HANCOCK COUNTY
BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT
(Including Independent Auditor's Report)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

HANCOCK COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

		Page
	SECTION I	
	FINANCIAL	
	INDEPENDENT AUDITOR'S REPORT	
	EXHIBITS	
	BASIC FINANCIAL STATEMENTS	
	GOVERNMENT-WIDE FINANCIAL STATEMENTS	
A	STATEMENT OF NET POSITION	1
B	STATEMENT OF ACTIVITIES	2
	FUND FINANCIAL STATEMENTS	
C	BALANCE SHEET GOVERNMENTAL FUNDS	3
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	4
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS	5
F	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	6
G	NOTES TO THE BASIC FINANCIAL STATEMENTS	8
	SCHEDULES	
	REQUIRED SUPPLEMENTARY INFORMATION	
1	SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM OF GEORGIA	35
2	SCHEDULE OF CONTRIBUTIONS – TEACHERS RETIREMENT SYSTEM OF GEORGIA	36
3	SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA	37
4	SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY SCHOOL OPEB FUND	38
5	SCHEDULE OF CONTRIBUTIONS – SCHOOL OPEB FUND	39
6	NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	40
7	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	41

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HANCOCK COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

SCHEDULES

SUPPLEMENTARY INFORMATION

8	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
9	SCHEDULE OF STATE REVENUE	44
10	SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS	45

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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*

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

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SECTION IV

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION V

MANAGEMENT’S CORRECTIVE ACTION FOR CURRENT YEAR FINDINGS

SCHEDULE OF MANAGEMENT’S CORRECTIVE ACTION

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SECTION I

FINANCIAL

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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

November 1, 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 each major fund, and the aggregate remaining fund information (except as described below) of the Hancock County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which 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.

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

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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.

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Aggregate Remaining Fund Information	Adverse

Basis for Adverse Opinion on Aggregate Remaining Fund Information

Management has not included agency funds related to the fiduciary activities of its school activity (principal) accounts. Accounting principles generally accepted in the United States of America require agency funds to be reported as aggregate remaining fund information. The amount by which this departure would affect the assets and liabilities of the Aggregate Remaining Fund Information has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to previously do not present fairly, the financial position of the aggregate remaining fund information of the School District, as of June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School District, as of June 30, 2018, 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 2018, the Hancock County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. The School District restated beginning net position for the effect of the GASB Statement No. 75. Our opinions are not modified with respect to this matter.

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

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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 required supplementary information listed in the table of contents 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 School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is 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 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 November 1, 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.

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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

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HANCOCK COUNTY BOARD OF EDUCATION

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HANCOCK COUNTY BOARD OF EDUCATION

EXHIBIT "A"

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 2,187,575
Receivables:	
Taxes	1,523,935
State	534,521
Federal	761,164
Inventory	6,836
Prepaid items	32,715
Capital assets (nondepreciable)	162,777
Capital assets (net of accumulated depreciation)	7,539,626
Total assets	12,749,149
DEFERRED OUTFLOWS OF RESOURCES	
Related to defined benefit OPEB plans	647,303
Related to defined benefit pension plan	1,731,441
Total deferred outflows	2,378,744
LIABILITIES	
Accounts payable	358,201
Salaries and benefits payable	1,087,436
Unearned revenue	95,420
Net OPEB liability	13,566,922
Net pension liability	10,481,370
Total liabilities	25,589,349
DEFERRED INFLOWS OF RESOURCES	
Related to defined benefit OPEB plans	1,033,086
Related to defined benefit pension plan	1,140,845
Total deferred inflows	2,173,931
NET POSITION	
Investment in capital assets	7,702,403
Restricted for:	
Continuation of federal programs	148,553
Capital projects	896,129
Unrestricted (deficit)	(21,382,472)
Total net position (deficit)	$ (12,635,387)

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, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:				
Instruction	$ 7,184,776	$ 127,785	$ 4,581,811	$ (2,475,180)
Support services:				
Pupil services	797,146	-	572,748	(224,398)
Improvement of instructional services	909,456	-	636,627	(272,829)
Educational media services	80,197	-	109,378	29,181
General administration	311,113	-	445,636	134,523
School administration	1,005,597	-	594,296	(411,301)
Business administration	271,088	-	29,994	(241,094)
Maintenance and operation of plant	1,830,745	-	407,233	(1,423,512)
Student transportation services	1,211,734	-	610,556	(601,178)
Central support services	401,952	-	1,294	(400,658)
Other support services	155,767	-	86,287	(69,480)
Food service operations	923,182	45,567	961,252	83,637
Total governmental activities	$ 15,082,753	$ 173,352	$ 9,037,112	(5,872,289)
General revenues:				
Taxes:				
Property taxes, levied for maintenance and operations				5,228,283
Sales taxes, for capital projects				469,549
Intangible taxes				32,563
Railroad equipment tax				19,729
Unrestricted investment earnings				5,135
Miscellaneous				121,215
Total general revenues				5,876,474
Change in net position				4,185
Net position (deficit), beginning of year, as restated				(12,639,572)
Net position (deficit), end of year				$ (12,635,387)

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

HANCOCK COUNTY BOARD OF EDUCATION

EXHIBIT "C"

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,672,237	$ 515,338	$ 2,187,575
Receivables:			
Taxes	1,487,274	36,661	1,523,935
Intergovernmental:			
State	534,521	-	534,521
Federal	761,164	-	761,164
Due from other funds	-	461,311	461,311
Prepaid items	32,715	-	32,715
Inventory	6,836	-	6,836
Total assets	$ 4,494,747	$ 1,013,310	$ 5,508,057
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 241,020	$ 117,181	$ 358,201
Salaries and benefits payable	1,087,436	-	1,087,436
Due to other funds	461,311	-	461,311
Unearned revenue - grants	95,420	-	95,420
Total liabilities	1,885,187	117,181	2,002,368
DEFERRED INFLOWS			
Unavailable revenue - property taxes	1,225,213	-	1,225,213
FUND BALANCES			
Nonspendable:			
Inventory	6,836	-	6,836
Prepaid items	32,715	-	32,715
Restricted:			
Federal programs	141,717	-	141,717
Capital projects	-	896,129	896,129
Assigned:			
Student activities	647	-	647
Unassigned	1,202,432		1,202,432
Total fund balances	1,384,347	896,129	2,280,476
Total liabilities, deferred inflows, and fund balances	$ 4,494,747	$ 1,013,310	$ 5,508,057

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

HANCOCK COUNTY BOARD OF EDUCATION

EXHIBIT "D"

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Total fund balances - governmental funds			$ 2,280,476
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	$ 20,125,825	
	Less accumulated depreciation	(12,423,422)	7,702,403
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.			
	Property taxes		1,225,213
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Deferred outflows - pension plans	$ 1,731,441	
	Deferred outflows - OPEB plans	647,303	
	Deferred inflows - pension plans	(1,140,845)	
	Deferred inflows - OPEB plans	(1,033,086)	
	Net pension liability	(10,481,370)	
	Net OPEB liability	(13,566,922)	(23,843,479)
Net position of governmental activities			$ (12,635,387)

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

HANCOCK COUNTY BOARD OF EDUCATION

EXHIBIT "E"

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Total Governmental Funds
REVENUES			
Property taxes	$ 5,345,282	$ -	$ 5,345,282
Sales taxes	52,292	469,549	521,841
State funds	4,752,647	452,620	5,205,267
Federal funds	4,286,301	-	4,286,301
Charges for services	173,352	-	173,352
Investment earnings	2,884	2,251	5,135
Miscellaneous	121,215	-	121,215
Total revenues	14,733,973	924,420	15,658,393
EXPENDITURES			
Current:			
Instruction	6,951,018	-	6,951,018
Support Services:			
Pupil services	804,720	-	804,720
Improvement of instructional services	933,046	-	933,046
Educational media services	84,938	-	84,938
General administration	309,648	-	309,648
School administration	1,033,823	-	1,033,823
Business administration	274,178	-	274,178
Maintenance and operation of plant	1,801,159	-	1,801,159
Student transportation services	1,180,108	-	1,180,108
Central support services	404,442	-	404,442
Other support services	157,104	-	157,104
Food services operation	902,872	-	902,872
Capital outlay	-	88,067	88,067
Debt service:			
Principal retirement	11,383	-	11,383
Interest and fees	395	-	395
Total expenditures	14,848,834	88,067	14,936,901
Net change in fund balances	(114,861)	836,353	721,492
FUND BALANCE, beginning of year	1,499,208	59,776	1,558,984
FUND BALANCE, end of year	$ 1,384,347	$ 896,129	$ 2,280,476

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

HANCOCK COUNTY BOARD OF EDUCATION

EXHIBIT "F"

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Net change in fund balances - total governmental funds		$ 721,492
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 depreciation exceeded capital outlay is to decrease net position.		
Capital outlay	$ 158,032	
Depreciation expense	(464,269)	(306,237)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	$ (116,999)	
State capital outlay grants	(452,620)	(569,619)
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	$ 11,383	
Change in net OPEB liability and deferred inflows and outflows related to OPEB activity	(291,553)	
Change in net pension liability and deferred inflows and outflows related to pension activity	438,324	158,154
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		395
Changes in net position of governmental activities		$ 4,185

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

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Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Hancock County Board of Education (the "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) and grants from the Georgia State Financing and Investment Commission that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide governmental activities is 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.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions.* This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The adoption of this statement has a significant impact on the School District's financial statements. As noted in the Restatement of Net Position note disclosure, the School District restated beginning net position for the cumulative effect of this accounting change.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of this statement does not have a significant impact on the School District's financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits [OPEB]). The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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 (O.C.G.A.) § 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.

Investments

Composition of Investments - The School District can invest its funds as permitted by O.C.G.A. § 36-83-4. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity.

The School District does not have a formal policy regarding investment policies that address credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

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.

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.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

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.

Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Georgia School Employees Post-employment Benefit Fund (the "School OPEB Fund") and additions to/deductions from the School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by the School OPEB Fund. For this purpose, benefit payments 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 cannot be spent, either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Constraints that 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 be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority; the formal action required 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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.

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 2017 tax digest year (calendar year) on August 31, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on December 20, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. 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, 2018, for maintenance and operations amounted to $5,172,345.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

The tax millage rate levied for the 2017 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	14.418 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $172,937 during the fiscal year ended June 30, 2018.

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $469,549 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 reauthorized 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 the O.C.G.A. § 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, 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.

Note 3: BUDGETARY DATA (CONTINUED)

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and 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 – O.C.G.A. § 45-8-12, provides that there shall not be on deposit at any time in any depository for a time longer than ten 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 or 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 (O.C.G.A. § 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.

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, 2018, the School District had deposits with a carrying value of $1,741,635, excluding cash equivalents, and bank balances of $2,369,580. 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.

Note 4: DEPOSITS AND CASH EQUIVALENTS (CONTINUED)

Categorization of Cash Equivalents

The School District reported cash equivalents of $445,940 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, 2018, was ten days.

The Georgia Fund 1, (a 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	15,908,597	43,050	-	15,951,647
Equipment	3,568,690	114,982	-	3,683,672
Land improvements	327,729	-	-	327,729
Total	19,805,016	158,032	-	19,963,048
Less accumulated depreciation for:				
Buildings and improvements	(8,780,997)	(296,891)	-	(9,077,888)
Equipment	(2,999,287)	(145,529)	-	(3,144,816)
Land improvements	(178,869)	(21,849)	-	(200,718)
Total	(11,959,153)	(464,269)	-	(12,423,422)
Total capital assets, being depreciated, net	7,845,863	(306,237)	-	7,539,626
Governmental activities capital assets, net	$ 8,008,640	$ (306,237)	$ -	$ 7,702,403

Current year depreciation expense by function is as follows:

Instruction		$ 312,166
Support services		
Business administration	$ 3,616	
Maintenance and operations	18,354	
Student transportation	124,823	146,793
Food services		5,310
Total depreciation expense		$ 464,269

Note 7: INTERFUND ASSETS AND LIABILITIES

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 To	Due From General Fund
Capital Projects Fund	$ 461,311

Interfund balances were incurred to repay the capital projects fund for amounts receipted to the general fund in error in the previous year.

There were no interfund transfers reported for the year ended June 30, 2018.

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 risks 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
2018	$ -	$ 590	$ 590	$ -
2017	$ -	$ 4,688	$ 4,688	$ -

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, 2018, for governmental activities, were as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Capital Leases	$ 11,383	$ -	$ (11,383)	$ -	$ -
Net OPEB Liability	14,164,636	938,856	(1,536,570)	13,566,922	-
Net Pension Liability	11,656,786	1,369,308	(2,544,724)	10,481,370	-
Total	$ 25,832,805	$ 2,308,164	$ (4,092,677)	$ 24,048,292	$ -

Note 10: 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 11: OTHER POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

Plan Description. Certified teachers and non-certified public school employees of the School District as defined in O.C.G.A. § 20-2-875 are provided OPEB through the School OPEB Fund – a cost-sharing multiple-employer defined benefit post-employment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (the "Board"). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

Benefits Provided. The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from the Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions. As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were $519,482 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2018, the School District reported a liability of $13,566,922 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the School District's proportion was 0.096562%, which was an increase of 0.000986% from its proportion measured as of June 30, 2016.

Note 11: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2018, the School District recognized OPEB expense of $811,035. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflow of	Deferred Inflow of Resources
Changes in assumptions	$ -	$ 1,033,086
Net difference between projected and actual earnings on pension plan investments	3,968	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	123,853	-
School District contributions subsequent to the measurement date	519,482	-
Total	$ 647,303	$ 1,033,086

School District contributions subsequent to the measurement date of $519,482 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	OPEB
2019	$ (162,538)
2020	(162,538)
2021	(162,538)
2022	(162,538)
2023	(163,531)
2024	(91,582)

Note 11: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial assumptions. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

OPEB:

Inflation	2.75%
Salary increases	
ERS	3.25% – 7.00%, average, including inflation
JRS	4.50%, including inflation
LRS	None
TRS	3.25% – 9.00%, including inflation
PSERS	N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back seven years for males and set forward three years for females is used for the period after disability retirement.
- For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward one year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.
- For PSERS members: 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) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward five years for both males and females) is used for the period after disability retirement.

Note 11: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ended June 30, 2014.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additionally, there was a change of assumptions that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation. In addition, the discount rate increased from 3.07% to 3.58%.

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

Asset class	Target allocation (%)	Long-term expected real rate of return (%)*
Local government investment pool	100.00%	1.13%

*Rate shown is net of the 2.75% assumed rate of inflation

Note 11: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Discount rate. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

School OPEB Fund- Discount Rate	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
School District's proportionate share of the OPEB liablity	$ 16,108,290	$ 13,566,922	$ 11,561,268

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

School OPEB Fund- Healthcare Cost Trend Rate	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the OPEB liablity	$ 11,245,433	$ 13,566,922	$ 16,589,498

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at https://sao.georgia.gov/comprehensive-annual-financial-reports.

Note 12: 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 O.C.G.A. § 47-3-60 and certain other support personnel as defined by O.C.G.A. § 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 O.C.G.A. 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 ten 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 O.C.G.A., 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 2018. The School District's contractually required contribution rate for the year ended June 30, 2018, was 16.81% of annual school district payroll. For the current fiscal year, employer contributions to the pension plan were $1,109,608 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 O.C.G.A. 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 12: 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 ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten 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 O.C.G.A. § 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 $42,170.

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

At June 30, 2018, the School District reported a liability of $10,481,370 for its proportionate share of the Net Pension Liability for TRS.

The Net Pension Liability was measured as of June 30, 2017. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017, 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, 2017.

At June 30, 2017, the School District's TRS proportion was 0.056396%, which was a decrease of 0.000105% from its proportion measured as of June 30, 2016.

Note 12: RETIREMENT PLANS (CONTINUED)

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

At June 30, 2018, 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 $200,130.

The PSERS Net Pension Liability was measured as of June 30, 2017. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017, 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, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of $671,284 for TRS and $40,334 for PSERS and revenue of $40,334 for PSERS. The revenue is support provided by the State of Georgia.

At June 30, 2018, 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	$ 392,068	$ 39,556
Changes of assumptions	229,765	-
Net difference between projected and actual earnings on pension plan investments	-	72,129
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,029,160
School District contributions subsequent to the measurement date	1,109,608	-
Total	$ 1,731,441	$ 1,140,845

Note 12: 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 $1,109,608 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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 Ending June 30	TRS
2019	$ (546,347)
2020	203,066
2021	117,328
2022	(299,047)
2023	5,988

Actuarial assumptions: The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, 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, 2016 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 12: 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, 2016 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 12: 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 non-employer 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	$ 17,201,158	$ 10,481,370	$ 4,945,775

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.

Note 13: CHANGE IN ACCOUNTING PRINCIPLE – PRIOR PERIOD ADJUSTMENT

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions.* The provisions of this statement establish accounting and financial reporting standards for post-employment benefits for retired employees of state and local governmental employers through OPEB plans that are administered through trusts. Implementation of this statement required the School District to record a liability for its proportionate share of the Net OPEB Liability of the School OPEB Fund. The following adjustment was required to net position of governmental activities to record the net OPEB liability as of July 1, 2017:

Net position, governmental activities, previously reported	$ 1,021,580
Deferred outflows, contributions subsequent to measurement date	503,484
Proportionate share of net School OPEB liability	(14,164,636)
Net position, governmental activities, as restated	$ (12,639,572)

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HANCOCK COUNTY BOARD OF EDUCATION

SCHEDULE "1"

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

	2018	2017	2016	2015
School District's proportion of the net pension liability	**0.056396%**	0.056501%	0.060825%	0.064599%
School District's proportionate share of the net pension liability	**$ 10,481,370**	$ 11,656,786	$ 9,260,002	$ 8,161,232
School District's covered payroll	**$ 6,486,342**	$ 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	**161.59%**	187.88%	144.27%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	**79.33%**	76.06%	81.44%	84.03%

Note: The measurement date for the year ended June 30, 2018 is June 30, 2017. 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 "2"

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

	2018	2017	2016	2015
Contractually required contribution	**$ 1,109,608**	$ 925,601	$ 885,357	$ 844,017
Contributions in relation to the contractually required contribution	**1,109,608**	925,601	885,357	844,017
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -
School District's covered payroll	**$ 6,600,880**	$ 6,486,342	$ 6,204,324	$ 6,418,380
Contributions as a percentage of covered payroll	**16.81%**	14.27%	14.27%	13.15%

Note: 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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	2018	2017	2016	2015
School District's proportion of the net pension liability	**0.000000%**	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	**200,130**	275,751	187,254	170,734
Total	**$ 200,130**	$ 275,751	$ 187,254	$ 170,734
School District's covered-employee payroll	**$ 601,630**	$ 637,023	$ 667,351	$ 695,089
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**0.00%**	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	**85.69%**	81.00%	87.00%	88.29%

Note: The measurement date for the year ended June 30, 2018 is June 30, 2017. 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 "4"

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30

		2018
School District's proportion of the net OPEB liability		**0.096562%**
School District's proportionate share of the net OPEB liability	**$**	**13,566,922**
State of Georgia's proportionate share of the net OPEB liability associated with the School District		**-**
		13,566,922
School District's covered - employee payroll	**$**	**6,459,307**
School District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll		**210.04%**
Plan fiduciary net position as a percentage of the total OPEB liability		**1.61%**

Note: The measurement date for the year ended June 30, 2018 is June 30, 2017. 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 "5"

SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30

	2018	2017
Contractually required contribution	**$ 519,482**	$ 503,484
Contributions in relation to the contractually required contribution	**519,482**	503,484
Contribution deficiency (excess)	**$ -**	$ -
School District's covered-employee payroll	**$ 6,374,147**	$ 6,459,307
Contributions as a percentage of covered-employee payroll	8.15%	7.79%

Note: 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, 2018

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).

School OPEB Fund

Changes of benefit items: In the June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

Changes of assumptions: In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location. Additionally, there were changes to the discount rate and an increase in the investment rate of return due to a longer term investment strategy.

In the June 30, 2015 actuarial valuation, decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.

In the June 30, 2012 actuarial valuation, a data audit was performed and data collection procedures and assumptions were changed.

HANCOCK COUNTY BOARD OF EDUCATION

SCHEDULE "7"

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget			Variance With
	Original [1]	Final [1]	Actual	Final Budget
REVENUES				
Property taxes	$ 5,113,676	$ 5,113,676	$ 5,345,282	$ 231,606
Sales taxes	20,000	20,000	52,292	32,292
State funds	5,545,136	5,502,005	4,752,647	(749,358)
Federal funds	3,761,521	3,852,100	4,286,301	434,201
Charges for services	-	-	173,352	173,352
Investment earnings	7,000	7,000	2,884	(4,116)
Miscellaneous	198,229	200,700	121,215	(79,485)
Total revenues	14,645,562	14,695,481	14,733,973	38,492
EXPENDITURES				
Current:				
Instruction	7,696,260	7,257,717	6,951,018	306,699
Support services:				
Pupil services	726,615	783,879	804,720	(20,841)
Improvement of instructional services	642,647	797,972	933,046	(135,074)
Educational media services	307,655	166,655	84,938	81,717
General administration	507,467	566,056	309,648	256,408
School administration	933,885	946,185	1,033,823	(87,638)
Business administration	342,478	342,478	274,178	68,300
Maintenance and operation of plant	1,584,206	1,607,571	1,801,159	(193,588)
Student transportation services	1,184,150	1,174,614	1,180,108	(5,494)
Central support services	385,781	385,781	404,442	(18,661)
Other support services	177,047	183,214	157,104	26,110
Food services operations	1,349,998	1,351,798	902,872	448,926
Debt service:				
Principal retirement	-	-	11,383	(11,383)
Interest and fiscal charges	-	-	395	(395)
Total expenditures	15,838,189	15,563,920	14,848,834	715,086
Excess (deficiency) of revenues over (under) expenditures	(1,192,627)	(868,439)	(114,861)	753,578
OTHER FINANCING USES				
Other uses	(2,900,600)	(1,500,600)	-	1,500,600
Total other financing uses	(2,900,600)	(1,500,600)	-	1,500,600
Net change in fund balances	(4,093,227)	(2,369,039)	(114,861)	2,254,178
FUND BALANCE, beginning of year	1,499,208	1,499,208	1,499,208	-
FUND BALANCE, end of year	$ (2,594,019)	$ (869,831)	$ 1,384,347	$ 2,254,178

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 $127,786 and $164,052, 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.

HANCOCK COUNTY BOARD OF EDUCATION

SCHEDULE "8"

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
Agriculture, U.S. Department of			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
Food Services			
School Breakfast Program	10.553	18185GA324N1099	$ 306,049
National School Lunch Program	10.555	18185GA324N1100	516,276
Total Child Nutrition Cluster			822,325
Other Programs			
State Administrative Expenses	10.560	16165GA904N2533	1,327
Total U.S. Department of Agriculture			823,652
Education, U.S. Department of			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Grants to States	84.027	H027A170073	285,465
Preschool Grants	84.173	H173A170081	6,463
Total Special Education Cluster			291,928
Other Programs			
Title I Grants to Local Education Agencies	84.010	S010A160010	21,761
Title I Grants to Local Education Agencies	84.010	S010A170010	649,782
Supporting Effective Instruction State Grants	84.367	S367A160001	27,161
Supporting Effective Instruction State Grants	84.367	S367A170001	27,931
Rural Education	84.358	S358B160010	13,506
Rural Education	84.358	S358B170010	10,529
Career and Technical Education - Basic Grants to States	84.048	V048A170010	12,918
Total other programs			763,588
Total U.S. Department of Education			1,055,516
Health and Human Services, U.S. Department of			
Direct			
Head Start Cluster			
Head Start	93.600	04CH4743-04-00	2,281,388
Total U.S. Department of Health and Human Services			2,281,388
Defense, U.S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.unknown	N/A	$ 66,771
Total Expenditures of Federal Awards			$ 4,227,327

N/A = Not Available

HANCOCK COUNTY BOARD OF EDUCATION

SCHEDULE "8"

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018. 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.

HANCOCK COUNTY BOARD OF EDUCATION

SCHEDULE "9"

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Agency/Funding	Governmental Fund Types: General Fund	Governmental Fund Types: Capital Projects Fund	Total
Grants			
Bright from the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 214,645	$ -	$ 214,645
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	237,616	-	237,616
Kindergarten Program - Early Intervention Program	3,141	-	3,141
Primary Grades (1-3) Program	523,797	-	523,797
Primary Grades - Early Intervention (1-3) Program	45,606	-	45,606
Upper Elementary Grades (4-5) Program	282,991	-	282,991
Upper Elementary Grades			
Early Intervention (4-5) Program	15,216	-	15,216
Middle School (6-8) Program	425,851	-	425,851
High School General Education (9-12) Program	385,870	-	385,870
Vocational Laboratory (9-12) Program	175,008	-	175,008
Students with Disabilities	678,325	-	678,325
Program for Intellectually Gifted Students - Category VI	5,743	-	5,743
Remedial Education Program	109,572	-	109,572
Alternative Education Program	32,317	-	32,317
Media Center Program	78,422	-	78,422
20 Days Additional Instruction	24,725	-	24,725
Staff and Professional Development	13,579	-	13,579
Indirect Cost			
Central Administration	282,699	-	282,699
School Administration	270,166	-	270,166
Facility Maintenance and Operations	173,030	-	173,030
Vocational Supervisors	8,252	-	8,252
Categorical Grants			
Pupil Transportation			
Pupil Transportation	342,356	-	342,356
Sparsity	140,981	-	140,981
Nursing Services	45,000	-	45,000
Mid-term Adjustment Hold-Harmless	196,916	-	196,916
Food Services	19,908	-	19,908
Amended Formula Adjustment	(65,561)	-	(65,561)
Other State Programs			
Math and Science Supplements	13,588	-	13,588
Preschool Handicapped Program	27,890	-	27,890
Teachers Retirement	2,828	-	2,828
Office of the State Treasurer			
Public School Employees Retirement System	42,170	-	42,170
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	452,620	452,620
	$ 4,752,647	$ 452,620	$ 5,205,267

HANCOCK COUNTY BOARD OF EDUCATION

SCHEDULE "10"

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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
Acquiring, 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	$ 620,163	$ 88,067	$ 532,096	$ 620,163	Complete
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	193,944	June 30, 2021
Project #6 Renovations	200,000	200,000	-	-	-	June 30, 2021
	$ 3,000,000	$ 2,620,163	$ 88,067	$ 726,040	$ 814,107	

(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.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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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

November 1, 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 have audited, 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, each major fund and the aggregate remaining fund information of the Hancock County (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 1, 2019. The report on aggregate remaining fund information was adverse because management did not include agency funds related to the fiduciary activities of its school activity (principal) accounts. Accounting principles generally accepted in the United States of America require agency funds to be reported as aggregate remaining fund information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 preceding paragraph 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 have not been identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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

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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-2018-001, FS-2018-002 and FS-2018-004 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 deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS-2018-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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-2018-004.

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 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 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

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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

November 1, 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 each of its major federal programs for the year ended June 30, 2018. The School District's major federal programs are 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 each of the School District's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

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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 each of its major federal programs for the year ended June 30, 2018.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as items FA-2018-001, FA-2018-002, FA-2018-003 and FA-2018-004, that we consider to be significant deficiencies.

The School District's responses to the internal controls over compliance findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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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

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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: **Further Action Not Warranted (1)**

(1) Finding/internal control deficiencies of this nature, that are deemed significant deficiencies or material weaknesses and not require reporting in the audit report in accordance with Statements on Auditing Standards (SAS) or Governmental Auditing Standards (Yellow Book) will be communicated in a management letter.

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 documentation is properly maintained. We have updated our internal control manual and implemented the procedures. This finding will be resolved by the end of fiscal year 2019.

FS-6701-12-09 **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.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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 Controls Procedures**
Control Category;	Cash and Cash Equivalents
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Further Action Not Warranted (1)

(1) Finding/internal control deficiencies of this nature, that are deemed significant deficiencies or material weaknesses and not require reporting in the audit report in accordance with *Statements on Auditing Standards* (SAS) or *Governmental Auditing Standards* (Yellow Book) will be communicated in a management letter.

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 documentation is properly maintained. 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.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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.

FS 2014-002	**Inadequate Internal Controls Procedures**
Control Category;	Cash and Cash Equivalents Investments
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Further Action Not Warranted (1)

(1) Finding/internal control deficiencies of this nature, that are deemed significant deficiencies or material weaknesses and not require reporting in the audit report in accordance with *Statements on Auditing Standards* (SAS) or *Governmental Auditing Standards* (Yellow Book) will be communicated in a management letter.

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 documentation is properly maintained. We have updated our internal control manual and implemented the procedures. This finding will 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, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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.

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-6701-2015-02	**Inadequate Internal Controls Procedures**
Control Category;	Cash and Cash Equivalents
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Further Action Not Warranted (1)

(1) Finding/internal control deficiencies of this nature, that are deemed significant deficiencies or material weaknesses and not require reporting in the audit report in accordance with *Statements on Auditing Standards* (SAS) or *Governmental Auditing Standards* (Yellow Book) will be communicated in a management letter.

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:	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 documentation is properly maintained. We have updated our internal control manual and implemented the procedures. This finding will 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, 2018

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	**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 resolved by the end of fiscal year 2019.

FS 2016-002	**Inadequate Internal Controls over Cash and Cash Equivalents**
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Further Action Not Warranted (1)

(1) Finding/internal control deficiencies of this nature, that are deemed significant deficiencies or material weaknesses and not require reporting in the audit report in accordance with *Statements on Auditing Standards* (SAS) or *Governmental Auditing Standards* (Yellow Book) will be communicated in a management letter.

FS 2016-003	**Inadequate 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 documentation is properly maintained. We have updated our internal control manual and implemented the procedures. This finding will 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, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-004	**Inadequate Internal Controls over Financial Reporting**
Control Category;	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented

FS 2016-005	**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 2016-006	**Inadequate Internal Controls over Budget Preparation/Execution**
Control Category;	Budget Preparation/Execution
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Non-Material Noncompliance
Finding Status:	Partially Resolved

The School District will establish appropriate procedures 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 2019.

FS 2017-001	**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 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, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-002	**Inadequate Internal Controls over Cash and Cash Equivalents**
Control Category:	Cash and Cash Equivalents
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	**Further Action Not Warranted (1)**

(1) Finding/internal control deficiencies of this nature, that are deemed significant deficiencies or material weaknesses and not require reporting in the audit report in accordance with Statements on Auditing Standards (SAS) or Governmental Auditing Standards (Yellow Book) will be communicated in a management letter.

FS 2017-003	**Inadequate 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 documentation is properly maintained. We have updated our internal control manual and implemented the procedures. This finding will be resolved by the end of fiscal year 2019.

FS 2017-004	**Inadequate Internal Controls over Financial Reporting**
Control Category;	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Previously Reported Corrective Action Implemented

FS 2017-005	**Inadequate Accounting Procedures**
Control Category;	General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

The School District will review current internal control procedures and ensure journal entries are approved in a timely manner This finding will be resolved by the end of fiscal year 2019.

FS 2017-006	**Inadequate Internal Controls over Capital Assets**
Control Category;	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Partially Resolved

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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 2017-007	**Inadequate Internal Controls over Budget Preparation/Execution**
Control Category;	Budget Preparation/Execution
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Non-Material Noncompliance
Finding Status:	Unresolved

The School District will establish appropriate procedures 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 2019.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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HANCOCK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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	Adverse

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? Yes

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 programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition 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 2018-001	Accounting Controls (Overall)
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-001, FS 2016-001, FS 2015-001, FS 2014-001, FS-6701-13-01 and FS-6701-12-01

Description:
The accounting procedures of the School District were insufficiently designed to provide for adequate internal controls over general and application access controls related to the School District's significant financial applications and the approval of journal entries.

Criteria:
The School District's management is responsible for designing and maintaining internal controls. Such internal controls would limit any one individual's access to both physical assets and the related accounting records.

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, which could have an effect on data that is used in the preparation of the financial statements.
- Physical access to the server room was not limited to technology personnel only.
- No process in place to review user access appropriateness at a predefined frequency.
- There is a lack of review when journal entries are recorded on the general ledger. A review of sixty journal entries revealed twenty-two that were not approved in a timely manner or no approval date was noted, and one had no approval.

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 to ensure internal controls were operating effectively.

Effect or Potential Effect:
The lack of adequate controls over the logical access to the School District's financial system and journal review process 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. Management should ensure that only technology personnel have access to the service room and periodic reviews are being performed to review the appropriateness of user access. 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. Management should review internal control procedures to ensure that all journal entries are approved and in a timely manner.

Views of Responsible Officials:
We concur with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2018-002	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 2017-003, 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 proper separation of duties and reasonable assurance that transactions are accurately processed according to established procedures.

Condition:
We observed several areas where control deficiencies existed related to school activity accounts.

Cash and Cash Equivalents

- The School District did not establish adequate separation of duties for the key accounting functions of cash receipting , deposit preparation, and custody of cash.

Revenues/Receivables/Receipts
A review of ten receipts revealed the following deficiencies:

- Two receipts were not provided for review.

Expenditures/Liabilities/Disbursements
A review of ten vouchers revealed the following deficiencies:

- Four of the vouchers provided were not supported by an invoice.
- Two of the vouchers provided did not contain evidence of receipt of goods.

General Ledger

- Student activity fund transactions were commingled into two governmental funds (general and athletics). No analysis was performed to determine the correct classification of account activity balances between governmental and agency funds; therefore, it is not possible to determine the balance, if any, of funds held for others.

Questioned Costs:
N/A

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
In discussing this deficiency with the School District, they stated that the cause was a direct result of the lack of resources to properly separate duties and time to train board personnel responsible for school activity account functions. The commingling of governmental and agency fund accounts was an attempt to clean up the accounts from previous years and ensure going forward that disbursements and receipts were recorded within in the correct club/organization; however, after consolidating all of the funds into two governmental accounts (general and athletics), the board failed to begin recording the receipts and disbursements to the applicable activity accounts.

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. Also, agency funds could be materially misstated.

Recommendation:
While we acknowledge the size of the staff may make it difficult to fully separate duties, we recommend that the School District make every effort to provide for a proper separation of duties between the cash receipting function, deposit preparation and cash custody. In the case when management determines separation of duties is not cost beneficial, management should implement compensating controls that reduce vulnerabilities in ineffectively separated functions and the risk of errors and fraud. Management should implement procedures to ensure that disbursements and receipts of funds are adequately documented. 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-2018-003	Internal Controls over Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-006, 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 for all assets.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- 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.
- 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 $43,645 that appeared to be impaired in accordance with GASB No. 42 and the capital asset policy.
- Three unrecorded capital asset purchases totaling $31,955 were noted during our testing of expenditures.

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.

Recommendation:
The School District should strengthen internal control procedures over capital assets to ensure that capital assets are recorded in accordance with the board's policy, all required elements are included on listing and adjustments are properly documented. Procedures should be implemented requiring properly documented inventory counts and review of expenses made during the year to verify the completeness of capital assets.

Views of Responsible Officials:
We concur with this finding.

FS-2018-004	Budget Deficit
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Repeat of Prior Year Finding:	FS-2017-007, FS-2016-006

Description:
The School District did not adopt a balanced general fund budget for fiscal year 2018.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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 unassigned fund balance from previous years must be used to fund the short fall. 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 were not balanced. Total anticipated revenues and beginning fund balance were less than total estimated expenditures resulting in an original budget deficit of $2,594,019 and a final budget deficit of $869,831, 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 other financing use for the federal programs.

Effect or Potential Effect:
Ineffective budgeting techniques in the original and final budget resulted in a budget deficit of $2,594,019 and $869,831, respectively, and noncompliance with Chapter IV-2 of the Financial Management for Georgia Local Units of Administration.

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

FA 2018-001	Improve Controls over Expenditures
Compliance Requirement:	Activities Allowed or Unallowed
	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Number:	04CH4743-04-00
Questioned Costs:	$9,274.97

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Description:
A review of expenditures charged to the Head Start program revealed that the School District did not implement internal control procedures to ensure that expenditures were recorded appropriately and were adequately documented.

Criteria:
2 CFR 200.403 prescribes the factors affecting allowability of costs and states in part that "costs must meet the following general criteria in order to be allowable under Federal awards: (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles… (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity… (g) Be adequately documented…"

In addition, 2 CFR 200.303(a) states in part that "non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award… (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards."

Condition:
A sample of 40 expenditures were selected for testing using a non-statistical sampling approach. These expenditures were reviewed to determine if appropriate internal controls were implemented and applicable compliance requirements were met. The following deficiencies were noted:

- Adequate supporting documentation was not maintained for one expenditure.
- For three expenditures, the amount recorded on the general ledger did not agree to supporting documentation.
- For one expenditure, sales tax was incorrectly charged per review of the invoice and paid by the School District.

Questioned Cost:
Questioned costs of $9,274.97 with likely questioned costs of $32,628.42 were identified for undocumented and/or unallowable expenditures.

Cause:
In discussing these deficiencies with the School District, they indicated that internal control procedures related to Head Start program expenditures were not adequately designed to ensure that documentation is properly maintained and expenditures were allowable. In addition, corrections were not made to the general ledger to appropriately reflect differences in check amounts and actual purchase amounts related to in-store purchases made in several instances.

Effect or Potential Effect:
Failure to ensure that expenditures are documented appropriately, allowable, and recorded correctly on the general ledger exposes the School District to unnecessary risk of error and misuse of Federal funds. Additionally, the School District is not in compliance with the Uniform Guidance.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should review current internal control procedures related to Head Start program expenditures. Where vulnerable, the School District should develop and/or modify its policies and procedures to ensure that all expenditures are reviewed for appropriate documentation, allowability, and proper presentation on the general ledger. Furthermore, management should develop and implement a monitoring process to ensure that controls are properly implemented.

Views of Responsible Officials:
We concur with this finding.

FA 2018-002	Strengthen Controls over Employee Compensation
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
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)
Federal Award Number:	18185GA324N1099 - School Breakfast Program 18185GA324N1100 - National School Lunch Program
Questioned Costs:	$31,362.00

Description:
The policies and procedures of the School District were insufficient to provide adequate internal controls over the employee compensation process as it relates to the Child Nutrition Cluster.

Criteria:
2 CFR section 200.430(i) states in part that "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity…"

In addition, 2 CFR 200.303(a) states in part that the "non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award… (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards."

Condition:
A random sample of five employees were selected for testing using a non-statistical sampling approach. These employees were reviewed to determine if internal controls were properly functioning and applicable compliance requirements were met. The following deficiencies were noted:

- For two of the employees tested, documentation could not be provided to support the salary payments.

Questioned Cost:
Questioned costs of $31,362.00, with likely questioned costs of $83,335.00, were identified for unsupported salary payments.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:
In discussing these issues with the School District, they stated that a lack of resources and inadequate policies and procedures over the maintenance of documentation associated with Child Nutrition Cluster salaries contributed to the issues noted.

Effect or Potential Effect:
Failure to pay employees of the Child Nutrition Cluster the appropriate amount and/or maintain documentation supporting these payments could result in the expenditure of funds for unallowable purposes. This may also expose the School District to unnecessary financial strains and shortages within the Child Nutrition Cluster fund. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:
The School District should evaluate their internal control processes regarding the retention of documentation to support employee compensation payments to ensure that Child Nutrition Cluster employees are paid appropriately. Furthermore, management should develop and implement a monitoring process to ensure that these procedures are properly implemented.

Views of Responsible Officials:
We concur with this finding.

FA 2018-003	Improve Controls over Equipment
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
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)
Federal Award Number:	18185GA324N1099 - School Breakfast Program 18185GA324N1100 - National School Lunch Program
Questioned Costs:	None Identified

Description:
The policies and procedures of the School District did not provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

Criteria:
2 CFR 200.313(d)(1) states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property." In addition, 2 CFR 200.313(d)(2) states, "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

The following deficiencies were noted when reviewing the Child Nutrition Cluster equipment listing:

- Property records did not include the following required components: (1) A serial number of other identification number, (2) the source of funding for the property (including the FAIN), (3) percentage of Federal participation in the project costs for the Federal award under which the property was acquired, and (4) use and condition of property.
- There was no evidence that a physical inventory has been performed in either the current year or the previous year.
- Two of the four equipment items physically located by auditors did not have legible serial numbers or other identification numbers.

Cause:

In discussing this deficiency with the School District, they stated that a physical inventory was performed, but the proper documentation was not completed to document the review. In addition, a lack of resources and inadequate policies and procedures over equipment maintenance contributed to the issues noted.

Effect or Potential Effect:

Failure to maintain a complete and accurate equipment listing and reconcile results of the physical inventory performed to the property records exposes the School District to unnecessary risk of error and misuse of equipment and/or Federal funds. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should develop and maintain an equipment listing that reflects all required information, including a description, an identifying number, the source of funding, the title holder, the acquisition date, the cost, the percentage of Federal participation in the project costs, the location, the use and condition, and any ultimate disposal data for each piece of equipment. In addition, management should implement controls to ensure that a complete physical inventory of equipment is performed at least once every two years.

Views of Responsible Officials:

We concur with this finding.

FA 2018-004	Strengthen Controls over Matching Requirements
Compliance Requirement:	Matching, Level of Effort, Earmarking
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Number:	04CH4743-04-00
Questioned Costs:	None Identified

Description:

The policies and procedures of the School District did not provide adequate internal controls over the matching requirements associated with the Head Start program.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Criteria:

45 CFR 1302.14(b)(1) states, "A program must ensure at least 10 percent of its total funded enrollment is filled by children eligible from services under IDEA [Individuals with Disabilities Act], unless the responsible HHS official grants a waiver."

Condition:

Our review of the targeted earmarking requirement revealed that the proper number of children eligible for service under the Individuals with Disabilities Act were not enrolled in the Head Start program. The School District was required to enroll a minimum of 19 children with disabilities in the Head Start program to be in compliance with Federal regulations. However, only 13 of these children were enrolled in the program.

Cause:

In discussing this deficiency with the School District, they indicated that a waiver for the requirement to enroll the minimum number of children with disabilities was not obtained appropriately.

Effect or Potential Effect:

Failure to ensure that matching requirements are met appropriately may lead to a reduction in funding for the Head Start program in future years and could result in unnecessary financial strains and shortages within the Head Start program fund. Additionally, the School District is not in compliance with Federal regulations specific to the Head Start program.

Recommendation:

The School District should review current internal control procedures related to Head Start program matching requirements and ensure that the appropriate number of children eligible for service under the Individuals with Disabilities Act are enrolled in the program or a waiver is obtained in the future. Furthermore, management should develop and implement a monitoring process to ensure that controls are properly implemented.

Views of Responsible Officials:

We concur with this finding.

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SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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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
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Superintendent of Schools

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Chairperson of Hancock County Board of Education

Anthony Gilchrist
Vice-Chairperson -District 1

Board Members

Devincey Holsey- District 2

Mary Jackson-District 3

Glashandrian Bell- District 4

Vision:
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CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2018-001 — **Accounting Controls (Overall)**
Control Category: Financial Reporting
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: FS 2017-001, 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. The School District will limit physical access to the server room and review user access on a predefined frequency. Internal controls over the journal entry process will be strengthened to ensure all journal entries are being reviewed on a timely basis and the review is properly documented.

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 2018-002 — **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 2017-003, 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 voucher packets contain evidence of receipt of goods. The School District will perform an analysis of school activity accounts to ensure that the accounts are classified correctly between governmental and agency funds. In addition, the School District will make every effort to separate duties over the school activity accounts.
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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CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2018-003 **Internal Controls over Capital Assets**
Control Category: **Capital Assets**
Internal Control Impact: **Significant Deficiency**
Compliance Impact: **None**
Repeat of Prior Year Finding: **FS 2017-005, 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 the capital asset listings contains all of the required elements, all capital asset purchases have been recorded, adequate documentation is maintained from physical inventory counts, capital asset policy is updated to agree with the actual method being used to calculate depreciation, and adjustments to capital asset listing are documented. In addition, the school district will review for impaired assets and ensure that the assets are properly valued.

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 2018-004 **Budget Deficit**
Control Category: **Budget Preparation/Execution**
Internal Control Impact: **Material Weakness**
Compliance Impact: **Material Noncompliance**
Repeat of Prior Year Finding: **FS 2017-007, 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
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CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA 2018-001	**Improve Controls over Expenditures**
Compliance Requirement:	**Activities Allowed or Unallowed Allowable Costs/Cost Principles**
Internal Control Impact:	**Significant Deficiency**
Compliance Impact:	**Nonmaterial Noncompliance**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Pass-Through Entity:	**Direct**
CFDA Number and Title:	**93.600 Head Start**
Federal Award Number:	**04CH4743-04-00**
Questioned Costs:	**$9,274.97**

Corrective Action Plans:
The Hancock County School District is in the process of updating the policies and procedures manual and will establish internal controls procedures to ensure all expenditures are adequately documented, allowable, and agree back to supporting documentation.

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

FA 2018-002	**Strengthen Controls over Employee Compensation**
Compliance Requirement:	**Allowable Costs/Cost Principles**
Internal Control Impact:	**Significant Deficiency**
Compliance Impact:	**Nonmaterial Noncompliance**
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)**
Federal Award Number:	**18185GA324N1099 - School Breakfast Program 18185GA324N1100 - National School Lunch Program**
Questioned Costs:	**$31,362.00**

Corrective Action Plans:
The Hancock County School District is in the process of updating the policies and procedures manual and will establish internal controls procedures to ensure all school food employees' salaries are adequately documented.

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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CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA 2018-003	**Improve Controls over Equipment**
Compliance Requirement:	**Equipment and Real Property Management**
Internal Control Impact:	**Significant Deficiency**
Compliance Impact:	**Nonmaterial Noncompliance**
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)**
Federal Award Number:	**18185GA324N1099 - School Breakfast Program 18185GA324N1100 - National School Lunch Program**
Questioned Costs:	**None Identified**

Corrective Action Plans:
The Hancock County School District is in the process of updating the policies and procedures manual and will establish internal controls procedures to improve controls over equipment related to School Nutrition.

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

FA 2018-004	**Strengthen Controls over Matching Requirements**
Compliance Requirement:	**Matching, Level of Effort, Earmarking**
Internal Control Impact:	**Significant Deficiency**
Compliance Impact:	**Nonmaterial Noncompliance**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Pass-Through Entity:	**Direct**
CFDA Number and Title:	**93.600 Head Start**
Federal Award Number:	**04CH4743-04-00**
Questioned Costs:	**None Identified**

Corrective Action Plans:
The Hancock County School District is in the process of updating the policies and procedures manual and will establish internal controls procedures to ensure earmarking requirements are met for the Head Start Program.

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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

Ms. Miranda Wilson, Ed.S.
Superintendent of Schools

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Chairperson of Hancock County Board of Education

Anthony Gilchrist
Vice-Chairperson -District 1

Board Members

Devincey Holsey- District 2

Mary Jackson-District 3

Glashandrian Bell- District 4

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.

If there are any questions or concerns, please do not hesitate to contact me.

Matthias Jones
Finance Director
Hancock County Board of Education

Miranda Wilson, Ed.S.
Superintendent of Schools
Hancock County Board of Education