

HANCOCK COUNTY BOARD OF EDUCATION
SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012
(Including Independent Auditor's Reports)

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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

July 30, 2013

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, 2012, 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.

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 Board'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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, activities, each major fund, and the aggregate remaining fund information of the Hancock County Board of Education, as of June 30, 2012, 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an

essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2013, 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 is supplementary information required by 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 to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 as a whole. 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 accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements 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
2012ARL-11

HANCOCK COUNTY BOARD OF EDUCATION

HANCOCK COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 638,291
Investments	292,005
Accounts Receivable, Net	
Taxes	2,073,908
Intergovernmental	
State	766,505
Federal	689,298
Inventories	8,749
Prepaid Items	6,058
Deferred Charges	25,240
Capital Assets, Non-Depreciable	162,777
Capital Assets, Depreciable (Net of Accumulated Depreciation)	9,448,635
Total Assets	$ 14,111,466
LIABILITIES	
Accounts Payable	$ 329,047
Salaries and Benefits Payable	1,164,980
Accrued Interest Payable	19,427
Deferred Revenue	170,854
Bonds Payable, Due Within One Year	200,000
Bonds Payable, Due in More Than One Year	645,000
Capital Leases, Due Within One Year	119,179
Capital Leases, Due in More Than One Year	373,134
Total Liabilities	$ 3,021,621
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 8,274,099
Restricted for	
Continuation of Federal Programs	48,357
Debt Service	11,205
Capital Projects	314,299
Unrestricted	2,441,885
Total Net Assets	$ 11,089,845
Total Liabilities and Net Assets	$ 14,111,466

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, 2012

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES				
Instruction	$ 7,025,317	$ 273,392	$ 4,182,324	$ -2,569,601
Support Services				
Pupil Services	730,925		619,523	-111,402
Improvement of Instructional Services	646,199		423,720	-222,479
Educational Media Services	148,904		138,580	-10,324
General Administration	481,425		580,062	98,637
School Administration	832,386		687,818	-144,568
Business Administration	386,420		35,533	-350,887
Maintenance and Operation of Plant	1,313,056		566,071	-746,985
Student Transportation Services	1,161,218		621,449	-539,769
Central Support Services	336,114		32,002	-304,112
Other Support Services	244,218		140,517	-103,701
Operations of Non-Instructional Services				
Food Services	1,200,337	37,454	965,870	-197,013
Interest on Long-Term Debt	68,516			-68,516
Total Governmental Activities	$ 14,575,035	$ 310,846	$ 8,993,469	$ -5,270,720
General Revenues				
Taxes				
Property Taxes, Levied for Maintenance and Operations				$ 5,116,494
Sales Taxes, for Capital Projects				460,564
Intangible Taxes				18,221
Transfer Taxes				5,989
Railroad Equipment Tax				12,874
Unrestricted Investment Earnings				2,674
Miscellaneous				205,838
Total General Revenues				$ 5,822,654
Change in Net Assets				$ 551,934
Net Assets - Beginning of Year				10,537,911
Net Assets - End of Year				$ 11,089,845

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

HANCOCK COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 471,223	$ 167,068	$ 0	$ 638,291
Investments		292,005		292,005
Accounts Receivable, Net				
Taxes	2,035,551	38,357		2,073,908
Intergovernmental				
State	766,505			766,505
Federal	689,298			689,298
Due From Other Funds	166,323			166,323
Inventories	8,749			8,749
Prepaid Items	6,058			6,058
Total Assets	$ 4,143,707	$ 497,430	$ 0	$ 4,641,137
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 329,047			$ 329,047
Salaries and Benefits Payable	1,164,980			1,164,980
Due to Other Funds		$ 166,323		166,323
Deferred Revenue	2,093,934			2,093,934
Total Liabilities	$ 3,587,961	$ 166,323		$ 3,754,284
FUND BALANCES				
Nonspendable				
Inventory	$ 8,749			$ 8,749
Prepaid Items	6,058			6,058
Restricted				
Federal Programs	39,608			39,608
Capital Projects		$ 314,299		314,299
Debt Service		16,808		16,808
Unassigned	501,331		$ 0	501,331
Total Fund Balances	$ 555,746	$ 331,107	$ 0	$ 886,853
Total Liabilities and Fund Balances	$ 4,143,707	$ 497,430	$ 0	$ 4,641,137

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, 2012

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 886,853
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	$ 19,064,798	
Less Accumulated Depreciation	-9,453,386	
Total Capital Assets		9,611,412
Taxes that are not available to pay for current period expenditures are deferred in the funds.		1,923,080
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	$ -845,000	
Bond Issuance Costs, Net of Amortization	25,240	
Capital Leases	-492,313	
Accrued Interest	-19,427	
Total Long-Term Liabilities		-1,331,500
Net Assets of Governmental Activities (Exhibit "A")		$ 11,089,845

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, 2012

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 4,885,766		$ 0	$ 4,885,766
Sales Taxes	37,084	$ 460,564		497,648
State Funds	4,634,396			4,634,396
Federal Funds	4,359,073			4,359,073
Charges for Services	310,846			310,846
Investment Earnings	2,394	280		2,674
Miscellaneous	205,431	407		205,838
Total Revenues	$ 14,434,990	$ 461,251	$ 0	$ 14,896,241
EXPENDITURES				
Current				
Instruction	$ 6,724,100			$ 6,724,100
Support Services				
Pupil Services	726,247			726,247
Improvement of Instructional Services	646,199			646,199
Educational Media Services	148,904			148,904
General Administration	481,425			481,425
School Administration	832,386			832,386
Business Administration	379,093			379,093
Maintenance and Operation of Plant	1,266,719			1,266,719
Student Transportation Services	1,023,257			1,023,257
Central Support Services	315,655			315,655
Other Support Services	244,218			244,218
Food Services Operation	1,194,940			1,194,940
Capital Outlay		$ 34,341		34,341
Debt Services				
Principal	124,172		$ 195,000	319,172
Interest	19,661		40,928	60,589
Total Expenditures	$ 14,126,976	$ 34,341	$ 235,928	$ 14,397,245
Excess of Revenues over (under) Expenditures	$ 308,014	$ 426,910	$ -235,928	$ 498,996
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 4,622		$ 235,928	$ 240,550
Transfers Out		$ -240,550		-240,550
Total Other Financing Sources (Uses)	$ 4,622	$ -240,550	$ 235,928	$ 0
Net Change in Fund Balances	$ 312,636	$ 186,360	$ 0	$ 498,996
Fund Balances - Beginning	243,110	144,747	0	387,857
Fund Balances - Ending	$ 555,746	$ 331,107	$ 0	$ 886,853

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, 2012

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ 498,996
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	$ 48,775	
Depreciation Expense	-537,810	
Excess of Capital Outlay over Depreciation Expense		-489,035
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		230,728
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:		
Amortization of Bond Issuance Costs		-6,310
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	$ 195,000	
Principal Payments - Capital Leases	124,172	
Total Issuance of Long-Term Debt		319,172
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		-1,617
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 551,934

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

HANCOCK COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 32,268
LIABILITIES	
Funds Held for Others	$ 32,268

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

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Hancock County (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.

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, interest rate 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 2011 tax digest year (calendar year) on September 14, 2011 (levy date). Taxes were due on December 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. 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, 2012, for maintenance and operations amounted to $4,885,766.00.

The tax millage rate levied for the 2011 tax year (calendar year) for the Hancock County was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	13.522 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $460,564 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, 2012, 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	$ 5,000.00	N/A
Land Improvements	$ 5,000.00	50 Years
Buildings and Improvements	$ 5,000.00	15 to 80 Years
Machinery & Equipment	$ 5,000.00	3 to 20 Years
Intangible Assets	$ 300,000.00	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 less than 15 % 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.

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: BUDGETARY DATA

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

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

If expenditure of funds in any fund is anticipated to be more than the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Any position or expenditure not previously approved in the annual budget that exceeds $5,000 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: 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.

At June 30, 2012, $571,488 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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, 2012, the bank balances were $1,145,126. The amounts exposed to custodial credit risk are classified into three categories as follows:

Category 1 - Uncollateralized,
Category 2 - Cash collateralized with securities held by the pledging financial institution, or
Category 3 - Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

The School District's deposits by custodial risk category at June 30, 2012, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ 571,488
2	0
3	0
Total	$ 571,488

CATEGORIZATION OF INVESTMENTS

At June 30, 2012, the School District had the following investments:

Investment Type	Maturities	Rating*	Fair Value
Georgia Fund 1	48 Day Weighted Average	AAAm	$ 256,792
Fidelity Institutional Treasury (Money Market Mutual Fund)	48 Day Weighted Average	AAA	35,213
Total Investments			$ 292,005

*Rating as per Standard and Poor's

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk for investments.

At June 30, 2012, $35,213 of the School District's applicable investments were uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the School District's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District does not have a formal policy for managing credit quality risk.

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2011	Increases	Decreases	Balances June 30, 2012
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 162,777	$ 0	$ 0	$ 162,777
Capital Assets Being Depreciated				
Buildings and Improvements	$ 15,322,337		$ 0	$ 15,322,337
Equipment	3,222,013	$ 48,775		3,270,788
Land Improvements	308,896			308,896
Less Accumulated Depreciation for:				
Buildings and Improvements	6,886,680	317,410		7,204,090
Equipment	1,976,725	199,807		2,176,532
Land Improvements	52,171	20,593		72,764
Total Capital Assets, Being Depreciated, Net	$ 9,937,670	$ -489,035	$ 0	$ 9,448,635
Governmental Activity Capital Assets - Net	$ 10,100,447	$ -489,035	$ 0	$ 9,611,412

Capital assets being acquired under capital leases as of June 30, 2012, are as follows:

	Governmental Funds
Equipment	$ 714,885
Less: Accumulated Depreciation	144,079
	$ 570,806

Current year depreciation expense by function is as follows:

Instruction		$ 309,098
Support Services		
Pupil Services	$ 4,678	
Business Administration	7,327	
Maintenance and Operation of Plant	53,086	
Student Transportation Services	137,765	
Central Support Services	20,459	223,315
Food Services		5,397
		$ 537,810

NOTE 7: INTERFUND ASSETS AND LIABILITIES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2012, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	$ 166,323	
District-wide Capital Projects		$ 166,323
	$ 166,323	$ 166,323

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

NOTE 8: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer to	Transfers From District-wide Capital Projects
General Fund	$ 4,622
Debt Service Fund	235,928
Total	$ 240,550

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

NOTE 9: 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
2011	$ 17,604	$ 41,318	$ 58,922	$ 0
2012	$ 0	$ 16,479	$ 16,479	$ 0

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

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

NOTE 10: 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 were 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	$ 0	$ 1,175,500	$ 1,175,500	$ 0

NOTE 11: LONG-TERM DEBT

CAPITAL LEASES

The Hancock County Board of Education has entered into various lease agreements as lessee 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 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%	$ 845,000

The changes in Long-Term Debt during the fiscal year ended June 30, 2012, were as follows:

	Governmental Funds				
	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
G.O. Bonds	$ 1,040,000	$ 0	$ 195,000	$ 845,000	$ 200,000
Capital Leases	616,485		124,172	492,313	119,179
	$ 1,656,485	$ 0	$ 319,172	$ 1,337,313	$ 319,179

At June 30, 2012, 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:		
2013	$ 119,179	$ 19,588
2014	119,377	14,925
2015	124,152	10,150
2016	129,605	5,197
Total Principal and Interest	$ 492,313	$ 49,860

	General Obligation Debt	
	Principal	Interest
Fiscal Year Ended June 30:		
2013	$ 200,000	$ 33,615
2014	210,000	25,915
2015	215,000	17,620
2016	220,000	9,020
Total Principal and Interest	$ 845,000	$ 86,170

NOTE 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $794,382 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 Certificated Personnel
In the amount of $771,680

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 $22,702

NOTE 13: 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 14: SUBSEQUENT EVENTS

TAX ANTICIPATION NOTE

On August 14, 2012, 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 31, 2012. Three draws totaling $1,175,500 were required to meet the cash flow needs of the School District. The note was repaid on December 26, 2012.

NOTE 15: 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. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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, 2012:

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

June 2011	1.429%	of covered payroll for July coverage
July 2011	18.534%	of covered payroll for August coverage
August 2011 - March 2012	24.000%	of covered payroll for September - April coverage
April 2012 - June 2012	3.958%	of covered payroll for May - July coverage

For non-certificated school personnel:

July 2011 - August 2011	$246.20	per member per month
September 2011 - June 2012	$296.20	per member per month

No additional contribution was required by the Board for fiscal year 2012 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 that local Boards of Education pay only on active employees. The District's contribution to the health insurance plans for the fiscal years ended June 30, 2012, 2011 and 2010 was $1,006,666, $1,018,799 and $815,163, 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 16: 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, 2012, 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 2012 were 10.28% of annual salary as required by the June 30, 2009, 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
2012	100%	$ 718,507
2011	100%	$ 731,361
2010	100%	$ 721,235

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.

See Note 12: On-behalf payments for information on the contributions made by the State of Georgia on behalf of the School District's employees.

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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, 2012

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 5,083,676	$ 5,083,676	$ 4,885,766	$ -197,910
Sales Taxes	13,280	13,280	37,084	23,804
State Funds	4,696,992	4,710,189	4,634,396	-75,793
Federal Funds	6,627,008	6,827,862	4,359,073	-2,468,789
Charges for Services			310,846	310,846
Investment Earnings	2,000	2,000	2,394	394
Miscellaneous	185,000	185,000	205,431	20,431
Total Revenues	$ 16,607,956	$ 16,822,007	$ 14,434,990	$ -2,387,017
EXPENDITURES				
Current				
Instruction	$ 7,920,796	$ 8,088,428	$ 6,724,100	$ 1,364,328
Support Services				
Pupil Services	1,175,063	1,175,315	726,247	449,068
Improvement of Instructional Services	762,880	817,565	646,199	171,366
Educational Media Services	193,584	193,584	148,904	44,680
General Administration	718,369	722,844	481,425	241,419
School Administration	1,082,319	1,123,253	832,386	290,867
Business Administration	355,021	356,521	379,093	-22,572
Maintenance and Operation of Plant	1,248,340	1,248,340	1,266,719	-18,379
Student Transportation Services	1,385,231	1,371,982	1,023,257	348,725
Central Support Services	286,402	284,902	315,655	-30,753
Other Support Services	346,336	354,704	244,218	110,486
Food Services Operation	886,605	891,605	1,194,940	-303,335
Capital Outlay	256,815	250,815		250,815
Debt Service			143,833	-143,833
Total Expenditures	$ 16,617,761	$ 16,879,858	$ 14,126,976	$ 2,752,882
Excess of Revenues over (under) Expenditures	$ -9,805	$ -57,851	$ 308,014	$ 365,865
OTHER FINANCING SOURCES				
Transfers In	3,000	3,000	4,622	1,622
Net Change in Fund Balances	$ -6,805	$ -54,851	$ 312,636	$ 367,487
Fund Balances - Beginning	-108,491	742,059	243,110	-498,949
Adjustments	-336	-13,816		13,816
Fund Balances - Ending	$ -115,632	$ 673,392	$ 555,746	$ -117,646

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 principal accounts had actual revenues of $273,372 and actual expenditures of $292,786.

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, 2012

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	$ 1,008,999	(1)
Total U. S. Department of Agriculture				$ 1,008,999	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States	*	84.027	N/A	$ 299,449	
Preschool Grants	*	84.173	N/A	6,051	
Total Special Education Cluster				$ 305,500	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 21,312	
Title I Grants to Local Educational Agencies	*	84.010	N/A	647,217	
Total Title I, Part A Cluster				$ 668,529	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 14,159	
Education Jobs Fund		84.410	N/A	2,885	
Improving Teacher Quality State Grants		84.367	N/A	127,408	
Rural Education		84.358	N/A	33,666	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	106	
Twenty-First Century Community Learning Centers		84.287	N/A	3,551	
Total Other Programs				$ 181,775	
Total U. S. Department of Education				$ 1,155,804	
Health and Human Services, U. S. Department of					
Head Start Cluster					
Direct					
ARRA - Early Head Start	*	93.709		405,597	
Head Start	*	93.600		1,909,720	
Total U.S. Department of Health and Human Services				$ 2,315,317	
Defense, U. S. Department of					
Direct					
Department of the Air Force					
R.O.T.C. Program				$ 42,907	
Total Expenditures of Federal Awards				$ 4,523,027	

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 $39,199.
(2) Expenditures for the funds earned on the School Breakfast Program ($270,951) were not maintained separately and are included in the 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, 2012

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 243,507
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	239,313
Kindergarten Program - Early Intervention Program	36,217
Primary Grades (1-3) Program	428,589
Primary Grades - Early Intervention (1-3) Program	145,045
Upper Elementary Grades (4-5) Program	300,882
Upper Elementary Grades - Early Intervention (4-5) Program	33,843
Middle School (6-8) Program	419,768
High School General Education (9-12) Program	509,818
Vocational Laboratory (9-12) Program	113,613
Students with Disabilities	668,505
Program for Intellectually Gifted Students - Category VI	57,692
Remedial Education Program	46,747
Alternative Education Program	41,480
Media Center Program	82,516
20 Days Additional Instruction	25,522
Staff and Professional Development	18,216
Indirect Cost	
Central Administration	238,943
School Administration	242,208
Facility Maintenance and Operations	222,475
Categorical Grants	
Pupil Transportation	316,387
Nursing Services	35,242
Mid-term Adjustment Hold-Harmless	127,125
Vocational Supervisors	7,047
Food Services	13,257
Vocational Education	
Amended Formula Adjustment	-826,395
Other State Programs	
CTAE- Ag Extended Day	4,463
Dual Enrollment Funding	10,756
Health Insurance	771,680
Math and Science Supplements	12,892
Preschool Handicapped Program	24,341
Office of the State Treasurer	
Public School Employees' Retirement	22,702
	$ 4,634,396

See notes to the basic financial statements.

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2012

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
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	$ 253,818	$ 38,963	$ 214,855	$ 0	$ 0	June 30,2016
Project #2 Debt Service paid on prior Bonds	1,167,100	1,187,619	235,928	951,691			June 30,2016
Project #3 Purchase of school buses	800,000	800,000					June 30,2016
Project #4 Purchase of Technology	600,000	600,000					June 30,2016
Other Various Projects	987,900						June 30,2016
	$ 3,750,000	$ 2,841,437	$ 274,891	$ 1,166,546	$ 0	$ 0	

(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, 2012

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 344,001	$ 366,395	$ 12,849	$ 379,244
Kindergarten Program-Early Intervention Program	43,207			
Primary Grades (1-3) Program	630,399	348,216		348,216
Primary Grades-Early Intervention (1-3) Program	203,166	431,875		431,875
Upper Elementary Grades (4-5) Program	414,595	704,446	150	704,596
Upper Elementary Grades-Early Intervention (4-5) Program	56,280	60,261		60,261
Middle School (6-8) Program	603,062	548,008		548,008
High School General Education (9-12) Program	737,860	997,242	112,978	1,110,220
Vocational Laboratory (9-12) Program	155,697	178,595	27,769	206,364
Students with Disabilities	940,748			
Category I		86,060		86,060
Category II		68,248		68,248
Category III		125,380		125,380
Gifted Student - Category VI	78,910	81,378	1,411	82,789
Remedial Education Program	78,591	151,349		151,349
Alternative Education Program	58,702	101,536	464	102,000
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 4,345,218	$ 4,248,989	$ 155,621	$ 4,404,610
Media Center Program	118,028	162,132	1,710	163,842
Staff and Professional Development	26,011			31,822
TOTAL QBE FORMULA FUNDS	$ 4,489,257	$ 4,411,121	$ 157,331	$ 4,600,274

(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

July 30, 2013

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, 2012, which collectively comprise Hancock County Board of Education's basic financial statements and have issued our report thereon dated July 30, 2013. 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-6701-12-01, FS-6701-12-05, and FS-6701-12-08 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-6701-12-02, FS-6701-12-03, FS-6701-12-04, FS-6701-12-06, FS-6701-12-07, and FS-6701-12-09 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 July 30, 2013.

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 the response.

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
2012YB-40

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

July 30, 2013

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, 2012. 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 item FA-6701-12-03 in the accompanying Schedule of Findings and Questioned Costs, Hancock County Board of Education did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles that are applicable to its Headstart 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, 2012. 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-6701-12-01, FA-6701-12-02, and FA-6701-12-04.

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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA-6701-12-03 to be a material weakness.

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-6701-12-01, FA-6701-12-02, and FA-6701-12-04 to be significant deficiencies.

Hancock County Board of Education's responses to the findings identified in our audit is/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
2012SA-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, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-6701-10-01	Further Action Not Warranted
FS-6701-10-02	Partially Resolved - See Corrective Action/Responses
FS-6701-10-03	Further Action Not Warranted
FS-6701-10-04	Previously Reported Corrective Action Implemented
FS-6701-10-05	Further Action Not Warranted
FS-6701-10-06	Further Action Not Warranted
FS-6701-10-07	Further Action Not Warranted
FS-6701-11-01	Unresolved - See Corrective Action/Responses
FS-6701-11-02	Previously Reported Corrective Action Implemented
FS-6701-11-03	Unresolved - See Corrective Action/Responses
FS-6701-11-04	Partially Resolved - See Corrective Action/Responses
FS-6701-11-05	Unresolved - See Corrective Action/Responses
FS-6701-11-06	Unresolved - See Corrective Action/Responses
FS-6701-11-07	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

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.

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

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

REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls over School Activity Accounts
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.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

BUDGET PREPARATION/EXECUTION
Deficit Fund Balance
Failure to Adopt a Balanced Budget
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.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls
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.

GENERAL LEDGER
Inadequate Accounting Procedures
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.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
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.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS	SEE AUDITOR'S COMMENTS
FA-6701-10-01	Partially Resolved – See Corrective Action/Responses	
FA-6701-10-02	Partially Resolved – See Corrective Action/Responses	
FA-6701-10-03	Partially Resolved – See Corrective Action/Responses	(1)
FA-6701-10-05	Previously Reported Corrective Action Implemented	
FA-6701-10-06	Partially Resolved – See Corrective Action/Responses	
FA-6701-11-01	Unresolved - See Corrective Action/Responses	
FA-6701-11-02	Unresolved - See Corrective Action/Responses	
FA-6701-11-03	Unresolved - See Corrective Action/Responses	
FA-6701-11-04	Further Action Not Warranted	(1)
FA-6701-11-05	Previously Reported Corrective Action Implemented	
FA-6701-11-06	Unresolved - See Corrective Action/Responses	

AUDITOR'S COMMENTS

(1) Findings/internal control deficiencies of this nature, that are not deemed significant deficiencies or material weaknesses and do not require reporting in the audit report in accordance with Office of Management and Budget (OMB) Circular A-133, will be communicated in a management letter.

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, Part A Cluster (CFDA 84.010)
Questioned Cost: $22,000.00
Finding Control Number: FA-6701-10-01

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.

Auditor's Comment: The School District returned $22,000.00 to Georgia Department of Education during fiscal year 2013.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
PROCUREMENT, SUSPENSION AND DEBARMENT
Inadequate Internal Control Procedures
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Questioned Cost: $645.97
Finding Control Number: FA-6701-10-02

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 program director and Superintendent or Designee and properly documented.

Auditor's Comment: The School District returned $645.97 to Georgia Department of Education during fiscal year 2013.

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)
Questioned Cost:$2,506.84
Special Education Cluster (CFDA 84.027, 84.173, 84.391 and 84.392) - $1,513.61
Title I, Part A Cluster (CFDA 84.010 and 84.389) - $993.23
Finding Control Number: FA-6701-10-03

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 GDOE and the disbursement of such funds by the School District.

Auditor's Comment: The School District returned $2,506.84 to Georgia Department of Education during fiscal year 2013.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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)
Questioned Cost: $9,882.48
Finding Control Number: FA-6701-10-06

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 designed procedures which will enhance compliance with Federal guidelines and implemented proper internal controls relative to the findings of School Breakfast Program (CFDA No. 10.553), and the Food Services – National School Lunch Program (CFDA 10.555).

Auditor's Comment: The School District returned $9,882.48 to Georgia Department of Education during fiscal year 2013.

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control Procedures
U. S. Department of Education
Through Georgia Department of Education
Title I, Part A Cluster (CFDA 84.010)
Questioned Cost: $18,367.03
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.

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control Procedures
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Questioned Cost: $155.00
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 program director and Superintendent or Designee and properly documented.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control Procedures
U. S. Department of Health and Human Services
Head Start Cluster (CFDA 93.600, 93.708 and 93.709)
Questioned Cost: $1,020.02
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

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-6701-11-06

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 designed procedures which will enhance compliance with Federal guidelines and implemented proper internal controls relative to the findings of School Breakfast Program (CFDA No. 10.553), 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, 2012

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information — 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 weakness identified? — Yes
- Significant deficiencies identified? — Yes

Type of auditor's report issued on compliance for major programs:
Unqualified for all major programs except for Head Start 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	Special Education Cluster
93.600, 93.709	Head Start Cluster

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-Separation of Duties
Material Weakness
Finding Control Number: FS-6701-12-01

Condition:
This is a repeat finding (FS-6701-11-01 and FS-6701-10-01) from the years ended June 30, 2011, and June 30, 2010, respectively. 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 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 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 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 this access is only granted by IT personnel.

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Significant Deficiency
Finding Control Number: FS-6701-12-02

Condition:
This is a repeat finding (FS-6701-11-02, FS-6701-10-02 and FS-6701-09-01) from the years ended June 30, 2011, June 30, 2010 and June 30, 2009, 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:
A review of three months of bank reconciliations for all bank accounts revealed the following deficiencies:

- No administrative review was performed during the month of June on bank reconciliations to determine the Head Start, SPLOST, School Nutrition, Payroll, and General Operating accounts were correct and all required adjustments had been made. In addition, no administrative review of Head Start, SPLOST, School Nutrition or Payroll bank reconciliations were performed for March 2012.
- There were eight instances where bank reconciliations for Head Start, SPLOST, School Nutrition, Payroll, and General Operating accounts were not performed in a timely manner.
- Reconciling items for the General Operating account were not properly addressed in a timely manner for two of the three months.

Cause:
These deficiencies were the result of management's failure to ensure adequate internal control 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.

Recommendation:
The School District should establish procedures to ensure all bank reconciliations are completed in a timely manner, all reconciling items are properly addressed in a timely manner, and an administrative review is performed to determine bank reconciliations are correct and all required adjustments have been made and documented.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-6701-12-03

Condition:
This is a repeat finding (FS-6701-11-03, FS-6701-10-03 and FS-6701-09-02) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, 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 transactions are processed according to established procedures.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Questioned Cost:
$691.88

Information:

Cash and Cash Equivalents
A review of three months of bank reconciliations revealed the following deficiencies:

- No administrative review was performed for two months on bank reconciliations to determine whether the Hancock Central Middle School, and M.E. Lewis Elementary School accounts were correct and all required adjustments had been made.
- Bank reconciliations for Hancock Central High School, Hancock Central Middle School, and M.E. Lewis Elementary School accounts were not performed in a timely manner.
- Adequate supporting documentation was not provided for two bank reconciliations to determine if the Hancock Central High School accounts were properly reconciled.
- No administrative review was performed for Hancock Central High School.

Revenues/Receivables/Receipts

- None of the thirty receipts tested were supported by adequate documentation to determine if receipts were deposited in a timely manner or properly recorded.

Expenditures/Liabilities/Disbursements
A review of thirty-one vouchers revealed the following deficiencies:

- Twenty-one vouchers had no evidence of receipt, did not have a purchase order or other supporting documentation.
- Three vouchers were not properly classified between governmental and agency funds.
- Four vouchers were not properly recorded in the correct account.
- Three expenditures in the amount of $691.88 were made for unallowable administrative lunches.

Cause:
The deficiencies were a result of management's failure to ensure 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 adequate documentation is maintained for receipts and deposits are made in a timely manner. Finally, management should monitor expenditures to ensure proper documentation, correct accounts, and approval are completed prior to payment.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

BUDGET PREPARATION/EXECUTION
Failure to Adopt a Balanced Budget
Significant Deficiency
Finding Control Number: FS-6701-12-04

Condition:
This is a repeat finding (FS-6701-11-04, FS-6701-10-04 and FS-6701-09-03) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. The School District failed to adopt a balanced budget for the General Fund.

Criteria:
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

Information:
The School District's original budget for the General Fund budgeted deficit fund balance in the amount of $115,632.

Cause:
The School District adopted an unbalanced original budget for the General Fund.

Effect:
Adopting an unbalanced budget could lead to a financial statement irregularity in accordance with the Official Code of Georgia Annotated §20-2-67.

Recommendation:
The School District should establish procedures to ensure the adopted budget for each budgeted fund is balanced as required.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-6701-12-05

Condition:
The School District did not have adequate controls in place to ensure that all required activity was included in the financial statement information presented for audit.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:
Chapter 22A *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

Questioned Cost:
N/A

Information:
Agency Fund activity was incorrectly reported in the General Fund. An audit adjustment of $22,327 was necessary to correct Cash and Funds Held for Others in Agency Funds. In addition, the auditors identified numerous immaterial uncorrected misstatements. Management determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Cause:
The School District did not implement an adequate system of internal control over the financial reporting process.

Effect:
The School District did not comply with the requirements of the Georgia Department of Education regarding financial reporting.

Recommendation:
The School District should implement controls over the financial statement reporting process to ensure all required activity is included in the financial statement information.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls
Significant Deficiency
Finding Control Number: FS-6701-12-06

Condition:
This is a repeat finding (FS-6701-11-05, FS-6701-10-05 and FS-6701-09-04) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, 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 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:
$900.00

Information:
A review of thirty vouchers revealed the following deficiencies:

- Four vouchers had no invoice or other supporting documentation.
- Nine vouchers did not have evidence of receipt.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- One voucher included sales tax in the amount of $17.71.
- Five vouchers were charged to the wrong account.
- Sixteen accounts payable in the amount of $98,965.37 were determined to be invalid.

A review of purchase card purchases revealed the following deficiencies:

- One voucher in the amount of $900.00 was unallowable.
- One expenditure in the amount of $400.00 was undocumented.

Cause:

Management failed to adequately monitor and implement procedures to ensure 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 all expenditures are properly approved, adequately documented, follow State and local procurement policies, and are recorded in the proper accounts and accounting period.

EMPLOYEE COMPENSATION
Inaccurate Salary Calculations
Significant Deficiency
Finding Control Number: FS-6701-12-07

Condition:

The School District failed to implement procedures to ensure salary payments were accurately calculated and documented.

Criteria:

The School District's management is responsible for designing and maintains internal controls that provide reasonable assurance employees are paid according to approved salary schedules.

Questioned Cost:

N/A

Information:

Based on a review of forty-six employee payroll records, the following deficiencies were noted:

- The Superintendent was overpaid $166.62 due to an incorrect calculation for furlough days.
- A furlough of $2,785.16 was not calculated for one employee. In addition, this employee was paid $1,986.24 that was not supported by documentation, resulting in a total overpayment of $4,771.40.
- Two employees were not paid in accordance with the state salary schedule resulting in overpayments in the amounts of $1,034.02 and $240.75, respectively.
- Four employees were overpaid a total of $778.48 based on documentation provided.
- One employee was underpaid in the amount of $3,158.90, based on documentation provided.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
These deficiencies were a result of management's failure to adequately monitor and implement procedures to ensure payments made to employees are based on an approved rate of pay that is adequately documented in the employee's personnel file.

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

Recommendation:
Internal controls should be strengthened by the School District to ensure that personnel files are properly maintained and all salary payments to employees are based on an approved rate of pay. Additionally, the School District should review this matter to determine if the recovery or payment of funds is needed.

GENERAL LEDGER
Inadequate Accounting Procedures
Material Weakness
Finding Control Number: FS-6701-12-08

Condition:
This is a repeat finding (FS-6701-11-06, FS-6701-10-06 and FS-6701-09-05) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. A review of internal control procedures revealed the School District failed to implement controls to ensure 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 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 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 twenty journal entries revealed the following:

- Five journal entries could not be located for review.
- None of the journal entries were reviewed and approved by someone independent of the general ledger journal entry function.
- Four journal entries contained no supporting documentation.

Cause:
Management failed to adequately monitor and implement procedures to ensure 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 journal entries are properly approved by someone independent of the general ledger journal entry function, maintained, documented and recorded in the accounting records.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Significant Deficiency
Finding Control Number: FS-6701-12-09

Condition:
This is a repeat finding (FS-6701-11-07, FS-6701-10-07, and FS-6701-09-06) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, 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 assets listing, as presented, 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 assets listing and were not corrected in the current year.
- Several assets appeared to be impaired in accordance with GASB 42. The School District failed to adhere to its capital assets policy in determining the status of the assets.
- Depreciation expense was not calculated in accordance with the School District capital assets policy.
- Several additions, in the amount of $125,165.64, were noted in the current year that were not added to the assets listing

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- A physical review of thirty-six capital assets revealed the following deficiencies:
  - Five assets could not be located due to incorrect information on capital assets listing.
  - Twelve assets were not properly tagged.
  - Three assets were in an incorrect location.

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

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 assets records and make appropriate adjustments to ensure capital assets 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
Significant Deficiency
U. S. Department of Education
Through Georgia Department of Education
Title I, Part A Cluster (CFDA 84.010)
Finding Control Number: FA-6701-12-01

Condition:
This is a repeat finding (FA-6701-11-01, FA-6701-10-01 and FA-6701-09-01) from fiscal years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. A review of expenditures charged to the Title I Grants to Local Educational Agencies (CFDA 84.010) program revealed 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:
$3,629.65

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Information:

A review of twenty-six expenditure vouchers for the Title I, Part A Cluster revealed the following deficiencies:

- Three voucher packages in the amount of $3,629.65 had no invoice or other supporting documentation.
- One voucher package was identified as not being recorded in the correct period, resulting in a misstatement of $8,804.08. The expenditure should have been recorded in the previous year.

Cause:

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

Effect:

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

Recommendation:

The School District should implement procedures to ensure all expenditures charged to the Federal program are allowable under OMB Circular A-87, recorded in the correct period 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-6701-12-02

Condition:

This is a repeat finding (FA-6701-11-02 and FA-6701-10-02) from fiscal years ended June 30, 2011, and June 30, 2010. A review of expenditures charged to the Child Nutrition Cluster (CFDA 10.553 and 10.555) programs revealed 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:

$2,150.50

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Information:
A review of thirty-four expenditure vouchers for the Child Nutrition Cluster programs revealed the following deficiencies:

- Two voucher packages had no documentation indicating prior approval of the purchase.
- Three vouchers in the amount of $1,952.50 were determined to be unallowable.
- One voucher package in the amount of $198.00 did not include supporting documentation.
- Four voucher packages were identified as not being recorded in the correct period, resulting in a misstatement of $8,939.95. The expenditures should have been recorded in the previous year.

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

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

Recommendation:
The School District should implement procedures to ensure all expenditures charged to the Federal program are allowable under OMB Circular A-87, in the correct period, properly documented 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
Material Noncompliance
Material Weakness
U. S. Department of Health and Human Services
Head Start Cluster (CFDA 93.600 and 93.709)
Finding Control Number: FA-6701-12-03

Condition:
This is a repeat finding (FA-6701-11-03) from fiscal year ended June 30, 2011. A review of expenditures charged to Head Start Cluster (CFDA 93.600 and 93.709) programs revealed 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:
$10,076.73

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Information:
A review of twenty-five expenditure vouchers for the Head Start Cluster programs revealed the following deficiencies:

- Three voucher packages had no documentation indicating prior approval of the purchase.
- A voucher in the amount of $1,080.00 had no supporting documentation.
- Unallowable travel reimbursements in the amount of $23.68 were made to a non-Head Start employee.
- One voucher in the amount of $1,750.00 was determined to be unallowable.
- One travel reimbursement in the amount of $166.25 did not follow the *Statewide Travel Regulations*.

A review of seven payroll records for the Head Start Cluster programs revealed the following deficiencies:

- Two employees were overpaid in the amounts of $6,192.15 and $1,030.90, respectively, based on the documentation provided.
- One employee was underpaid $60.38, based on documentation provided.

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

Effect:
Failure to ensure program expenditures are allowable, approved, and 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, follow *Statewide Travel Regulations*, recorded in the correct period, 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.

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-6701-12-04

Condition:
This is a repeat finding (FA-6701-11-06 and FA-6701-10-06) from fiscal years ended June 30, 2011, and 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.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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 February and June 2012 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 February and June, 2012.

Cause:

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

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, 2012

Finding Control Number: FS-6701-12-01

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

Contact Persons:	Gwendolyn J. Reeves, Superintendent
	Alma D. Harper, Finance Director
Telephone:	(706) 444-5775, ext. 236 (Reeves), ext. 276 (Harper)
Fax:	(706) 444-7026
Email:	greeves@hancock.k12.ga.us or aharper@hancock.k12.ga.us

Finding Control Number: FS-6701-12-02

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

Contact Persons:	Gwendolyn J. Reeves, Superintendent
	Alma D. Harper, Finance Director
Telephone:	(706) 444-5775, ext. 236 (Reeves), ext. 276 (Harper)
Fax:	(706) 444-7026
Email:	greeves@hancock.k12.ga.us or aharper@hancock.k12.ga.us

Finding Control Number: FS-6701-12-03

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 Persons:	Gwendolyn J. Reeves, Superintendent
	Alma D. Harper, Finance Director
Telephone:	(706) 444-5775, ext. 236 (Reeves), ext. 276 (Harper)
Fax:	(706) 444-7026
Email:	greeves@hancock.k12.ga.us or aharper@hancock.k12.ga.us

Finding Control Number: FS-6701-12-04

We concur with this finding. The School District will establish policies and procedures to ensure that the adopted budget for each budgeted fund is balanced as required.

Contact Persons:	Gwendolyn J. Reeves, Superintendent
	Alma D. Harper, Finance Director
Telephone:	(706) 444-5775, ext. 236 (Reeves), ext. 276 (Harper)
Fax:	(706) 444-7026
Email:	greeves@hancock.k12.ga.us or aharper@hancock.k12.ga.us

Finding Control Number: FS-6701-12-05

We concur with this finding. The School District will ensure that adequate controls are in place to ensure that all required activity is included in the financial statement information presented for the audit.

Contact Persons:	Alma D. Harper, Finance Director
	Matthias Jones, Assistant Finance Director
Telephone:	(706) 444-5775, ext. 276 (Harper), ext. 125 (Jones)
Fax:	(706) 444-7026
Email:	aharper@hancock.k12.ga.us or mjones@hancock.k12.ga.us

Finding Control Number: FS-6701-12-06

We concur with this finding. 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 accounts and accounting period.

Contact Persons:	Gwendolyn J. Reeves, Superintendent
	Alma D. Harper, Finance Director
Telephone:	(706) 444-5775, ext. 236 (Reeves), ext. 276 (Harper)
Fax:	(706) 444-7026
Email:	greeves@hancock.k12.ga.us or aharper@hancock.k12.ga.us

Finding Control Number: FS-6701-12-07

We concur with this finding. The School District will implement procedures to ensure salary payments are accurately calculated and documented.

Contact Persons:	Alma D. Harper, Finance Director
	Matthias Jones, Assistant Finance Director
Telephone:	(706) 444-5775, ext. 276 (Harper), ext. 125 (Jones)
Fax:	(706) 444-7026
Email:	aharper@hancock.k12.ga.us or mjones@hancock.k12.ga.us

Finding Control Number: FS-6701-12-08

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 Persons:	Alma D. Harper, Finance Director
	Matthias Jones, Assistant Finance Director
Telephone:	(706) 444-5775, ext. 276 (Harper), ext. 125 (Jones)
Fax:	(706) 444-7026
Email:	aharper@hancock.k12.ga.us or mjones@hancock.k12.ga.us

Finding Control Number: FS-6701-12-09

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 Persons:	Alma D. Harper, Finance Director
	Matthias Jones, Assistant Finance Director
Telephone:	(706) 444-5775, ext. 276 (Harper), ext. 125 (Jones)
Fax:	(706) 444-7026
Email:	aharper@hancock.k12.ga.us or mjones@hancock.k12.ga.us

Finding Control Number: FA-6701-12-01

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 I Director
Telephone:	(706) 444-5775, ext. 119
Fax:	(706) 444-7026
Email:	mwilson@hancock.k12.ga.us

Finding Control Number: FA-6701-12-02

We concur with this finding. The Hancock County Board of Education has implemented internal controls for monitoring compliance with Federal guidelines. The School District has reviewed the internal controls for Federal compliance procedures in place, designed procedures which will enhance monitoring 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).

Contact Person:	Shirley Harper, Nutrition Director
Telephone:	(706) 444-5775 ext. 112
Fax:	(706) 444-7026
Email:	sharper@hancock.k12.ga.us

Finding Control Number: FA-6701-12-03

We concur with this finding. The School District will implement 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, Director
Telephone:	(706) 444-5775 ext. 240
Fax:	(706) 444-7026
Email:	tward@hancock.k12.ga.us

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2012

Finding Control Number: FA-6701-12-04

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).

Contact Person: Shirley Harper, Nutrition Director
Telephone: (706) 444-5775 ext. 112
Fax: (706) 444-7026
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