

HANCOCK COUNTY BOARD OF EDUCATION
SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011
(Including Independent Auditor's Reports)

HANCOCK COUNTY BOARD OF EDUCATION

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FINANCIAL

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

September 10, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Hancock County Board of Education

INDEPENDENT AUDITOR'S COMBINED REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Hancock County Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hancock County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraphs, 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hancock County Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The School District did not properly perform reconciliation procedures for cash and cash equivalents for the fiscal year under review. Errors made during the implementation of the financial accounting system have created reconciling and reporting problems for the School District’s cash and cash equivalents, and the School District’s records did not provide sufficient information for the application of other auditing procedures to verify the completeness of cash and cash equivalents as reported in the governmental activities, General Fund and the aggregate remaining fund information reflected in the accompanying financial statements as of June 30, 2011. The aggregate effect on the financial statements was not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine documentation supporting cash and cash equivalents in the governmental activities, General Fund and the aggregate remaining fund information, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, General Fund and aggregate remaining fund information of the Hancock County Board of Education, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Capital Projects Fund and Debt Service Fund, as of June 30, 2011, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the Unites States of America.

The Hancock County Board of Education has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, on our consideration of the Hancock County Board of Education'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 25 is not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hancock County Board of Education's financial statements. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

GSG:as
2011ARL-24X

HANCOCK COUNTY BOARD OF EDUCATION

HANCOCK COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 864,513
Investments	86,333
Accounts Receivable, Net	
Taxes	1,960,981
Intergovernmental	
State	635,029
Federal	815,094
Other	4,844
Inventory	6,626
Prepaid Items	9,015
Deferred Charges	31,550
Capital Assets, Non-Depreciable	162,777
Capital Assets, Depreciable (Net of Accumulated Depreciation)	9,937,670
Total Assets	$ 14,514,432
LIABILITIES	
Accounts Payable	$ 290,506
Salaries and Benefits Payable	1,675,861
Accrued Interest Payable	17,810
Contracts Payable	153,582
Deferred Revenue	182,277
Bonds Payable, Due Within One Year	195,000
Bonds Payable, Due in More Than One Year	845,000
Capital Leases, Due Within One Year	124,172
Capital Leases, Due in More Than One Year	492,313
Total Liabilities	$ 3,976,521
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 8,443,962
Restricted for	
Continuation of Federal Programs	168,807
Debt Service	2,654
Capital Projects	124,283
Unrestricted	1,798,205
Total Net Assets	$ 10,537,911
Total Liabilities and Net Assets	$ 14,514,432

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

HANCOCK COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 7,347,769	$ 215,159
Support Services		
Pupil Services	658,221	
Improvement of Instructional Services	643,336	
Educational Media Services	104,636	
General Administration	888,750	
School Administration	902,910	
Business Administration	304,987	
Maintenance and Operation of Plant	1,206,431	
Student Transportation Services	1,103,912	
Central Support Services	365,572	
Other Support Services	232,701	
Operations of Non-Instructional Services		
Food Services	906,389	33,293
Interest on Long-Term Debt	81,435	
Total Governmental Activities	$ 14,747,049	$ 248,452
General Revenues		
Taxes		
Property Taxes, Levied for Maintenance and Operations		
Sales Taxes, for Capital Projects		
Intangible Taxes		
Transfer Taxes		
Railroad Equipment Tax		
Unrestricted Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
$ 5,180,767		$ -1,951,843
508,286		-149,935
363,960		-279,376
150,295		45,659
628,056		-260,694
618,638		-284,272
24,924		-280,063
645,706		-560,725
595,394	$ 152,584	-355,934
		-365,572
60,836		-171,865
901,991		28,895
		-81,435
$ 9,678,853	$ 152,584	$ -4,667,160
		$ 4,992,858
		444,975
		15,735
		6,924
		17,493
		6,307
		214,560
		$ 5,698,852
		$ 1,031,692
		9,506,219
		$ 10,537,911

HANCOCK COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 480,417	$ 384,096	$ 0	$ 864,513
Investments		86,333		86,333
Accounts Receivable, Net				
Taxes	1,960,981			1,960,981
Intergovernmental				
State	594,317	40,712		635,029
Federal	815,094			815,094
Other	4,844			4,844
Due From Other Funds	212,812			212,812
Inventories	6,626			6,626
Prepaid Items	9,015			9,015
Total Assets	$ 4,084,106	$ 511,141	$ 0	$ 4,595,247
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 290,506			$ 290,506
Salaries and Benefits Payable	1,675,861			1,675,861
Contracts Payable		$ 153,582		153,582
Due to Other Funds		212,812		212,812
Deferred Revenue	1,874,629			1,874,629
Total Liabilities	$ 3,840,996	$ 366,394		$ 4,207,390
FUND BALANCES				
Nonspendable				
Inventory	$ 6,626			$ 6,626
Prepaid Items	9,015			9,015
Restricted				
Federal Programs	162,181			162,181
Capital Projects		$ 124,283		124,283
Debt Service		20,464	$ 0	20,464
Unassigned	65,288			65,288
Total Fund Balances	$ 243,110	$ 144,747	$ 0	$ 387,857
Total Liabilities and Fund Balances	$ 4,084,106	$ 511,141	$ 0	$ 4,595,247

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

HANCOCK COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 387,857
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Cost	$ 19,016,023	
Less Accumulated Depreciation	-8,915,576	
Total Capital Assets		10,100,447
Taxes that are not available to pay for current period expenditures are deferred in the funds.		1,692,352
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Bonds Payable	$ -1,040,000	
Bond Issuance Costs, Net of Amortization	31,550	
Capital Leases	-616,485	
Accrued Interest	-17,810	
Total Long-Term Liabilities		-1,642,745
Net Assets of Governmental Activities (Exhibit "A")		$ 10,537,911

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

HANCOCK COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 5,215,443		$ 0	$ 5,215,443
Sales Taxes	40,152	$ 444,975		485,127
State Funds	4,936,326			4,936,326
Federal Funds	4,895,111			4,895,111
Charges for Services	248,452			248,452
Investment Earnings	5,825	482		6,307
Miscellaneous	212,961	1,599		214,560
Total Revenues	$ 15,554,270	$ 447,056	$ 0	$ 16,001,326
EXPENDITURES				
Current				
Instruction	$ 7,101,101	$ 0		$ 7,101,101
Support Services				
Pupil Services	653,543			653,543
Improvement of Instructional Services	643,336			643,336
Educational Media Services	104,636			104,636
General Administration	886,900			886,900
School Administration	902,910			902,910
Business Administration	332,571			332,571
Maintenance and Operation of Plant	1,155,707			1,155,707
Student Transportation Services	1,752,635			1,752,635
Central Support Services	365,572			365,572
Other Support Services	211,499			211,499
Food Services Operation	900,992			900,992
Debt Services				
Principal	25,290		$ 420,000	445,290
Interest	1,057		56,258	57,315
Total Expenditures	$ 15,037,749	$ 0	$ 476,258	$ 15,514,007
Excess of Revenues over (under) Expenditures	$ 516,521	$ 447,056	$ -476,258	$ 487,319
OTHER FINANCING SOURCES (USES)				
Capital Leases	$ 602,991			$ 602,991
Transfers In		$ 68,094	$ 476,258	544,352
Transfers Out	-68,094	-476,258		-544,352
Total Other Financing Sources (Uses)	$ 534,897	$ -408,164	$ 476,258	$ 602,991
Net Change in Fund Balances	$ 1,051,418	$ 38,892	$ 0	$ 1,090,310
Fund Balances - Beginning	-808,308	105,855	0	-702,453
Fund Balances - Ending	$ 243,110	$ 144,747	$ 0	$ 387,857

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

HANCOCK COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2011

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ 1,090,310
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 819,589	
Depreciation Expense	-511,661	
Excess of Capital Outlay over Depreciation Expense		307,928
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-222,585
Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Assets and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:		
Deferral of Bond Issuance Costs	$ 37,860	
Amortization of Bond Issuance Costs	-6,310	
Total Bond Issuance Costs		31,550
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 assets. This amount is the net effect of these differences in the treatment of Long-Term Debt and related items.		
Principal Payments - Bonds	$ 420,000	
Principal Payments - Capital Leases	25,290	
Issuance of Capital Leases	-602,991	
Total Issuance of Long-Term Debt		-157,701
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. These activities consist of:		
Change in Accrued Interest		-17,810
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 1,031,692

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

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HANCOCK COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 0
LIABILITIES	
Cash Overdraft	$ 52,744
Funds Held for Others	-52,744
Total Liabilities	$ 0

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements and notes to the basic financial statements of the Hancock County Board of Education.

District-wide Statements:

The Statement of Net Assets 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 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 for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds. The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes 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 are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School System over the same twelve month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2011, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this Statement establish accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds.

CASH AND CASH EQUIVALENTS

Composition of Deposits

Cash and cash equivalents consist of cash on hand, demand deposits 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 Section 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

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. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year and equity investments are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. 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. Funds may be invested in the following:

1. Obligations issued by the State of Georgia or by other states,
2. Obligations issued by the United States government,
3. Obligations fully insured or guaranteed by the United States government or a United States government agency,
4. Obligations of any corporation of the United States government,
5. Prime banker's acceptances,
6. The Georgia Fund 1 administered by the State of Georgia, Office of the State Treasurer,
7. Repurchase agreements, and
8. Obligations of other political subdivisions of the State of Georgia.

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

RECEIVABLES

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

PROPERTY TAXES

The Hancock County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on December 29, 2010 (levy date). Taxes were due on March 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. 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, 2011, for maintenance and operations amounted to $5,215,443.

Tax millage rates levied for the 2010 tax year (calendar year) for the Hancock Board of Education were as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	13.199 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $444,975 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

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 periods subsequent to June 30, 2011, are recorded as prepaid items.

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued 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 estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. 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. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

Capitalization thresholds and estimated useful lives of capital assets reported in the District-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
Intangible Assets	$ 300,000	3 to 20 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized.

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 20 years.

GENERAL OBLIGATION BONDS

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

NET ASSETS

The School District's net assets in the District-wide Statements are classified as follows:

Invested in capital assets, net of related debt - This represents the School District's total investment in capital assets, net of 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 invested in capital assets, net of related debt.

Restricted net assets - These represent resources for which the School District is legally or contractually obligated to spend resources for bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

Unrestricted net assets - Unrestricted net assets represent resources derived from property taxes, sales taxes, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

FUND BALANCES

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 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, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

Unassigned – The residual classification for the General Fund. This classification represents fund balances that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year end of not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

When multiple categories of fund balance are available for expenditure, 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.

DEFICIT FUND BALANCES

The fund reporting a deficit fund balance at June 30, 2011, is as follows:

Fund Type/Fund Name		Deficit Balance
Fiduciary Fund: Agency Fund	$	52,744

The School District plans to eradicate the deficit through a reduction in spending.

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.

NOTE 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (O.C.G.A.) Section 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 not less than 110 percent 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. Section 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 percent 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 or securities guaranteed 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 a bank failure, the School District's deposits may not be returned to it. At June 30, 2011, the bank balances were $1,146,318. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution in the School District's name.

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2011, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Maturities	Rating*	Fair Value
Georgia Fund One	59 Day Weighted Average	AAAm	$ 52,800
Fidelity Institutional Treasury (Money Market Mutual Funds)	35 Day Weighted Average	AAA	33,533
Total Investments			$ 86,333

*Rating as per Standard and Poor's

The Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer 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 (Primary Liquidity Portfolio and Extended Asset Portfolio) 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 http://www.audits.ga.gov/SGD/cafr.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does 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. The pool is an AAAm 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, 2011, was 59 days.

NOTE 4: 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 5: CAPITAL ASSETS

The following is a summary of changes in the Capital Assets during the fiscal year:

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 162,777	$ 0	$ 0	$ 162,777
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 15,284,346	$ 37,991	$ 0	$ 15,322,337
Equipment	2,440,415	781,598		3,222,013
Land Improvements	308,896			308,896
Less: Accumulated Depreciation:				
Buildings and Improvements	6,566,806	319,874		6,886,680
Equipment	1,805,809	170,916		1,976,725
Land Improvements	31,300	20,871		52,171
Total Capital Assets, Being Depreciated, Net	$ 9,629,742	$ 307,928	$ 0	$ 9,937,670
Governmental Activity Capital Assets - Net	$ 9,792,519	$ 307,928	$ 0	$ 10,100,447

Capital assets being acquired under capital leases as of June 30, 2011, are as follows:

	Governmental Funds
Equipment	$ 722,923
Less: Accumulated Depreciation	65,996
	$ 656,927

Current year depreciation expense by function is as follows:

Instruction		$ 311,311
Support Services		
Pupil Services	$ 4,678	
General Administration	1,850	
Business Administration	10,276	
Maintenance and Operation of Plant	50,724	
Student Transportation Services	106,223	
Central Support Services	21,202	194,953
Food Services		5,397
		$ 511,661

NOTE 6: 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 at June 30, 2011, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	$ 212,812	
District-wide Capital Projects		$ 212,812
	$ 212,812	$ 212,812

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

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

	Transfers From	
Transfer to	General Fund	District-wide Capital Projects
District-wide Capital Projects	$ 68,094	
Debt Service Fund		$ 476,258
Total	$ 68,094	$ 476,258

Transfers from the District-wide Capital Projects Fund were used to move SPLOST revenue to the Debt Service Fund for payment of bonds. Transfers from the General Fund were used to fund capital projects.

Note 8: RISK MANAGEMENT

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

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

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and 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
2010	$ 22,738	$ 38,648	$ 43,782	$ 17,604
2011	$ 17,604	$ 41,318	$ 58,922	$ 0

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

Position Covered	Amount
Superintendent	$ 100,000
Finance Director	$ 50,000

NOTE 9: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ 500,500	$ 675,500	$ 1,176,000	$ 0

NOTE 10: LONG-TERM DEBT

CAPITAL LEASES

The Hancock County Board Of Education entered into various lease agreements for buses and copiers. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2005	3.15% - 4.10%	$ 1,040,000

The changes in Long-Term Debt during the fiscal year ended June 30, 2011, were as follows:

	Governmental Funds				
	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
G. O. Bonds	$ 1,460,000		$ 420,000	$ 1,040,000	$ 195,000
Capital Leases	38,784	$ 602,991	25,290	616,485	124,172
	$ 1,498,784	$ 602,991	$ 445,290	$ 1,656,485	$ 319,172

At June 30, 2011, payments due by fiscal year which includes principal and interest for these items are as follows:

	Capital Leases	
	Principal	Interest
Fiscal Year Ended June 30:		
2012	$ 124,172	$ 19,661
2013	119,179	19,588
2014	119,377	14,925
2015	124,152	10,150
2016	129,605	5,197
Total Principal and Interest	$ 616,485	$ 69,521

	General Obligation Debt	
	Principal	Interest
Fiscal Year Ended June 30:		
2012	$ 195,000	$ 40,928
2013	200,000	33,615
2014	210,000	25,915
2015	215,000	17,620
2016	220,000	9,020
Total Principal and Interest	$ 1,040,000	$ 127,098

NOTE 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $44,469 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Non-Certificated Personnel
In the amount of $33,614

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $10,855

NOTE 12: 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. 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 be material to the basic financial statements.

NOTE 13: SUBSEQUENT EVENTS

On September 20, 2011, the Hancock County Board of Education issued a $1,175,500 temporary loan in advance of property tax collections. Proceeds from this short-term loan were issued to provide cash for operations until property tax collections were received by the School District. The maturity date of the loan was December 30, 2011. Two draws totaling $1,175,500 were required to meet the cash flow needs for the School District. The note was repaid on December 21, 2011.

NOTE 14: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2011:

For certificated teachers, librarians and regional educational service agencies:

July 2010 - April 2011	21.955%	of covered payroll for August - May Coverage
May 2011 - June 2011	1.429%	of covered payroll for June - July Coverage

For non-certificated school personnel:

July 2010 - December 2010	$162.72	per member per month
January 2011 - May 2011	$218.20	per member per month
June 2011	$246.20	per member per month

The Department of Education was appropriated an additional $25,081,633 for non-certificated personnel health insurance payments. The amount attributable to the School District is reflected in the On-behalf note disclosure.

No additional contribution was required by the Board for fiscal year 2011 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

Currently the State is requiring the local Boards of Education to pay only on active employees. The District's contribution to the health insurance plans for the fiscal years ended June 30, 2011, 2010 and 2009 was $1,018,799, $815,163 and $725,674, respectively, which equaled the required contribution. Currently, the State of Georgia has been making the remaining contributions to fund the pay as you go financing on behalf of all local Boards of Education.

NOTE 15: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description. The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. The Teachers' Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers' Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living

adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed		Required Contribution
2011	100%	$	731,361
2010	100%	$	721,235
2009	100%	$	717,426

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

Bus drivers, lunchroom personnel, and maintenance and custodial personnel are members of the Public School Employees' Retirement System of Georgia. The System is funded by contributions by the employees and by the State of Georgia. The School District makes no contribution to this plan.

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HANCOCK COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE WITH
	ORIGINAL (1)	FINAL (1)	AMOUNTS	FINAL BUDGET
REVENUES				
Property Taxes	$ 5,083,676	$ 5,083,676	$ 5,215,443	$ 131,767
Sales Taxes	13,280	13,280	40,152	26,872
State Funds	4,716,685	4,937,361	4,936,326	-1,035
Federal Funds	2,494,616	5,150,041	4,895,111	-254,930
Charges for Services			248,452	248,452
Investment Earnings	1,000	1,000	5,825	4,825
Miscellaneous	160,000	160,000	212,961	52,961
Total Revenues	$ 12,469,257	$ 15,345,358	$ 15,554,270	$ 208,912
EXPENDITURES				
Current				
Instruction	$ 5,850,464	$ 7,386,414	$ 7,101,101	$ -285,313
Support Services				
Pupil Services	573,059	843,830	653,543	-190,287
Improvement of Instructional Services	332,764	604,181	643,336	39,155
Educational Media Services	280,029	289,160	104,636	-184,524
General Administration	638,628	832,730	886,900	54,170
School Administration	933,870	1,005,390	902,910	-102,480
Business Administration	471,103	483,270	332,571	-150,699
Maintenance and Operation of Plant	1,100,175	1,222,549	1,155,707	-66,842
Student Transportation Services	878,792	1,134,533	1,752,635	618,102
Central Support Services	274,959	276,459	365,572	89,113
Other Support Services	145,349	257,171	211,499	-45,672
Food Services Operation	68,242	74,442	900,992	826,550
Capital Outlay	250,815	310,815		-310,815
Debt Service			26,347	26,347
Total Expenditures	$ 11,798,249	$ 14,720,944	$ 15,037,749	$ 316,805
Excess of Revenues over (under) Expenditures	$ 671,008	$ 624,414	$ 516,521	$ -107,893
OTHER FINANCING SOURCES (USES)				
Capital Leases			$ 602,991	$ 602,991
Transfers In	$ 3,000	$ 3,000		-3,000
Transfers Out			-68,094	-68,094
Total Other Financing Sources (Uses)	$ 3,000	$ 3,000	$ 534,897	$ 531,897
Net Change in Fund Balances	$ 674,008	$ 627,414	$ 1,051,418	$ 424,004
Fund Balances - Beginning	-808,308	-808,308	-808,308	0
Fund Balances - Ending	$ -134,300	$ -180,894	$ 243,110	$ 424,004

Notes 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 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.

See notes to the basic financial statements.

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program	*	10.553	N/A	(2)	
National School Lunch Program	*	10.555	N/A	$ 806,060	(1)
Total U. S. Department of Agriculture				$ 806,060	
Education, U. S. Department of					
Education of Homeless Children and Youth Cluster					
Pass-Through From Georgia Department of Education					
Education for Homeless Children and Youth		84.196	N/A	$ 13,617	
Educational Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
Education Technology State Grants		84.318	N/A	$ 10,293	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States	*	84.391	N/A	$ 30,528	
ARRA - Preschool Grants	*	84.392	N/A	1,340	
Grants to States	*	84.027	N/A	294,381	
Preschool Grants	*	84.173	N/A	8,771	
Total Special Education Cluster				$ 335,020	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 74,591	
Title I Grants to Local Educational Agencies	*	84.010	N/A	721,539	
Total Title I, Part A Cluster				$ 796,130	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 21,907	
Education Jobs Fund	*	84.410	N/A	246,624	
Improving Teacher Quality State Grants		84.367	N/A	145,862	
Mathematics and Science Partnerships		84.366	N/A	1,521	
Rural Education		84.358	N/A	25,386	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	2,717	
Twenty-First Century Community Learning Centers		84.287	N/A	338,701	
Total Other Programs				$ 782,718	
Total U. S. Department of Education				$ 1,937,778	

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Health and Human Services, U. S. Department of				
Head Start Cluster				
Direct				
ARRA - Head Start	*	93.708		$ 24,833
ARRA - Early Head Start	*	93.709		853,714
Head Start	*	93.600		1,205,946
Total Head Start Cluster				$ 2,084,493
Defense, U. S. Department of				
Direct				
Department of the Air Force				
R.O.T.C. Program				$ 62,747
Total Expenditures of Federal Awards				$ 4,891,078

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of $15,943.
(2) Expenditures for the funds earned on the School Breakfast Program ($239,270) were not maintained separately and are included in the 2011 National School Lunch Program.

Major Programs are identified by an asterisk (*) in front of the CFDA number.

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Hancock County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2011

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 351,876
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	299,293
Kindergarten Program - Early Intervention Program	-934
Primary Grades (1-3) Program	630,702
Primary Grades - Early Intervention (1-3) Program	160,756
Upper Elementary Grades (4-5) Program	304,976
Upper Elementary Grades - Early Intervention (4-5) Program	79,071
Middle School (6-8) Program	516,225
High School General Education (9-12) Program	644,334
Vocational Laboratory (9-12) Program	88,503
Students with Disabilities	710,754
Program for Intellectually Gifted Students - Category VI	53,520
Remedial Education Program	112,309
Alternative Education Program	45,623
Media Center Program	96,661
20 Days Additional Instruction	30,819
Staff and Professional Development	19,277
Indirect Cost	
Central Administration	269,607
School Administration	279,951
Facility Maintenance and Operations	238,018
Categorical Grants	
Pupil Transportation	
Regular	326,751
Sparsity	
Nursing Services	35,554
Mid-term Adjustment Hold-Harmless	142,843
Vocational Supervisors	7,318
Food Services	19,858
Vocational Education	4,463
Amended Formula Adjustment	-778,487
Other State Programs	
Dual Enrollment Funding	2,160
Health Insurance	33,614
Mentoring Program	6,000
Preschool Handicapped Program	21,516
Pupil Transportation - State Bonds	152,584
Special Needs Reimbursement	876
Office of the State Treasurer	
Public School Employees Retirement	10,855
OTHER	
Governors Office of Highway Safety	
Department of Public Safety	
Driver Education Grant	19,080
	$ 4,936,326

See notes to the basic financial statements.

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2011

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEAR (3)	PROJECT STATUS
Acquiring, constructing and equipping new school buildings and other buildings and facilities useful or desirable in connection therewith, including a new auditorium/performing arts center, (ii) acquiring, constructing and equipping administrative offices, auxiliary education programs, and miscellaneous office space, (iii) acquiring communication equipment, technology, including computers, and other equipment, including buses and transportation equipment, (iv) adding to, renovating, repairing, improving and equipping existing school buildings and grounds, agricultural facilities and athletic facilities, and other buildings and facilities useful or desirable in connection therewith, including but not limited to M.E. Lewis Elementary School and Hancock Central Middle/High School, (v) acquiring land useful or desirable for the purpose of future expansion and associated costs, and (vi) completing any capital outlay projects authorized in connection with the sales and use tax currently in effect					
Project #1 M.E. Lewis Elementary School renovation/New Athletic facilities	$ 195,000	$ 195,000		$ 214,855	Ongoing
Project #2 Debt Service paid on prior Bonds	1,167,100	1,167,100	$ 476,258	475,433	Ongoing
Project #3 Purchase of school buses	800,000	800,000			Ongoing
Project #4 Purchase of Technology	600,000	600,000			Ongoing
Other Various Projects	987,900				Ongoing
	$ 3,750,000	$ 2,762,100	$ 476,258	$ 690,288	

(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 and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

See notes to the basic financial statements

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HANCOCK COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2011

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 427,711	$ 318,211	$ 1,399	$ 319,610
Primary Grades (1-3) Program	871,032	276,258	1,370	277,628
Primary Grades-Early Intervention (1-3) Program	220,224	409,447	1,071	410,518
Upper Elementary Grades (4-5) Program	405,626	633,671	1,214	634,885
Upper Elementary Grades-Early Intervention (4-5) Program	116,311	74,423	1,031	75,454
Middle School (6-8) Program	747,535	541,301	15,142	556,443
High School General Education (9-12) Program	946,723	815,118	5,457	820,575
Vocational Laboratory (9-12) Program	142,240	210,730	7,583	218,313
Students with Disabilities	1,046,270			
Category I		120,008		120,008
Category II		140,661		140,661
Category III		171,810		171,810
Gifted Student - Category VI	73,539	29,932	1,038	30,970
Remedial Education Program	166,909	175,157		175,157
Alternative Education Program	67,380	92,751		92,751
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 5,231,500	$ 4,009,478	$ 35,305	$ 4,044,783
Media Center Program	141,376	225,594	75	225,669
Staff and Professional Development	27,345			19,479
TOTAL QBE FORMULA FUNDS	$ 5,400,221	$ 4,235,072	$ 35,380	$ 4,289,931

(1) Comprised of State Funds plus Local Five Mill Share.

(2) Allotments do not include the impact of the State amended formula adjustment.

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 10, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
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*

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hancock County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Hancock County Board of Education's basic financial statements and have issued our report thereon dated September 10, 2012. This report was qualified for a scope limitation, as identified in the auditor's report on the basic financial statements. 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.

Internal Control Over Financial Reporting

Management of Hancock County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hancock County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures 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 Hancock County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hancock County Board of Education's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items FS-6701-11-01, FS-6701-11-02, FS-6701-11-04, and FS-6701-11-06 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 items FS-6701-11-03, FS-6701-11-05, and FS-6701-11-07 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Hancock County Board of Education in a separate letter dated September 10, 2012.

Hancock County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Management's Responses. We did not audit Hancock County Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Hancock County Board of Education, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011YB-40X

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

September 10, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Hancock County Board of Education

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ladies and Gentlemen:

Compliance

We have audited Hancock County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. Hancock County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Hancock County Board of Education's management. Our responsibility is to express an opinion on Hancock County Board of Education's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Hancock County Board of Education'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. Our audit does not provide a legal determination on Hancock County Board of Education's compliance with those requirements.

As described in items FA-6701-11-01 and FA-6701-11-05 in the accompanying Schedule of Findings and Questioned Costs, Hancock County Board of Education did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Reporting that are

applicable to its Title I, Part A Cluster. Compliance with such requirements is necessary, in our opinion, for Hancock County Board of Education to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Hancock County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items FA-6701-11-02, FA-6701-11-03, FA-6701-11-04, and FA-6701-11-06.

Internal Control Over Compliance

Management of Hancock County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Hancock County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Hancock County Board of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as FA-6701-11-01, and FA-6701-11-05 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items FA-6701-11-02, FA-6701-11-03, FA-6701-11-04, and FA-6701-11-06 to be significant deficiencies.

Hancock County Board of Education's responses to the findings identified in our audit are described in the accompanying Schedule of Management's Responses. We did not audit Hancock County Board of Education's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, members of the Hancock County Board of Education, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011SA-55

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS	SEE AUDITOR'S COMMENTS
FS-6701-06-10	Further Action Not Warranted	(1)
FS-6701-09-01	Previously Reported Corrective Action Implemented	
FS-6701-09-02	Further Action Not Warranted	
FS-6701-09-03	Further Action Not Warranted	
FS-6701-09-04	Further Action Not Warranted	
FS-6701-09-05	Further Action Not Warranted	
FS-6701-09-06	Further Action Not Warranted	
FS-6701-09-07	Previously Reported Corrective Action Implemented	
FS-6701-10-01	Unresolved - See Corrective Action/Responses	
FS-6701-10-02	Partially Resolved - See Corrective Action/Responses	
FS-6701-10-03	Partially Resolved - See Corrective Action/Responses	
FS-6701-10-04	Partially Resolved - See Corrective Action/Responses	
FS-6701-10-05	Partially Resolved - See Corrective Action/Responses	
FS-6701-10-06	Unresolved - See Corrective Action/Responses	
FS-6701-10-07	Partially Resolved - See Corrective Action/Responses	
FS-6701-10-08	Previously Reported Corrective Action Implemented	

AUDITOR'S COMMENTS

(1) While this finding will not be reported or require follow-up in subsequent years, management still has responsibility for the resolution of this finding.

CORRECTIVE ACTION/RESPONSES

ACCOUNTING CONTROLS (OVERALL)
Inadequate Access Controls-Separation of Duties
Finding Control Number: FS-6701-10-01

We concur with this finding. The School District will implement procedures to ensure that access control duties are separated.

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Finding Control Number: FS-6701-10-02

We concur with this finding. The School District will implement procedures for designing and maintaining internal controls over Cash and Cash Equivalents

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls over School Activity Accounts
Finding Control Number: FS-6701-10-03

The School District will revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures and implement procedures to ensure that key accounting functions of custody, record keeping, and authorization are separated, utilize management oversight of these incompatible activities, and implement procedures to ensure that expenditures of school activity accounts are properly documented and approved prior to payment.

BUDGET PREPARATION/EXECUTION
Deficit Fund Balance
Finding Control Number: FS-6701-10-04

The School District has established policies and procedures designed to ensure that in future periods the School District does not report a deficit fund balance.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls
Finding Control Number: FS-6701-10-05

The School District will develop and implement procedures sufficient to ensure that all expenditures are properly approved, adequately documented, follow State and local procurement policies, and are recorded in the proper accounting period.

GENERAL LEDGER
Inadequate Accounting Procedures
Finding Control Number: FS-6701-10-06

The School District will review current internal control procedures to ensure that journal entries are properly approved, documented, and posted in the accounting records.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Finding Control Number: FS-6701-10-07

The School District will reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. The Finance Director will perform an administrative review to ensure the accuracy of capital asset records and make appropriate adjustments to ensure that capital asset records and procedures for maintaining capital assets and conform to generally accepted accounting principles.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS	SEE AUDITOR'S COMMENTS
FA-6701-06-01	Further Action Not Warranted	(1)
FA-6701-06-02	Further Action Not Warranted	(1)
FA-6701-06-03	Further Action Not Warranted	(1)
FA-6701-06-04	Further Action Not Warranted	(1)
FA-6701-06-08	Further Action Not Warranted	(1)
FA-6701-06-09	Further Action Not Warranted	(1)
FA-6701-06-10	Further Action Not Warranted	(1)
FA-6701-06-13	Further Action Not Warranted	(1)
FA-6701-06-16	Further Action Not Warranted	(1)
FA-6701-08-02	Previously Reported Corrective Action Implemented	
FA-6701-09-01	Further Action Not Warranted	(1)
FA-6701-09-02	Previously Reported Corrective Action Implemented	
FA-6701-09-03	Previously Reported Corrective Action Implemented	
FA-6701-10-01	Partially Resolved - See Corrective Action/Responses	
FA-6701-10-02	Partially Resolved - See Corrective Action/Responses	
FA-6701-10-03	Unresolved - See Corrective Action/Responses	
FA-6701-10-04	Previously Reported Corrective Action Implemented	
FA-6701-10-05	Unresolved - See Corrective Action/Responses	
FA-6701-10-06	Unresolved - See Corrective Action/Responses	

AUDITOR'S COMMENTS

(1) While these findings will not be reported or require follow-up in subsequent years, management still has responsibility for the resolution of these findings.

CORRECTIVE ACTION/RESPONSES

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
PROCUREMENT, SUSPENSION AND DEBARMENT
Inadequate Internal Control Procedures
U. S. Department of Education
Through Georgia Department of Education
Title I Grants to Local Educational Agencies (CFDA 84.010)
Finding Control Number: FA-6701-10-01

The School District will implement procedures to ensure that all expenditures charged to the Federal program are allowable under OMB Circular A-87, approved by the program director and superintendent, and are properly documented. We will contact the Georgia Department of Education to see if a reclaim of funds is appropriate.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
PROCUREMENT, SUSPENSION AND DEBARMENT
PERIOD OF AVAILABILITY
Inadequate Internal Control Procedures
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Control Number: FA-6701-10-02

The School District will implement internal controls for monitoring compliance with Federal guidelines. The School District will review the internal controls for Federal compliance procedures in place, design procedures which will enhance monitoring compliance with Federal guidelines and implement proper internal controls relative to the findings of School Breakfast Program (CFDA 10.553), and the Food Services – National School Lunch Program (CFDA No. 10.555).

CASH MANAGEMENT
Excessive Cash Balance
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027, 84.173, 84.391 and 84.392)
Title I, Part A Cluster (CFDA 84.010 and 84.389)
Finding Control Number: FA-6701-10-03

The School District will implement procedures to accurately forecast cash needs on the required Contract Expenditure Reports. The new procedures will accurately forecast cash needs based on actual expenditures incurred in order to minimize or eliminate the time elapsing between the transfer of funds from the Georgia Department of Education and the disbursement of such funds by the School District. Once the information has been evaluated, the Georgia Department of Education will determine if a reclaim is appropriate and the Hancock County Board of Education will respond to this reclaim.

REPORTING
Failure to Refund Unexpended Grants
U. S. Department of Education
Through Georgia Department of Education
Career and Technical Education – Basic Grants to States (CFDA 84.048)
Title I Grants to Local Educational Agencies (CFDA 84.010)
Finding Control Number: FA-6701-10-05

Appropriate procedures will be implemented to ensure that unexpended grant balances are refunded to the Georgia Department of Education. The School District will refund the unearned Federal grant funds to the Georgia Department of Education.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

SPECIAL REPORTING
Inadequate Internal Control Procedures
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Control Number: FA-6701-10-06

The School District will review the internal controls for Federal compliance procedures in place, and design procedures which will enhance compliance with Federal guidelines and implement proper internal controls relative to the findings of School Breakfast Program (CFDA No. 10.553), and the Food Services – National School Lunch Program (CFDA 10.555).

SECTION IV

FINDINGS AND QUESTIONED COSTS

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Aggregate Remaining Fund Information	Qualified
Capital Projects Fund; Debt Service Fund	Unqualified

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 weaknesses identified? Yes
- Significant deficiencies identified? Yes

Type of auditor's report issued on compliance for major programs:
Unqualified for all major programs except for Title I, Part A Cluster, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
93.600, 93.708, 93.709	Head Start Cluster
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: $300,000.00

Auditee qualified as low-risk auditee? No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

ACCOUNTING CONTROLS (OVERALL)
Inadequate Access Controls-Segregation of Duties
Material Weakness
Finding Control Number: FS-6701-11-01

Condition:
This is a repeat finding (FS-6701-10-01) from the year ended June 30, 2010. The policies and procedures of the School District were insufficient to provide adequate controls over logical access to the School District's financial system.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

Questioned Cost:
N/A

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

Cause:
Management failed to monitor and implement access to the School District's financial system to ensure that each user had appropriate access and that compensating controls outside of the financial system were appropriately functioning.

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

Recommendation:
The School District should review the access to the financial system and determine if the users' access is appropriate for the users' job duties. In addition, users with administrator access should be carefully reviewed to ensure that this access is only granted by IT personnel.

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Material Weakness
Finding Control Number: FS-6701-11-02

Condition:
This is a repeat finding (FS-6701-10-02, FS-6701-09-01 and FS-6701-08-01) from the years ended June 30, 2010, June 30, 2009 and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide adequate internal control procedures over the Cash and Cash Equivalents function.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Questioned Cost:
N/A

Information:
The School District failed to reconcile interfund cash activity of $610,606.79 reflected on the general ledger.

Cause:
These deficiencies were the result of management's failure to ensure that adequate internal control policies and procedures were established, implemented and functioning as intended with regard to Cash and Cash Equivalents.

Effect:
The lack of adequate control over cash increases the risk for theft, fraud, or misuse of School District resources that may result in errors and/or irregularities which would not be detected in a timely manner. This is a financial statement irregularity in accordance with Official Code of Georgia Annotated §20-2-67.

Recommendation:
The School District should monitor accounting controls and procedures currently in place, identify weaknesses and implement procedures to strengthen internal controls over cash and cash equivalents to ensure that activity is properly recorded on the general ledger

REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-6701-11-03

Condition:
This is a repeat finding (FS-6701-10-03, FS-6701-09-02 and FS-6701-08-02) from the year ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide adequate internal controls over school activity accounts.

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

Questioned Cost:
N/A

Information:
Revenues/Receivables/Receipts

- Numerous receipts were not supported by adequate documentation to determine if receipts were deposited in a timely manner or properly recorded.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Expenditures/Liabilities/Disbursements

- Numerous vouchers had no documentation indicating approval prior to purchase.
- Several vouchers had no evidence of receipt, did not have a purchase order or other supporting documentation.

Cause:

The deficiencies were a result of management's failure to ensure that internal controls were established, implemented, and functioning at the school level.

Effect:

Errors and/or irregularities may not be detected in a timely manner.

Recommendation:

The School District should revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures. In addition, management should implement procedures to ensure that adequate documentation is maintained for receipts and deposits are made in a timely manner. Finally, management should monitor expenditures to ensure proper documentation and approval is completed prior to payment.

BUDGET PREPARATION/EXECUTION
Deficit Fund Balance
Failure to Adopt a Balanced Budget
Material Weakness
Finding Control Number: FS-6701-11-04

Condition:

This is a repeat finding (FS-6701-10-04, FS-6701-09-03 and FS-6701-08-03) from the years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. At June 30, 2011, the Agency Fund of the Hancock County Board of Education reported a deficit fund balance. In addition, the School District failed to adopt a balanced budget for the General Fund.

Criteria:

Chapter 25 *Reporting for LUAs with Governmental Fund Deficit Balances* of the Financial Management for Georgia Local Units of Administration states in part: "The seriousness of fund balance deficits cannot be overstated. The Georgia Department of Education requires those LUAs with deficit balances to meet certain reporting requirements."

Chapter 32, *Preparing Operating Budgets*, of the Financial Management for Georgia Local Units of Administration (FMGLUA) 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 unreserved fund balance from previous years must be used to fund the shortfall. In the event there is insufficient unreserved fund balance from previous years to fund anticipated expenditures, then such expenditures must be reduced to equal anticipated revenues plus available unreserved fund balance".

Questioned Cost:

N/A

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Information:
The School District's Agency Fund reported a deficit fund balance in the amount of $52,744. In addition, the School District's original and final budgets for the General Fund budgeted deficit fund balances in the amount of $134,300 and $180,894, respectively.

Cause:
The School District failed to monitor expenditures to ensure that the School District did not exceed available resources. Additionally, the School District adopted an unbalanced budget for the General Fund.

Effect:
A financial statement irregularity in accordance with the Official Code of Georgia Annotated §20-2-67.

Recommendation:
The School District should establish policies and procedures designed to ensure that expenditures do not exceed availability of resources, so that in future periods the School District does not report a deficit fund balance. In addition, appropriate procedures should be implemented to ensure that the adopted budget for each budgeted fund is balanced as required.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls
Significant Deficiency
Finding Control Number: FS-6701-11-05

Condition:
This is a repeat finding (FS-6701-10-05, FS-6701-09-04 and FS-6701-08-04) from the years ended June 30, 2010, June 30, 2009 and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide adequate internal controls over the expenditure process.

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

Questioned Cost:
N/A

Information:
A review of vouchers revealed the following deficiencies:

- Several vouchers had no documentation indicating approval prior to purchase.
- Several vouchers had no invoice or other supporting documentation.
- Vouchers were identified as not being recorded in the correct period, resulting in a misstatement of $5,790.00.
- It was noted that $12,271.65 was paid to School District employees for stipends or additional time worked through per diem or other expenditure instead of through the payroll process.
- Several vouchers were charged to the wrong account.
- The validity of some accounts payables could not be determined due to inadequate documentation.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
Management failed to adequately monitor and implement procedures to ensure that appropriate internal controls were established, implemented and functioning.

Effect:
The lack of adequate control over expenditures may result in misstatements which would not be detected in a timely manner.

Recommendation:
The School District should develop and implement procedures sufficient to ensure that all expenditures are properly approved, adequately documented, follow State and local procurement policies, and are recorded in the proper accounts and accounting period.

GENERAL LEDGER
Inadequate Accounting Procedures
Material Weakness
Finding Control Number: FS-6701-11-06

Condition:
This is a repeat finding (FS-6701-10-06, FS-6701-09-05 and FS-6701-08-06) from the years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. A review of internal control procedures revealed that the School District failed to implement controls to ensure that journal entries were properly documented, approved and recorded.

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

Questioned Cost:
N/A

Information:
Weaknesses in internal controls relating to journal entries were noted as follows:

- Procedures were not in place to ensure that journal entries were approved by someone independent of the general ledger journal entry function.
- Procedures were not in place to ensure documentation was available to support journal entries.

A review of journal entries revealed the following:

- Numerous journal entries could not be located for review.
- Numerous journal entries were not reviewed and approved by someone independent of the general ledger journal entry function.
- Numerous journal entries contained no supporting documentation

Cause:
Management failed to adequately monitor and implement procedures to ensure that all journal entries are properly documented, approved and recorded in the accounting records.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect:
The lack of adequate control over the journal entry process may result in material misstatements which would not be detected in a timely manner.

Recommendation:
The School District should review current internal control procedures to ensure that journal entries are properly maintained, documented and recorded in the accounting records.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Significant Deficiency
Finding Control Number: FS-6701-11-07

Condition:
This is a repeat finding (FS-6701-10-07, FS-6701-09-06 and FS-6701-08-07) from the years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The School District failed to adequately maintain the capital assets records.

Criteria:
Chapter 37 *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 inventory records.

Questioned Cost:
N/A

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

- The School District lacked proper internal controls to detect significant errors in a timely manner.
- The capital asset listing as presented, while inaccurate, was also incomplete and failed to provide all elements of information as required by Chapter 37, of the Financial Management for Georgia Local Units of Administration, such as asset identifiers and location identifiers.
- Several assets were noted that were on the asset listing but were no longer owned by the School District.
- Assets had been removed from the assets listing that were still owned by the School District.
- Assets were noted in prior years that had not been added to the asset listing and were not corrected in the current year.
- Several additions were noted in the current year that were not added to the asset listing or were added at an incorrect value.
- Additions were added to the assets listing that were not purchased until the subsequent period.

Cause:
The School District failed to ensure adequate accounting procedures were in place to process, record and report capital assets and related activity.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control Procedures
Material Weakness
Material Noncompliance
U. S. Department of Education
Through Georgia Department of Education
Title I, Part A Cluster (CFDA 84.010)
Finding Control Number: FA-6701-11-01

Condition:
This is a repeat finding (FA-6701-10-01, FA-6701-09-01 and FA-6701-08-01) from fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. A review of expenditures charged to the Title I Grants to Local Educational Agencies (CFDA 84.010) program revealed that the School District failed to implement internal control procedures to ensure expenditures were properly documented, authorized, and in compliance with grant requirements.

Criteria:
Provisions of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* require that "to be allowable under Federal awards, costs must be…authorized or not prohibited under state or local laws or regulations" and "be adequately documented".

Questioned Cost:
$18,367.03

Information:
A review of expenditure vouchers for the Title I, Part A Cluster (CFDA 84.010) revealed the following deficiencies:

- Several voucher packages did not have any documentation of receipt.
- One voucher package in the amount of $567.03 was never provided.
- Reimbursement of $17,800.00 was made to the Georgia Department of Education for a questioned cost on FA-6701-09-01, using current grant revenues.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:
Management failed to monitor compliance with Federal guidelines to ensure that expenditures charged to the Federal Program were allowable and properly documented.

Effect:
Failure to ensure that program expenditures are properly documented can result in noncompliance with the Federal grant.

Recommendation:
The School District should implement procedures to ensure that all expenditures charged to the Federal program are allowable under OMB Circular A-87 and properly documented. In addition, the Georgia Department of Education should review this matter to determine if a reclaim of grant funds is appropriate.

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control Procedures
Significant Deficiency
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Control Number: FA-6701-11-02

Condition:
This is a repeat finding (FA-6701-10-02) from fiscal year ended June 30, 2010. A review of expenditures charged to the Child Nutrition Cluster (CFDA 10.553 and 10.555) program revealed that the School District failed to implement internal control procedures to ensure expenditures were properly documented, authorized, and allowable.

Criteria:
Provisions of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* require that "to be allowable under Federal awards, costs must be...authorized or not prohibited under state or local laws or regulations" and "be adequately documented".

Questioned Cost:
$155.00

Information:
A review of expenditure vouchers for the Child Nutrition Cluster (CFDA 10.553 and 10.555) program revealed the following deficiencies:

- A voucher package had no documentation indicating prior approval of the purchase.
- A voucher was paid in excess of $5.00 of the invoice amount as a result of noncompliance with the State Travel Guidelines.
- Unallowable expenditure reimbursements in the amount of $150.00 were made to employees for tennis shoes.

Cause:
Management failed to monitor compliance with Federal guidelines to ensure that expenditures charged to the Federal Program were allowable and approved.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Effect:
Failure to ensure that program expenditures are allowable and approved can result in noncompliance with the Federal grant.

Recommendation:
The School District should implement procedures to ensure that all expenditures charged to the Federal program are allowable under OMB Circular A-87 and approved by appropriate management. In addition, the Georgia Department of Education should review this matter to determine if a reclaim of grant funds is appropriate.

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control Procedures
Significant Deficiency
U. S. Department of Health and Human Services
Head Start Cluster (CFDA 93.600, 93.708 and 93.709)
Finding Control Number: FA-6701-11-03

Condition:
A review of expenditures charged to Head Start Cluster (CFDA 93.600, 93.708 and 93.709) program revealed that the School District failed to implement internal control procedures to ensure expenditures were properly documented, authorized, and allowable.

Criteria:
Provisions of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* require that "to be allowable under Federal awards, costs must be...authorized or not prohibited under state or local laws or regulations" and "be adequately documented".

Questioned Cost:
$1,020.02

Information:
A review of expenditure vouchers for the Head Start Cluster (CFDA 93.600, 93.708 and 93.709) program revealed the following deficiencies:

- Several voucher packages had no documentation indicating prior approval of the purchase.
- A voucher in the amount of $88.02 had no supporting documentation.
- Unallowable travel reimbursements in the amount of $165.00 were made to a non-Head Start employee.
- Conference expenditures in the amount of $767.00 were made on behalf of a non-Head Start employee.

Cause:
Management failed to monitor compliance with Federal guidelines to ensure that expenditures charged to the Federal Program were allowable, approved and properly documented.

Effect:
Failure to ensure that program expenditures are allowable, approved, and properly documented can result in noncompliance with the Federal grant.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should implement procedures to ensure that all expenditures charged to the Federal program are allowable under OMB Circular A-87, approved by appropriate management, and properly documented. In addition, the Department of Health and Human Services should review this matter to determine if a reclaim of grant funds is appropriate.

CASH MANAGEMENT
Excessive Cash Balance
Significant Deficiency
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027, 84.173, 84.391 and 84.392)
Title I, Part A Cluster (CFDA 84.010 and 84.389)
Finding Control Number: FA-6701-11-04

Condition:
This is a repeat finding (FA-6701-10-03) from fiscal year ended June 30, 2010. A review of cash management procedures for the Special Education Cluster programs and Title I, Part A Cluster programs disclosed that cash draws were made in advance of immediate cash needs, resulting in the accumulation of excessive cash balances.

Criteria:
In accordance with 34 CFR 80.21 interest earned on advances by local government grantees is required to be submitted promptly to the Federal grantor agency. Up to $100 per year may be kept for administrative expenses.

Questioned Cost:
$326.36 Title 1, Part A Cluster (CFDA 84.010 and 84.389)

Information:
The Special Education Cluster had excessive ending monthly cash balances for five months and the Title I, Part A Cluster programs had excessive ending monthly cash balances for ten months. Title I, Part A Cluster programs earned an estimated $326.36 over the allowed amount of $100 on the excess cash balances.

Cause:
The School District failed to accurately forecast the actual cash needs of the programs resulting in noncompliance with grant requirements.

Effect:
Failure to monitor the cash needs of the program can result in material noncompliance with the requirements of the Federal grants.

Recommendation:
The School District should implement procedures to accurately forecast the actual cash needs of the programs. Management should implement procedures to ensure that funds are not requested for reimbursement grants until after the School District has disbursed its own funds for grant expenditures. The Georgia Department of Education should review this matter to determine if a reclaim of funds is necessary.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

REPORTING
Failure to File Accurate Completion Reports
Material Weakness
Material Noncompliance
U. S. Department of Education
Through Georgia Department of Education
Title I, Part A Cluster (CFDA 84.010)
Education for Homeless Children and Youth (CFDA 84.196)
Improving Teacher Quality State Grants (CFDA 84.367)
Finding Control Number: FA-6701-11-05

Condition:
The School District failed to file accurate completion reports.

Criteria:
In accordance with provisions of OMB Circular A-133, Part 3 Compliance Supplement, Subpart L - Reporting, states in part, "Each recipient must report program outlays and program income....as prescribed by the Federal awarding agency....the reporting requirements for subrecipients are as specified by the pass-through entity."

Chapter 41, *State and Federal Fiscal Rules and Procedures* of the Financial Management for Georgia Local Units of Administration states, "This chapter sets forth the principal requirements that a School District must meet to account for and externally report its budget and financial operations relating to state and Federally funded programs administered by the Georgia Department of Education."

Questioned Cost:
$60,275.21 Title I, Part A Cluster (CFDA 84.010)
$381.67 Education for Homeless Children and Youth (CFDA 84.196)
$4,975.18 Improving Teacher Quality State Grants (CFDA 84.367)

Information:
A review of the School District's accounting records revealed the following:

1) Actual Title 1, Part A expenditures for the Improving the Academic Achievement of the Disadvantage Grant period ending September 30, 2010, totaled $651,347.29 while expenditures were reported on the completion report as $711,622.50, resulting in a variance of $60,275.21.

2) Actual Education for Homeless Children and Youth expenditures for the Grant period ending September 30, 2010, totaled $60,789.33 while expenditures were reported on the completion report as $61,171.00, resulting in a variance of $381.67.

3) Actual Improving Teacher Quality State Grants expenditures for the Grant period ending September 30, 2010, totaled $143,399.82 while expenditures were reported on the completion report as $148,375.00, resulting in a variance of $4,975.18.

Cause:
Management failed to implement procedures to ensure that amounts reported on the completion report agreed with actual expenditures.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Effect:
Failure to accurately report Federal expenditures can result in inaccurate and incomplete disclosures for Federal grant reporting purposes and can result in excessive claims for reimbursement.

Recommendation:
Management should implement procedures to ensure that completion reports, submitted to Georgia Department of Education, (1) include all activity of the reporting period, (2) are supported by applicable accounting records and (3) are properly presented in accordance with program requirements. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

SPECIAL REPORTING
Inadequate Internal Control Procedures
Significant Deficiency
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Control Number: FA-6701-11-06

Condition:
This is a repeat finding (FA-6701-10-06) from fiscal year ended June 30, 2010. A review of the School District's DE-0106 reports submitted to the Georgia Department of Education disclosed that they did not agree with the DE-0112 and DE-0118 Participation Reports for the Child Nutrition Cluster (CFDA 10.553 and 10.555) programs.

Criteria:
Provisions in 7 CFR 210.7(c) require that the School District "base claims for reimbursement on lunch counts, taken daily at the point of service, which correctly identify the number of free, reduced price and paid lunches served to eligible children" and "correctly record, consolidate and report those lunch and supplemental counts on the Claim for Reimbursement..."

Questioned Cost:
N/A

Information:
The DE-0106 reports submitted for the months of May and June 2011 disclosed that meal counts did not agree with the number of meals served on the DE-0112 and DE-0118 Participation Reports. The number of Breakfasts and Lunches reported on the DE-0106 for Free students was less than those reported on the DE-0112 and DE-0118. The number of Breakfasts and Lunches reported on the DE-0106 for Reduced and Paid students was greater than those reported on the DE-0112 and DE-0118. This resulted in an under reimbursement to the School District for the months of May and June, 2011.

Cause:
These deficiencies are a result of management's failure to monitor compliance with Federal guidelines to ensure reimbursement requests are accurate.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Effect:

Failure to ensure that reimbursement requests accurately report the number of meals served can result in noncompliance of the Federal grant.

Recommendation:

Management should become familiar with the Federal regulations for the Child Nutrition Cluster program in order to develop procedures to provide accurate reporting of meals served. The Georgia Department of Education should review the reports submitted by the School District to determine the accuracy of all reimbursement requests for the year under review and determine the resolution of this matter.

SECTION V

MANAGEMENT'S RESPONSES

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FS-6701-11-01

We concur with this finding. We concur with this finding. The School District will implement procedures to ensure that access control duties are segregated.

Contact Person: Gwendolyn J. Reeves
Title: Superintendent
Telephone: (706) 444-5775
Fax: (706) 444-7026
E-mail: greeves@hancock.k12.ga.us

Contact Person: Alma D. Harper
Title: Finance Director
Telephone: (706) 444-5775
Fax: (706) 444-7026
E-mail: aharper@hancock.k12.ga.us

Finding Control Number: FS-6701-11-02

We concur with this finding. The School District will establish policies and procedures to ensure that all required adjustments are made.

Contact Person: Gwendolyn J. Reeves
Title: Superintendent
Telephone: (706) 444-5775
Fax: (706) 444-7026
E-mail: greeves@hancock.k12.ga.us

Contact Person: Alma D. Harper
Title: Finance Director
Telephone: (706) 444-5775
Fax: (706) 444-7026
E-mail: aharper@hancock.k12.ga.us

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FS-6701-11-03

We concur with this finding. The School District will revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures and implement procedures to ensure that key accounting functions of custody, record keeping, and authorization are separated, utilize management oversight of these incompatible activities, and implement procedures to ensure that expenditures of school activity accounts are properly documented and approved prior to payment.

Contact Person:	Gwendolyn J. Reeves
Title:	Superintendent
Telephone:	(706) 444-5775
Fax:	(706) 444-7026
E-mail:	greeves@hancock.k12.ga.us

Contact Person:	Alma D. Harper
Title:	Finance Director
Telephone:	(706) 444-5775
Fax:	(706) 444-7026
E-mail:	aharper@hancock.k12.ga.us

Finding Control Number: FS-6701-11-04

We concur with this finding. The School District will establish policies and procedures to ensure that expenditures do not exceed availability of resources. Appropriate procedures will also be implemented to ensure that the adopted budget for each budgeted fund is balanced as required.

Contact Person:	Gwendolyn J. Reeves
Title:	Superintendent
Telephone:	(706) 444-5775
Fax:	(706) 444-7026
E-mail:	greeves@hancock.k12.ga.us

Contact Person:	Alma D. Harper
Title:	Finance Director
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Fax:	(706) 444-7026
E-mail:	aharper@hancock.k12.ga.us

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FS-6701-11-05

We concur with this finding. The School District will adequately monitor and implement procedures to ensure that appropriate internal controls are established, implemented and functioning.

Contact Person:	Gwendolyn J. Reeves
Title:	Superintendent
Telephone:	(706) 444-5775
Fax:	(706) 444-7026
E-mail:	greeves@hancock.k12.ga.us

Contact Person:	Alma D. Harper
Title:	Finance Director
Telephone:	(706) 444-5775
Fax:	(706) 444-7026
E-mail:	aharper@hancock.k12.ga.us

Finding Control Number: FS-6701-11-06

We concur with this finding. The School District will review current internal control procedures to ensure that journal entries are properly approved, documented, and posted in the accounting records.

Contact Person:	Gwendolyn J. Reeves
Title:	Superintendent
Telephone:	(706) 444-5775
Fax:	(706) 444-7026
E-mail:	greeves@hancock.k12.ga.us

Contact Person:	Alma D. Harper
Title:	Finance Director
Telephone:	(706) 444-5775
Fax:	(706) 444-7026
E-mail:	aharper@hancock.k12.ga.us

Contact Person:	Matthias Jones
Title:	Assistant Finance Director
Telephone:	(706) 444-5775
Fax:	(706) 444-7026
E-mail:	mjones@hancock.k12.ga.us

Finding Control Number: FS-6701-11-07

We concur with this finding. The School District will reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively.

Contact Person: Alma D. Harper
Title: Finance Director
Telephone: (706) 444-5775
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E-mail: aharper@hancock.k12.ga.us

Contact Person: Matthias Jones
Title: Assistant Finance Director
Telephone: (706) 444-5775
Fax: (706) 444-7026
E-mail: mjones@hancock.k12.ga.us

Finding Control Number: FA-6701-11-01

We concur with this finding. The School District has implemented procedures to ensure that all expenditures charged to Federal programs are allowable under OMB Circular A-87, approved by the program director, and Superintendent or Designee and properly documented.

Contact Person: Miranda Wilson
Title: Title I/Federal Projects Director
Telephone: (706) 444-5775
Fax: (706) 444-7026
E-mail: mwilson@hancock.k12.ga.us

Finding Control Number: FA-6701-11-02

We concur with this finding. The School District has implemented procedures to ensure that all expenditures charged to Federal programs are allowable under OMB Circular A-87, approved by the program director, and Superintendent or Designee and properly documented.

Contact Person: Shirley Harper
Title: Nutrition Director
Telephone: (706) 444-5775
Fax: (706) 444-7026
E-mail: sharper@hancock.k12.ga.us

Finding Control Number: FA-6701-11-03

We concur with this finding. The School District has implemented procedures to ensure that all expenditures charged to Federal programs are allowable under OMB Circular A-87, approved by the program director, and Superintendent or Designee and properly documented.

Contact Person: Tanger Ward
Title: Head Start Director
Telephone: (706) 444-5775
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Finding Control Number: FA-6701-11-04

We concur with this finding. The Hancock County Board of Education has implemented procedures to accurately forecast cash needs on the required Contract Expenditure Reports. The new procedures will accurately forecast cash needs based on actual expenditures incurred in order to minimize or eliminate the time elapsing between the transfer of funds from the Georgia Department of Education and the disbursement of such funds by the School District. Once the information has been evaluated, the Georgia Department of Education will determine if a reclaim is appropriate and the Hancock County Board of Education will respond to this reclaim.

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Contact Person:	Matthias Jones
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Finding Control Number: FA-6701-11-05

We concur with this finding. The School District will implement procedures to ensure that amounts reported on the completion report agree with actual expenditures.

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HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FA-6701-11-06

We concur with this finding. The Hancock County Board of Education has implemented internal controls. The School District has reviewed the internal controls for Federal compliance procedures in place, and has designed procedures which will enhance compliance with Federal guidelines and implemented proper internal controls relative to the findings of School Breakfast Program (CFDA No 10.533), and the Food Services - National School Lunch Program (CFDA No 10.555).

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