revenues/Receivables/Receipts
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will make sure that established and approved internal controls are followed and enforced thereby making sure that transactions are processed accurately and in a timely manner. We are training all bookkeepers so that this will not be a repeat finding. This should be completely resolved by the end of fiscal year 2019.

FS 2014-008	**Inadequate Internal Controls over Capital Assets**
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review will be conducted to make sure that the capital assets listing is accurate, and to make sure that the list conforms to generally accepted accounting principles. We are updating and inputting the fixed assets into our accounting system so we can correct this finding. This finding should be resolved by the end of fiscal year 2019.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-001	**Inadequate Separation of Duties**
Control Category:	Accounting Controls (Overall)
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

The School District will implement controls to make sure that employees only have access to the accounting functions that are necessary for the performance of the employee's job duties. This finding is repeated because we don't have enough funds to employ additional help. This finding should be corrected by the end of fiscal year 2019.

FS 2015-002	Inadequate Internal Control Procedures
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Significant Deficiency
Compliance Impace:	None
Finding Status:	Partially Resolved

The School District will make sure that all bank reconciliations are completed and reviewed in a timely manner, and all outstanding checks are documented. This should be completely resolved by the end of fiscal year 2019.

FS 2015-003	**Inadequate Internal Controls Over School Activity Accounts**
Control Category:	Cash and Cash Equivalents Expenditures/Liabilities/Disbursements Revenues/Receivables/Receipts
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

The School District will make sure that established and approved internal controls are followed and enforced thereby making sure that transactions are processed accurately and in a timely manner. We are training all bookkeepers so that this will not be a repeat finding. This should be completely resolved by the end of fiscal year 2019.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-005 **Inadequate Internal Controls over Capital Assets**
Control Category: Capital Assets
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Partially Resolved

The School District will reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review will be conducted to make sure that the capital assets listing is accurate, and to make sure that the list conforms to generally accepted accounting principles. We are updating and inputting the fixed assets into our accounting system so we can correct this finding. This finding should be resolved by the end of fiscal year 2019.

FS 2016-001 **Separation of Duties**
Control Category: Accounting Controls (Overall)
Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

The School District will implement controls to make sure that employees only have access to the accounting functions that are necessary for the performance of the employee's job duties. This finding is repeated because we don't have enough funds to employ additional help. This finding should be resolved by the end of fiscal year 2019.

FS 2016-002 **Internal Controls over Cash and Cash Equivalents**
Control Category: Cash and Cash Equivalents
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Partially Resolved

The School District will make sure that all bank reconciliations are completed and reviewed in a timely manner. We are training all bookkeepers so that this will not be a repeat finding. This finding should be resolved by the end of fiscal year 2019.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-003	**Internal Controls over School Activity Accounts**
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will make sure that established and approved internal controls are followed and enforced thereby making sure that transactions are processed accurately and in a timely manner. We are training all bookkeepers so that this will not be a repeat finding. This finding should be resolved by the end of fiscal year 2019.

FS 2016-004	**Controls over Financial Reporting**
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Unresolved

The School District will implement controls to monitor journal entries and verify that all information included in the financial statements is accurate. All balances in funds held for others will be reviewed and adjustments will be made as necessary. This finding should be resolved by the end of fiscal year 2019.

FS 2016-005	**Internal Controls over Capital Assets**
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District will reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review will be conducted to make sure that the capital assets listing is accurate, and to make sure that the list conforms to generally accepted accounting principles. We are updating and inputting the fixed assets into our accounting system so we can correct this finding. This finding should be resolved by the end of fiscal year 2019.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-006	**Budget Deficit/Deficit Fund Balance**
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Non-Material Noncompliance
Finding Status:	Partially Resolved

Appropriate procedures will be implemented to ensure that the adopted budget for each budgeted fund is balanced as required. This finding should be resolved by the end of fiscal year 2018.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-6701-10-02	**Inadequate Internal Control Procedures**
Control Category:	Activities Allowed/Unallowed Allowable Costs/Cost Principles Procurement, Suspension and Debarment
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Questioned Cost:	$645.97
Finding Status:	Resolved

FA-6701-11-03	**Inadequate Internal Control Procedures**
Control Category:	Activities Allowed/Unallowed Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Federal Awarding Agency:	U.S. Department of Health and Human Services
CFDA Number and Title:	Head Start Cluster (CFDA 93.600, 93.708 and 93.709)
Questioned Cost:	$1,020.02
Finding Status:	Resolved

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-6701-12-02	**Inadequate Internal Control Procedures**
Control Category:	Activities Allowed/Unallowed Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Questioned Cost:	$2,150.50
Finding Status:	Resolved

FA-6701-12-03	**Inadequate Internal Control Procedures**
Control Category:	Activities Allowed/Unallowed Allowable Costs/Cost Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
CFDA Number and Title:	Head Start Cluster (CFDA 93.600 and 93.709)
Questioned Cost:	$10,076.73
Finding Status:	Resolved

FA-6701-13-01	**Inadequate Internal Control Procedures**
Control Category:	Activities Allowed/Unallowed Allowable Costs/Cost Principles Period of Availability
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
CFDA Number and Title:	Head Start Cluster (CFDA 93.600)
Questioned Cost:	$3,569.58
Finding Status:	Resolved

SECTION IV

FINDINGS AND QUESTIONED COSTS

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Capital Projects Fund;	Unmodified
Aggregate Remaining Fund Information	Disclaimer

Internal control over financial reporting:

▪ Material weaknesses identified?	Yes
▪ Significant deficiencies identified?	Yes

Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:

▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported

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

All major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000.00
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-001	Separation of Duties
Control Category:	Accounting Controls (Overall)
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-001, FS 2015-001, FS 2014-001, FS-6701-13-01 and FS-6701-12-01

Description:
The policies and procedures of the School District were insufficient to provide adequate controls over logical access to the School District's financial system.

Criteria:
The School District's management is responsible for providing policies and procedures that allow for the granting of proper access to the School District's financial systems. Access should be reasonable for the user's job duties and no user should be able to perform conflicting duties within the logical environment in the absence of compensating controls outside of the financial system. In addition, finance personnel should not have administrator roles within the financial system.

Condition:
A review of access to the School District's financial system revealed several users were granted access that allowed the user to perform conflicting significant duties. A test of compensating controls outside of the financial system revealed those controls were not effective, and therefore, the access that allowed for conflicting duties could have an effect on data that is used in the preparation of the financial statements. In addition, finance personnel were granted administrator roles which allows for addition, modification, and deletion of user access in the financial system. Additionally, physical access to the server room was not limited to technology personnel only.

Questioned Costs:
N/A

Cause:
In discussing this deficiency with the School District, they stated that the cause was a direct result of the lack of personnel at the School District. Properly separating conflicting significant duties for personnel would negatively impact the School District in day-to-day operations.

Effect or Potential Effect:
The lack of adequate controls over the logical access to the School District's financial system may result in errors and/or irregularities not being detected in a timely manner.

Recommendation:
Application access controls in the accounting information system should complement the system of internal control by limiting an employee's access to only the accounting functions necessary for the performance of that employee's duties. In the case when management determines separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that financial transactions are properly processed and reported.

Views of Responsible Officials:
We concur with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-002	Internal Controls over Cash and Cash Equivalents
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-002, FS 2015-002, FS 2014-002, FS-6701-13-02 and FS-6701-12-02

Description:
The accounting procedures of the School District were insufficient to provide adequate internal control procedures over the cash and cash equivalents function.

Criteria:
The School District's management is responsible for designing and maintaining an adequate system of internal controls that ensure that all cash accounts are supported by and reconciled to either cash on hand or bank accounts held at authorized financial institutions.

Condition:
A review of four random months of bank reconciliations for all bank accounts revealed the following deficiencies:

- Of the twenty-four bank reconciliations provided, none were dated to indicate when the reconciliations were prepared. Supporting documentation included in the reconciliation packets included time stamps that indicated that reconciliations were not performed in a timely manner.
- The general operating and Headstart account reconciliations contained reconciling items of $24,225 and $353, respectively, which have not been cleared in a timely manner.
- Several reconciling items in the general operating account reconciliations did not have adequate descriptions.

Questioned Costs:
N/A

Cause:
In discussing this deficiency with the School District, they stated that the cause was a direct result of the lack of resources to ensure that internal controls were operating effectively.

Effect or Potential Effect:
The lack of adequate control over cash increases the risk for theft, fraud, or misuse of School District resources which may result in errors and/or irregularities not being detected in a timely manner.

Recommendation:
The School District should establish procedures to ensure all bank reconciliations are prepared in a timely manner, all reconciling items are properly addressed in a timely manner, sufficient funds are present prior to checks being written, and reconciling items have adequate descriptions.

Views of Responsible Officials:
We concur with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-003	Internal Controls over School Activity Accounts
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-003, FS 2015-003, FS 2014-003, FS-6701-13-03 and FS-6701-12-03

Description:
The accounting procedures of the School District were insufficient to provide adequate internal controls over school activity accounts.

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are accurately processed according to established procedures.

Condition:
Cash and Cash Equivalents
A review of four random months of bank reconciliations for all school bank accounts revealed the following deficiencies:

- Of the twelve bank reconciliations provided, none were dated to indicate when the reconciliations were prepared. Supporting documentation included in the reconciliation packets included time stamps that indicated that reconciliations were not performed in a timely manner.

Revenues/Receivables/Receipts
A review of thirty-five receipts revealed the following deficiencies:

- Ten receipts were not provided for review.
- Two of the twenty-five receipts provided were not properly approved as per Board policy.
- Seventeen receipts provided did not have adequate receipt documentation attached.
- Six gate receipts did not contain documentation of proper reconciliation.
- One receipt did not agree to the amount deposited.
- Two receipts were deposited prior to the bookkeeper documentation.
- Ten receipts were not deposited to the proper account/activity code.

Expenditures/Liabilities/Disbursements
A review of thirty vouchers revealed the followng deficiencies:

- Two vouchers were not provided for review.
- Two of the vouchers provided did not contain any evidence of approval.
- Twelve of the vouchers provided were approved subsequent to the invoice date.
- Three of the vouchers provided were not supported by an invoice.
- There were two transactions noted where the invoice and expenditure recorded on the general ledger did not agree.
- Two of the vouchers provided contained no evidence of receipt of goods.
- One transaction appeared to be for an improper use of funds, totaling $1,820.
- Four transactions were charged to the incorrect account.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

General Ledger

- There was one account that had a deficit balance totaling $6,836.
- The entity's prior year ending balances of school activity accounts could not be traced to the current year's beginning balance in the school activity account subsidiary records.
- Individual fund account balances were incorrectly accounted for between governmental and agency fund types, therefore it was not possible to determine the balance, if any, of funds held for others.

Questioned Costs:
N/A

Cause:
In discussing this deficiency with the School District, they stated that the cause was a direct result of the lack of time and resources to train Board personnel responsible for school activity account functions.

Effect or Potential Effect:
The lack of adequate controls increases the risk of theft, fraud, or misuse of School District resources that may result in errors and/or irregularities not being detected in a timely manner.

Recommendation:
The School District should implement procedures to ensure that disbursements and receipts of funds within the school activity accounts are adequately documented and recorded in the financial records. The School District should also establish a monitoring process to provide reasonable assurance that transactions are processed according to established procedures and that cash accounts are reconciled in a timely manner. The School District should ensure that all financial statement balances are fully supported by subsidiary listings. The School District should strengthen and monitor controls over agency funds to ensure that funds are disbursed in accordance with each fund's fiduciary capacity. The School District should ensure that accounts are properly classified and balances are properly reflected in the general ledger.

Views of Responsible Officials:
We concur with this finding.

FS 2017-004	Controls over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-004

Description:
The School District did not have adequate internal controls in place over the financial statement reporting process. The original financial statements, as presented for audit, contained material errors.

Criteria:
Management is responsible for having adequate controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The School District's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* (statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

Chapter II-2 *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

Condition:

- An audit adjustment of $70,121 was proposed and accepted by the School District to remove invalid accounts payable on the government-wide financial statements and the capital projects fund on the governmental fund statements. The adjustment was material to the capital projects fund.
- An audit adjustment of $452,620 was proposed and accepted by the School District to properly report deferred outflow of resources, state revenue and state accounts receivable related to Georgia State Financing Investment Commission (GSFIC) revenue. The adjustment was material to the capital projects fund.
- An audit adjustment of $461,311 was proposed and accepted by the School District to properly report insurance proceeds. The adjustment was material to the general fund and capital projects fund.
- An audit adjustment of $89,189 was proposed and accepted by the School District to properly report expense and accounts payable related to the Head Start program for the improper recording of a bus purchase.
- The financial statements did not agree to subsidiary records for accounts payable and salaries and benefits payable in the amounts of $148,753 and $61,863, respectively. Due to immateriality, management determined no adjustment was necessary.

Cause:

In discussing these deficiencies with the School District, they indicated that the failure to properly record the items addressed were oversights by entity personnel.

Effect or Potential Effect:

Material and significant misstatements and misclassifications were included in the financial statements presented for audit. The lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

Recommendation:

The School District's management should strengthen controls over the financial statement reporting process to ensure the completeness and accuracy of all activity recorded in the financial statement information presented for audit.

Views of Responsible Officials:

We concur with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-2017-005	Inadequate Accounting Procedures
Control Category:	General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	None

Description:
A review of internal control procedures revealed the School District did not ensure journal entries were approved in a timely manner.

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance transactions are properly approved in accordance with procedures established by the Georgia Department of Education, and the School District's policies and procedures.

Condition:
A review of fifty journal entries revealed twenty-four that were not approved in a timely manner.

Question Cost:
N/A

Cause:
In discussing this deficiency with the School District, they stated that the cause was a result of management not adequately monitoring control procedures and lack of resources and limited time to accomplish day to day bookkeeping.

Effect or Potential Effect:
The lack of adequate control over the journal entry process may result in misstatements due to fraud or error which would not be detected in a timely manner.

Recommendation:
The School District should review current internal control procedures to ensure journal entries are approved in a timely manner.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-2017-006 Internal Controls over Capital Assets
Control Category: Capital Assets
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: FS 2016-005, FS 2015-005, FS 2014-008, FS-6701-13-08 and FS-6701-12-09

Description:
The School District did not adequately maintain the capital assets records.

Criteria:
Chapter IV-7 *Implementing a Capital Asset Management System* of the Financial Management for Georgia Local Units of Administration indicates that School Districts must establish fixed asset policies, define system requirements, implement a fixed asset system, and maintain fixed asset records.

Condition:
A review of the School District's capital asset records revealed deficiencies as discussed below:

- The capital asset listing, as presented, included adjustments for $22,740 which no assets were mentioned or explanations given.
- The capital asset listing, as presented, failed to provide elements of information as required such as asset identifiers and location identifiers.
- Several assets that are fully depreciated had been removed from the asset listing that were still owned by the School District.
- The School District did not adhere to its capital asset policy regarding reviewing assets for impairments. There were several assets with a net book value of $51,580 that appeared to be impaired in accordance with GASB No. 42 and the capital asset policy.
- Depreciation expense was not calculated using the straight-line method in accordance with the capital asset policy. The School District calculated depreciation using the half-year convention method.
- Documentation of a physical inventory of capital assets was not provided.
- A physical review of twenty capital assets revealed the following deficiencies:
    - Two assets were not in the correct location.
    - One asset did not appear to be in use.

Questioned Costs:
N/A

Cause:
In discussing this deficiency with the School District, they stated that the cause was a direct result of the lack of time and resources to ensure adequate procedures are in place to process, record and report capital assets.

Effect or Potential Effect:
The failure of the School District to maintain a complete and accurate capital asset listing can lead to inaccurate internal and external reporting as well as noncompliance with generally accepted accounting principles.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review should be performed to ensure the accuracy of capital asset records and to make appropriate adjustments to ensure capital assets records and procedures for maintaining capital assets conform to generally accepted accounting principles.

Views of Responsible Officials:
We concur with this finding.

FS-2017-007	Budget Deficit
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Material Weakness
Compliance Impact:	Nonmaterial Noncompliance
Repeat of Prior Year Finding:	FS-2016-006

Description:
The School District did not adopt a balanced general fund budget for fiscal year 2017.

Criteria:
Chapter IV-2 *Preparing Operating Budgets* of the Financial Management for the Georgia Local Units of Administration states in part: "The budget must be balanced for all budgeted funds. Total anticipated revenues should equal total estimated expenditures. In the event anticipated revenues are insufficient to fund anticipated essential expenditures, a portion of the unassigned fund balance from previous years must be used to fund the shortfall. In the event there is insufficient unassigned fund balance from previous years to fund anticipated expenditures, then such expenditures must be reduced to equal anticipated revenues plus available unassigned fund balance".

Condition:
The School District's original and final budget for the general fund was not balanced. Total anticipated revenues and beginning fund balance did not exceed or equal total estimated expenditures resulting in a budget deficit of $2,657,239 and $2,477,637, respectively.

Cause:
In discussing this issue with management, they stated they included the reimbursement of salaries to the general fund from the school nutrition and head start programs as an other financing use in the federal programs.

Effect or Potential Effect:
Ineffective budgeting techniques in the original and final budget resulted in a budget deficit of $2,657,239 and $2,477,637, respectively, and noncompliance with Chapter IV-2 of the Financial Management for Georgia Local Units of Administration.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should strengthen controls over the budget process to ensure that both anticipated revenues and estimated expenditures for each program are included and that the adopted budget for each budgeted fund is balanced as required.

Views of Responsible Officials:

We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

Hancock County Board of Education

"Barking our Way to New Beginnings...Lifelong-Bulldog STRONG!"

10571 Highway 15 North • P.O. Box 488 • Sparta, GA 31087
Phone: (706) 444-5775 • Fax: (706) 444-7026
www.hancock.k12.ga.us

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Superintendent of Schools

Annie S. Ingram
Chairperson of Hancock County Board of Education

Glashandrian Bell
Vice-Chairperson -District 4

Board Members
Anthony Gilchrist- District 1

Devincey Holsey- District 2

Mary T. Jackson- District 3

Vision:
The Hancock County School District is committed to providing each student with a well-rounded educational program, leading to college entrance and/or career pathways which will foster economic independence and social responsibility in the twenty-first century. In addition, a partnership of staff, parents and community stakeholders will prepare students to become responsible citizens and productive members of the communities in which they live and work.

CORRECTIVE ACTION PLANS – FINANCIAL STATEMENT FINDINGS

FS 2017-001 — **Separation of Duties**

Control Category:	**Accounting Controls (Overall)**
Internal Control Impact:	**Material Weakness**
Compliance Impact:	**None**
Repeat of Prior Year Finding:	**FS 2016-001, FS 2015-001, FS 2014-001, FS 6701-13-01, and FS 6701-12-01**

Corrective Action Plans:
The Hancock County School District has established procedures to ensure that the application access controls in the accounting information system compliment the system of internal controls by limiting all employee's access to only the accounting functions necessary for the performance of that employee's job duties and responsibilities.

Estimated Completion Date: June 30, 2019

Contact Person: Matthias Jones, Finance Director
Telephone: 706-444-5775 Ext. 125
E-mail: mjones@hancock.k12.ga.us

FS 2017-002 — **Internal Controls over Cash & Cash Equivalents**

Control Category:	**Cash and Cash Equivalents**
Internal Control Impact:	**Significant Deficiency**
Compliance Impact:	**None**
Repeat of Prior Year Finding:	**FS 2016-002, FS 2015-002, FS 2014-002, FS 6701-13-02, and FS 6701-12-02**

Corrective Action Plans:
The Hancock County School District has established procedures to ensure that all bank reconciliations are prepared in a timely manner, all reconciling items are properly addressed in a timely manner, sufficient funds are present prior to checks being written, and reconciling items have adequate descriptions.

Estimated Completion Date: June 30, 2019

Contact Person: Matthias Jones, Finance Director
Telephone: 706-444-5775 Ext. 125
E-mail: mjones@hancock.k12.ga.us



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FS 2017-003

Internal Controls over School Activity Accounts

Control Category: **Cash and Cash Equivalents**
Revenues/Receivables/Receipts
Expenditures/Liabilities/ Disbursements
General Ledger
Internal Control Impact: **Material Weakness**
Compliance Impact: **None**
Repeat of Prior Year Finding: **FS 2016-003, FS 2015-003, FS 2014-003, FS 6701-13-03, and FS 6701-12-03**

Corrective Action Plans:
The Hancock County School District has established procedures to ensure that disbursements and receipts of funds within the school activity accounts are adequately documented and recorded in the financial records. The School District has established a monitoring process to provide reasonable assurance that transactions are processed according to established procedures and that cash accounts are reconciled in a timely manner.

Estimated Completion Date: June 30, 2019

Contact Person: Matthias Jones, Finance Director
Telephone: 706-444-5775 Ext. 125
E-mail: mjones@hancock.k12.ga.us

FS 2017-004

Controls over Financial Reporting

Control Category: **Financial Reporting**
Internal Control Impact: **Material Weakness**
Compliance Impact: **None**
Repeat of Prior Year Finding: **FS 2016-004**

Corrective Action Plans:
The Hancock County School District's management has strengthened the controls over the financial statement reporting process to ensure the completeness and accuracy of all activity recorded in the financial statement information presented for audit.

Estimated Completion Date: June 30, 2019

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FS 2017-005

Inadequate Accounting Procedures

Control Category: General Ledger
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: None

Corrective Action Plans:
The Hancock County School District will review current internal control procedures and ensure journal entries are approved in a timely manner.

Estimated Completion Date: June 30, 2019

Contact Person: Matthias Jones, Finance Director
Telephone: 706-444-5775 Ext. 125
E-mail: mjones@hancock.k12.ga.us

FS 2017-006

Internal Controls over Capital Assets

Control Category: Capital Assets
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: FS 2016-005, FS 2015-005, FS 2014-008, FS 6701-13-08, and FS 6701-12-09

Corrective Action Plans:
The Hancock County School District has updated the internal control procedures related to capital assets to ensure that all procedures are being implemented and operating effectively. An administrative review will be performed to ensure the accuracy of capital asset records and to make appropriate adjustments to ensure capital assets records and procedures for maintaining capital assets conform to generally accepted accounting principles.

Estimated Completion Date: June 30, 2019

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FS 2017-007 **Budget Deficit**

Control Category:	**Budget Preparation/Execution**
Internal Control Impact:	**Material Weakness**
Compliance Impact:	**Nonmaterial Noncompliance**
Repeat of Prior Year Finding:	**FS 2016-006**

Corrective Action Plans:
The Hancock County School District has strengthened the controls over the budget process to ensure that both anticipated revenues and estimated expenditures for each program are included.

Estimated Completion Date: June 30, 2019

Contact Person:	Matthias Jones, Finance Director
Telephone:	706-444-5775 Ext. 125
E-mail:	mjones@hancock.k12.ga.us

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS.

No matters were reported.