HANCOCK COUNTY
BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT
(Including Independent Auditor's Report)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

HANCOCK COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 25, 2016

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

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Hancock County Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements (Exhibits A through H). We were engaged to audit the aggregate remaining fund information. These financial statements collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion on Aggregate Remaining Fund Information" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate remaining fund information.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Disclaimer of Opinion on Aggregate Remaining Fund Information

Due to a lack of documentation supporting the school activity (principals) accounts maintained at the individual schools and recorded in the fiduciary fund (which comprises 100% of the aggregate remaining fund information), we were not able to obtain sufficient appropriate audit evidence to substantiate the balances recorded in the financial statements. As a result of these matters, we were unable to determine if the fiduciary fund was materially correct.

Disclaimer of Opinion

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hancock County Board of Education, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2015, the Hancock County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The School District restated beginning Net Position for the cumulative effect of these accounting changes. Our opinion is not modified with respect to this matter.

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Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, the Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages 37 through 40 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hancock County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 5 through 8, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hancock County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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HANCOCK COUNTY BOARD OF EDUCATION

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HANCOCK COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT "A"

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,889
Investments	273,468
Receivables:	
Taxes	2,194,745
Intergovernmental:	
State	490,169
Federal	736,685
Other	173,699
Inventory	12,945
Prepaid items	20,409
Capital assets (nondepreciable)	162,777
Capital assets (net of accumulated depreciation)	8,284,541
Total assets	12,351,327
DEFERRED OUTFLOWS OF RESOURCES	
Related to defined benefit pension plans	844,017
LIABILITIES	
Accounts payable	226,289
Salaries and benefits payable	1,123,991
Accrued interest payable	7,594
Bonds payable due within one year	220,000
Capital leases due within one year	255,776
Capital leases due in more than one year	22,384
Net pension liability	8,161,232
Total liabilities	10,017,266
DEFERRED INFLOWS OF RESOURCES	
Related to defined benefit pension plans	3,787,077
NET POSITION	
Net investment in capital assets	7,949,158
Restricted for:	
Continuation of federal programs	12,945
Capital projects	384,115
Debt service	3,007
Unrestricted (deficit)	(8,958,224)
Total net position	$ (608,999)

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

HANCOCK COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXHIBIT "B"

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:				
Instruction	$ 6,316,589	$ 182,413	$ 4,424,990	$ (1,709,186)
Support services:				
Pupil services	635,047	-	446,467	(188,580)
Improvement of instructional services	791,736	-	544,180	(247,556)
Educational media services	149,588	-	114,737	(34,851)
General administration	379,994	-	499,377	119,383
School administration	697,622	-	565,401	(132,221)
Business administration	294,670	-	21,834	(272,836)
Maintenance and operation of plant	1,872,463	-	445,504	(1,426,959)
Student transportation services	1,023,756	-	552,806	(470,950)
Central support services	411,623	-	1,883	(409,740)
Other support services	203,634	-	83,120	(120,514)
Food service operations	1,062,070	49,360	928,463	(84,247)
Interest on long-term debt	30,722	-	-	(30,722)
Total governmental activities	13,869,514	231,773	8,628,762	(5,008,979)

General revenues:	
Taxes:	
Property taxes, levied for maintenance and operations	5,364,573
Sales taxes, for capital projects	429,298
Intangible taxes	18,846
Transfer taxes	10,072
Railroad equipment tax	15,217
Unrestricted investment earnings	1,777
Miscellaneous	112,898
Total general revenues	5,952,681
Change in net position	943,702
Net position, beginning of year, as restated	(1,552,701)
Net position, end of year	$ (608,999)

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

HANCOCK COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

EXHIBIT "C"

ASSETS	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	$ -	$ 341,159	$ -	$ 341,159
Investments	-	273,468	-	273,468
Receivables:				
Taxes	2,160,275	34,470	-	2,194,745
Intergovernmental:				
State	490,169	-	-	490,169
Federal	736,685	-	-	736,685
Other	173,699	-	-	173,699
Due from other funds	260,472	-	-	260,472
Prepaid items	20,409	-	-	20,409
Inventory	12,945	-	-	12,945
Total assets	$ 3,854,654	$ 649,097	$ -	$ 4,503,751
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Checks issued in excess of bank balance	$ 339,270	$ -	$ -	$ 339,270
Accounts payable	226,289	-	-	226,289
Salaries and benefits payable	1,123,991	-	-	1,123,991
Due to other funds	-	260,472	-	260,472
Total liabilities	1,689,550	260,472	-	1,950,022
DEFERRED INFLOWS				
Unavailable revenue - property taxes	1,763,732	-	-	1,763,732
FUND BALANCES				
Nonspendable:				
Inventory	12,945	-	-	12,945
Prepaid items	20,409	-	-	20,409
Restricted:				
Capital projects	-	384,115	-	384,115
Debt service	-	4,510	-	4,510
Unassigned	368,018	-	-	368,018
Total fund balances	401,372	388,625	-	789,997
Total liabilities, deferred inflows, and fund balances	$ 3,854,654	$ 649,097	$ -	$ 4,503,751

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 POSITION
JUNE 30, 2015

EXHIBIT "D"

Total fund balances - governmental funds			$ 789,997
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
	Cost	19,484,101	
	Less accumulated depreciation	(11,036,783)	8,447,318
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.			
	Property taxes		1,763,732
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds	(220,000)	
	Accrued interest	(7,594)	
	Pension contributions subsequent to measurement date	844,017	
	Pension investment return	(2,845,178)	
	Pension - change in proportionate share of contributions	(941,899)	
	Net pension liability	(8,161,232)	
	Capital leases	(278,160)	(11,610,046)
Net position of governmental activities			$ (608,999)

HANCOCK COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXHIBIT "E"

	General	District -Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	$ 5,475,936	$ -	$ -	$ 5,475,936
Sales taxes	44,133	429,298	-	473,431
State funds	4,328,622	-	-	4,328,622
Federal funds	4,330,964	-	-	4,330,964
Charges for services	231,774	-	-	231,774
Investment earnings	1,288	489	-	1,777
Miscellaneous	112,898	-	-	112,898
Total revenues	14,525,615	429,787	-	14,955,402
EXPENDITURES				
Current:				
Instruction	6,347,218	-	-	6,347,218
Support Services:				
Pupil services	657,337	-	-	657,337
Improvement of instructional services	836,395	-	-	836,395
Educational media services	161,931	-	-	161,931
General administration	391,221	-	-	391,221
School administration	737,652	-	-	737,652
Business administration	327,177	60	-	327,237
Maintenance and operation of plant	1,837,938	-	-	1,837,938
Student transportation services	1,042,458	-	-	1,042,458
Central support services	428,595	-	-	428,595
Other support services	210,978	-	-	210,978
Food services operation	1,082,917	-	-	1,082,917
Debt service:				
Principal retirement	30,362	220,310	215,000	465,672
Interest and fees	6,929	9,895	17,620	34,444
Total expenditures	14,099,108	230,265	232,620	14,561,993
Excess (deficiency) of revenues over (under) expenditures	426,507	199,522	(232,620)	393,409
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	232,620	232,620
Transfers out	-	(232,620)	-	(232,620)
Total other financing sources (uses)	-	(232,620)	232,620	-
Net change in fund balances	426,507	(33,098)	-	393,409
FUND BALANCE (DEFICIT), beginning of year	(25,135)	421,723	-	396,588
FUND BALANCE, end of year	$ 401,372	$ 388,625	$ -	$ 789,997

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

HANCOCK COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXHIBIT "F"

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

Net change in fund balances - total governmental funds		$ 393,409

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which depreciation exceeded capital outlay is to decrease net position.

Capital Outlay	231,047	
Depreciation Expense	(537,465)	(306,418)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes		(111,362)

Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payments - Bonds	215,000	
Principal Payments - Capital Leases	250,672	
Change in net pension liability and deferred inflows and outflows related to pension activity	498,679	964,351

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Accrued Interest		3,722
		$ 943,702

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

HANCOCK COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2015

EXHIBIT "G"

	Agency Fund
ASSETS	
Cash	$ 39,700
LIABILITIES	
Funds held for others	$ 39,700

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

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Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

The Statement of 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, each displayed in a separate column.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for and reports all financial resources of the School District, except those resources required to be accounted for in another fund.
- The *District-wide Capital Projects Fund* accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) and Bond Proceeds that are restricted, committed, or assigned to the expenditure of capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- The *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, interest and paying agent's fees.

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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 60 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 is both restricted and unrestricted net position available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

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

New Accounting Pronouncements

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The adoption of this statement has a significant impact on the School District's

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Account Pronouncements (Continued)

financial statements. As noted in Note 16 – Change in Accounting Principle – Prior Period Adjustment, the School District restated beginning net position for the cumulative effect of this accounting change.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The School District did not have any activities of this type during the fiscal year and the adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of the statement. This statement amends paragraph 137 of Statement No. 68, which limited recognition of pension-related deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. The adoption of this statement has a significant impact on the School District's financial statements. As noted in Note 16 – Change in Accounting Principle – Prior Period Adjustment, the School District restated beginning net position for the cumulative effect of this accounting change.

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 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 bankers' acceptances,
(6) The local government investment pool (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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

The Hancock County Board of Commissioners fixed the property tax levy for the 2014 tax digest year (calendar year) on September 19, 2014 (levy date) based on property values as of January 1, 2014. Taxes were due on November 20, 2014 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2015. 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, 2015, for maintenance and operations amounted to $5,340,086.

Tax millage rates levied for the 2014 tax year (calendar year) for the Hancock County Board of Education were as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	14.271 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $135,850 during the fiscal year ended June 30, 2015.

Sales Taxes

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $429,298 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 Item

Payments made to vendors for services that will benefit future periods subsequent to June 30, 2015, are recorded as prepaid items.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

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

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets, which are amortized.
Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights, and internally generated software is computed using the straight-line method over the estimated useful lives of the assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet of governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the School District has reported deferred outflows of resources related to a defined benefit pension plan, as discussed in Note 14 – Retirement Plans.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School District has reported deferred inflows of resources related to a defined benefit pension plan, as discussed in Note 14 - Retirement Plans. This item is reported only in the District-wide Statement of Net Position. The School District has one other type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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 are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

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 Position.

Pensions

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS), and the Public School Employees Retirement System (PSERS) and additions to/deductions from TRS/PSERS fiduciary net position have been determined on the same basis as they are reported by TRS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 14 - Retirement Plans.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The School District's net position in the District-wide Statements is classified as follows:

Net Investment in Capital Assets - 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 net investment in capital assets.

Restricted Net Position - This represents 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 Position - Unrestricted net position represents 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.

Included in the net deficit reported is the School District's Net Pension Liability of $8,161,232, which is required for financial reporting.

Fund Balance

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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

Assigned – Amounts intended to be used by the government for specific purposes. Intent can be expressed by the Board of Education or a by a designee to whom the Board of Education delegates authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – All amounts not contained in other classifications and the residual classification of the General Fund only. Unassigned amounts are available for any legal purpose. The Board will maintain an unassigned fund balance not to exceed 15% of the total budget of the subsequent fiscal year.

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

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

Assigned Fund Balance – The Board of Education has authorized the Superintendent and the Director of Finance as officials authorized to assign fund balance to a specific purpose in accordance with the School District's policy.

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

Fund Deficits

Funds reporting a deficit fund balance at June 30, 2015, are as follows:

Fund Type/Fund Name	Deficit Balance
Governmental Fund Type	
School Nutrition Fund	$ 185,051

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, except the various school activity (principal) accounts, is prepared and adopted by fund. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of 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 circumstances is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 4 – 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

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

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

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

Categorization of Deposits - Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2015, the bank balances were $884,616. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution's agent in the School District's name.

Note 4: DEPOSITS (CONTINUED)

Categorization of Investments

At June 30, 2015, the School District had the following investments:

Investment	Maturities	Rating*	Fair Value
Georgia Fund 1	56 day weighted average	AAAf	$ 237,316
Fidelity Institutional Treasury (money market mutual fund)	35 day weighted average	AAAm	36,152
			$ 273,468

**Rating as per Standard & Poor's*

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

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2015, was 56 days.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments 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.

As of June 30, 2015, $36,152 of the School District's applicable investments were uninsured, and are held by either the counterparty or the counterparty's trust department or agent 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 capital assets during the fiscal year:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 162,777	$ -	$ -	$ 162,777
Total	162,777	-	-	162,777
Capital assets, being depreciated:				
Buildings and improvements	15,331,483	-	-	15,331,483
Equipment	3,449,898	212,214	-	3,662,112
Land improvements	308,896	18,833	-	327,729
Total	19,090,277	231,047	-	19,321,324
Less accumulated depreciation for:				
Buildings and improvements	(7,845,173)	(317,143)	-	(8,162,316)
Equipment	(2,540,195)	(199,101)	-	(2,739,296)
Land improvements	(113,950)	(21,221)	-	(135,171)
Total	(10,499,318)	(537,465)	-	(11,036,783)
Total capital assets, being depreciated, net	8,590,959	(306,418)	-	8,284,541
Governmental activities capital assets, net	$ 8,753,736	$ (306,418)	$ -	$ 8,447,318

Capital assets being acquired under capital leases as of June 30, 2015, are as follows:

	Governmental Funds
Equipment	$ 733,962
Less: Accumulated Depreciation	(317,283)
Total	$ 416,679

Note 6: CAPITAL ASSETS (CONTINUED)

Current year depreciation expense by function is as follows:

Instruction		$ 302,053
Support Services		
Business Administration	$ 1,808	
Maintenance and Operations	54,643	
Student Transportation	173,147	229,598
Food Services		5,814
Total Depreciation Expense		$ 537,465

Note 7: INTERFUND ASSETS, LIABILITIES AND TRANSFERS

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances for the year ended June 30, 2015, consisted of the following:

	Due From
Due To	District-wide Capital Projects Fund
General Fund	$ 260,472

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

Interfund transfers for the year ended June 30, 2015, consisted of the following:

	Transfers From
Transfers To	District-wide Capital Projects Fund
Debt Service Fund	$ 232,620

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

Note 8: RISK MANAGEMENT

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

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

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2014	$ -	$ 7,608	$ 7,608	$ -
2015	$ -	$ -	$ -	$ -

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

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

Note 9: SHORT–TERM DEBT

Tax Anticipation Note

The School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds into the 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. The maturity date of the loan was December 31, 2014. Draws totaling $1,175,500 were required to meet the cash flow needs of the School District. The note was repaid in full on December 5, 2014.

Note 9: SHORT–TERM DEBT (CONTINUED)

Tax Anticipation Note (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Tax Anticipation Note	$ -	$ 1,175,500	$ (1,175,500)	$ -

Note 10: LONG–TERM DEBT

Capital Leases

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

General Obligation Bonds Outstanding

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2005	3.15% - 4.10%	$ 220,000

Changes in Long-Term Debt

The changes in long-term debt during the fiscal year ended June 30, 2015, were as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
General Obligation Bonds	$ 435,000	$ -	$ (215,000)	$ 220,000	$ 220,000
Capital Leases	528,832	-	(250,672)	278,160	255,776
Net Pension Liability	11,602,971	345,338	(3,787,077)	8,161,232	-
Total	$ 12,566,803	$ 345,338	$ (4,252,749)	$ 8,659,392	$ 475,776

Note 10: LONG–TERM DEBT (CONTINUED)

Scheduled Maturities of Long-Term Debt

At June 30, 2015, payments due by fiscal year which include principal and interest for these items are as follows:

Fiscal Year Ended June 30	Capital Leases Principal	Capital Leases Interest
2016	$ 255,776	$ 8,625
2017	11,001	777
2018	11,383	395
Total Principal and Interest	$ 278,160	$ 9,797

Fiscal Year Ended June 30	General Obligation Bonds Principal	General Obligation Bonds Interest
2016	$ 220,000	$ 9,020
Total Principal and Interest	$ 220,000	$ 9,020

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $45,651 for retirement contributions paid on the School District's behalf by the following state agencies.

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 $45,651

Funds paid on behalf of the School District are reported in the governmental funds. See Note 14 – Retirement Plans for the state support related to the Net Pension Liability.

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

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

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

Note 13: OTHER POST EMPLOYMENT BENEFITS

Georgia Retiree Health Benefit Fund

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Insurance Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). 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.

Note 13: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Georgia Retiree Health Benefit Fund (Continued)

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2015

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

Period	Contribution
July 2014 - June 2015	$945 per member per month

For non-certificated school personnel:

Period	Contribution
July 2014 - June 2015	$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2015 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School District's plan for other postemployment benefits and are subject to appropriation.

Currently, the state is requiring that local Boards of Education pay only on active employees. The School District's contribution to the health insurance plans for the fiscal years ended June 30, 2015, 2014 and 2013 was $1,880,151, $1,476,738 and $1,340,967 respectively, which equaled the required contribution.

Note 14: RETIREMENT PLAN

Hancock County Board of Education participates in various retirement plans administered by the State of Georgia as further explained below.

Teachers Retirement System of Georgia (TRS)

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

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

Contributions. Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2015. The school district's contractually required contribution rate for the year ended June 30, 2015, was 13.15% of annual school district payroll.

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

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	$ 844,017
2014	100%	809,518
2013	100%	826,253

Note 14: RETIREMENT PLAN (CONTINUED)

Public School Employees' Retirement System (PSERS)

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

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

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

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

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

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

At June 30, 2015, the School District reported a liability of $8,161,232 for its proportionate share of the Net Pension Liability for TRS.

The Net Pension Liability was measured as of June 30, 2014. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014, was determined using standard roll-forward techniques. The School District's proportion of the Net Pension Liability was based on contributions to TRS during the fiscal year ended June 30, 2014.

Note 14: RETIREMENT PLANS (CONTINUED)

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

At June 30, 2014, the School District's TRS proportion was 0.064599%, which was a decrease of 0.006634% from its proportion measured as of June 30, 2013.

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is $170,734.

The PSERS Net Pension Liability was measured as of June 30, 2014. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014, was determined using standard roll-forward techniques. The State's proportion of the Net Pension Liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2014.

For the year ended June 30, 2015, the School District recognized pension expense of $345,338 for TRS and $14,827 for PSERS and revenue of $14,827 for PSERS. The revenue is support provided by the State of Georgia.

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 2,845,178
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	941,899
School District contributions subsequent to the measurement date	844,017	-
Total	$ 844,017	$ 3,787,077

Note 14: RETIREMENT PLANS (CONTINUED)

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

School District contributions subsequent to the measurement date of June 30, 2014, for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	TRS
2016	$ (925,362)
2017	(925,362)
2018	(925,362)
2019	(925,363)
2020	(85,628)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Public School Employees' Retirement System

Inflation	3.0%
Salary increase	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Note 14: RETIREMENT PLANS (CONTINUED)

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

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70	6.50
Domestic mid stocks	3.70	10.00
Domestic small stocks	1.60	13.00
International developed market stocks	18.90	6.50
International emerging market stocks	6.10	11.00
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 14: RETIREMENT PLANS (CONTINUED)

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

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 15,040,055	$ 8,161,232	$ 2,496,663

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications.

Note 15: SUBSEQUENT EVENT

Tax Anticipation Note

On August 18, 2015, 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 used to provide cash for operations until property tax collections were received by the School District. The maturity date of the loan was December 31, 2015. Three draws totaling $1,175,500 were required to meet the cash flow needs of the School District. The note was repaid on December 15, 2015.

Note 16: CHANGE IN ACCOUNTING PRINCIPLE – PRIOR PERIOD ADJUSTMENT

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these Statements establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of these statements required the School District to record a liability for its proportionate share of the Net Pension Liability of the Teachers Retirement System (TRS). The following adjustment was required to net position of governmental activities to record the Net Pension Liability as of July 1, 2014:

Net Position, Governmental Activities, previously reported	$	10,050,270
Deferred outflows, contributions subsequent to measurement date - TRS		809,294
Proportionate share of Net TRS liablity		(12,412,265)
Net Position, Governmental Activities, as restated	$	(1,552,701)

This change is in accordance with generally accepted accounting principles.

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HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHEDULE "1"

	2015
School District's proportion of the net pension liability	0.064599%
School District's proportionate share of the net pension liability	$ 8,161,232
School District's covered-employee payroll	$ 6,590,342
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.84%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

Note: The measurement date for the year ended June 30, 2015 is June 30, 2014. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available. The schedule includes all significant plans and funds administered by Hancock County Board of Education.

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

SCHEDULE "2"

	2015
Contractually required contribution	$ 844,017
Contributions in relation to the contractually required contribution	844,017
Contribution deficiency (excess)	$ -
School District's covered-employee payroll	$ 6,418,380
Contributions as a percentage of covered-employee payroll	13.15%

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

HANCOCK COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHEDULE "3"

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

***Method and assumptions used in calculations of actuarially determined contributions*:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

HANCOCK COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHEDULE "4"

	Budget			Variance With
	Original [1]	Final [1]	Actual	Final Budget
REVENUES				
Property taxes	$ 5,133,676	$ 5,133,676	$ 5,475,936	$ 342,260
Sales taxes	22,000	22,000	44,133	22,133
State funds	5,600,702	5,635,237	4,328,622	(1,306,615)
Federal funds	11,361,043	3,650,046	4,330,964	680,918
Charges for services	-	-	231,774	231,774
Investment earnings	7,000	7,000	1,288	(5,712)
Miscellaneous	187,529	197,882	112,898	(84,984)
Total revenues	22,311,950	14,645,841	14,525,615	(120,226)
EXPENDITURES				
Current:				
Instruction	7,294,306	7,390,921	6,347,218	1,043,703
Support services:				
Pupil services	736,156	692,652	657,337	35,315
Improvement of instructional services	785,727	820,584	836,395	(15,811)
Educational media services	170,400	175,400	161,931	13,469
General administration	508,376	516,835	391,221	125,614
School administration	841,258	852,448	737,652	114,796
Business administration	369,550	369,550	327,177	42,373
Maintenance and operation of plant	1,472,122	1,527,412	1,837,938	(310,526)
Student transportation services	1,280,738	1,277,442	1,042,458	234,984
Central support services	402,150	402,150	428,595	(26,445)
Other support services	192,455	224,561	210,978	13,583
Food services operations	1,328,506	1,365,700	1,082,917	282,783
Debt service:				
Principal retirement	-	-	30,362	(30,362)
Interest and fiscal charges	-	-	6,929	(6,929)
Total expenditures	15,381,744	15,615,655	14,099,108	1,516,547
Excess (deficiency) of revenues over (under) expenditures	6,930,206	(969,814)	426,507	1,396,321
OTHER FINANCING SOURCES				
Other sources	3,000	3,000	-	(3,000)
Total other financing sources	3,000	3,000	-	(3,000)
Net change in fund balances	6,933,206	(966,814)	426,507	1,393,321
FUND BALANCE (DEFICIT), beginning of year	(25,135)	(25,135)	(25,135)	-
FUND BALANCE (DEFICIT), end of year	$ 6,908,071	$ (991,949)	$ 401,372	$ 1,393,321

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

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $182,413 and $210,594, respectively.

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

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHEDULE "5"

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	$ (1)	
National School Lunch Program		10.555	N/A	991,135	(2)
Total U.S. Department of Agriculture				991,135	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States		84.027	N/A	259,849	
Preschool Grants		84.173	N/A	6,145	
Total Special Education Cluster				265,994	
Other Programs					
Pass-Through From Georgia Department of Education					
Title I Grants to Local Education Agencies	*	84.010	N/A	634,449	
ARRA - Race to the Top Incentive Grants		84.395	N/A	6,279	
Improving Teacher Quality State Grants		84.367	N/A	136,335	
Rural Education		84.358	N/A	18,174	
Twenty-First Century Community Learning Centers		84.287	N/A	398,255	
Career and Technical Education - Basic Grants to States		84.048	N/A	16,399	
				1,209,891	
Total U. S. Department of Education				1,475,885	
Health and Human Services, U. S. Department of					
Direct					
Head Start Cluster					
Head Start	*	93.600	N/A	1,947,950	
Total U. S. Department of Health & Human Services				1,947,950	

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHEDULE "5"

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.unknown	N/A	60,562
Total Expenditures of Federal Awards			$ 4,475,532

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Expenditures for the funds earned on the School Breakfast Program ($265,568) were not maintained separately and are included in the National School Lunch Program.

(2) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of $29,952.

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 used in the presentation of the fund financial statements.

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHEDULE "6"

Agency/Funding	Governmental Fund Types General Fund
Grants	
Bright from the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 177,657
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	169,718
Kindergarten Program - Early Intervention Program	85,741
Primary Grades (1-3) Program	412,294
Primary Grades - Early Intervention (1-3) Program	270,846
Upper Elementary Grades (4-5) Program	233,578
Upper Elementary Grades - Early Intervention (4-5) Program	44,374
Middle Schools (6-8) Program	444,639
High School General Education (9-12) Program	285,133
Vocational Laboratory (9-12) Program	231,818
Students with Disabilities	726,098
Program for Intellectually Gifted Students - Category VI	23,930
Remedial Education Program	124,573
Alternative Education Program	28,337
Media Center Program	79,390
20 Days Additional Instruction	26,483
Staff and Professional Development	14,610
Indirect Cost	
Central Administration	256,348
School Administration	253,243
Facility Maintenance and Operations	188,710
Vocational Supervisors	6,534
Categorical Grants	
Pupil Transportation	
Pupil Transportation	323,562
Sparsity	96,851
Nursing Services	45,000
Mid-term Adjustment Hold-Harmless	22,840
Principal Staff and Professional Development	694
Food Services	21,869
Technology to Support Digital Learning Bonds	18,919
Vocational Education	11,696
Amended Formula Adjustment	(352,485)
Other State Programs	
Math and Science Supplements	5,252
Preschool Handicapped Program	4,719
Total Grants from Georgia Department of Education	4,105,314
Office of the State Treasurer	
Public School Employees Retirement System	45,651
	$ 4,328,622

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHEDULE "7"

Project	Original Estimated Cost (1)	Current Estimated Costs (2)	Amount Expended In Current Year (3) (4)	Amount Expended In Prior Years (3) (4)	Total Completion Cost	Estimated Completion Date
Acquiring, 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	$ -	$ 253,818	$ 253,818	June 30, 2016
Project #2 Debt Service paid on prior Bonds	1,167,100	1,889,769	232,620	1,657,149	1,889,769	June 30, 2016
Project #3 Purchase of school buses	800,000	800,000	130,358	268,604	398,962	June 30, 2016
Project #4 Purchase of Technology	600,000	600,000	99,907	99,847	199,754	June 30, 2016
Other Various Projects	987,900	-	-	-	-	June 30, 2016
	$3,750,000	$3,543,587	$ 462,885	$2,279,418	$2,742,303	

(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.

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

HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHEDULE "8"

Description	Allotments From Georgia Department of Education (1) & (2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	$ 259,135	$ 189,517	$ 3,402	$ 192,919
Kindergarten Program - Early Intervention Program	111,992	51,890	-	51,890
Primary Grades (1-3) Program	624,591	255,648	-	255,648
Primary Grades - Early Intervention (1-3) Program	363,249	292,485	-	292,485
Upper Elementary Grades (4-5) Program	337,234	224,850	-	224,850
Upper Elementary Grades-Early Intervention (4-5) Program	64,711	189,485	-	189,485
Middle School (6-8) Program	652,147	671,657	-	671,657
High School General Education (9-12) Program	446,701	783,330	14,400	797,730
Vocational Laboratory (9-12) Program	322,224	196,041	6,131	202,172
Students with Disabilities	1,064,901	-	-	-
Category III	-	47,662	-	47,662
Gifted Student - Category VI	39,646	-	-	-
Remedial Education Program	171,747	-	-	-
Alternative Education Program	42,110	225,412	-	225,412
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	4,500,388	3,127,977	23,933	3,151,910
Media Center Program	115,931	155,319	6,612	161,931
Staff and Professional Development	21,087	20,034	10,903	30,937
TOTAL QBE FORMULA FUNDS	$ 4,637,406	$ 3,303,330	$ 41,448	$ 3,344,778

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

(2) Allotments do not include the impact of the state amended budget adjustment.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 25, 2016

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, 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, the financial statements of the governmental activities and each major fund of Hancock County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements. We were engaged to audit the aggregate remaining fund information. These financial statements collectively comprise Hancock County Board of Education's basic financial statements and we have issued our report thereon dated October 25, 2016. The report disclaims an opinion on the aggregate remaining fund information due to the lack of sufficient appropriate audit evidence to support the fiduciary fund, which comprises 100% of the aggregate remaining fund information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hancock County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hancock County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hancock County Board of Education's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2015-001 and FS 2015-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2015-002, FS 2015-004, and FS 2015-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 October 25, 2016.

Hancock County Board of Education's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:es
2015YB-40

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 25, 2016

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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

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, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hancock County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hancock County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hancock County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Hancock County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hancock County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:es
2015SA-10

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS	SEE AUDITOR'S COMMENTS
FS-6701-12-01	Unresolved – See Corrective Action/Responses	
FS-6701-12-02	Partially Resolved – See Corrective Action/Responses	
FS-6701-12-03	Unresolved – See Corrective Action/Responses	
FS-6701-12-08	Unresolved – See Corrective Action/Responses	
FS-6701-12-09	Unresolved – See Corrective Action/Responses	
FS-6701-13-01	Unresolved – See Corrective Action/Responses	
FS-6701-13-02	Partially Resolved – See Corrective Action/Responses	
FS-6701-13-03	Unresolved– See Corrective Action/Responses	
FS-6701-13-04	Further Action Not Warranted	(1)
FS-6701-13-05	Further Action Not Warranted	(1)
FS-6701-13-07	Unresolved – See Corrective Action/Responses	
FS-6701-13-08	Unresolved – See Corrective Action/Responses	
FS 2014-001	Unresolved – See Corrective Action/Responses	
FS 2014-002	Partially Resolved – See Corrective Action/Responses	
FS 2014-003	Unresolved – See Corrective Action/Responses	
FS 2014-004	Further Action Not Warranted	(1)
FS 2014-005	Previously Reported Corrective Action Implemented	
FS 2014-006	Further Action Not Warranted	(1)
FS 2014-007	Unresolved – See Corrective Action/Responses	
FS 2014-008	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 U.S. *Auditing Standards* or *Governmental Auditing Standards* (Yellow Book), will be communicated in a management letter.

CORRECTIVE ACTION/RESPONSES

ACCOUNTING CONTROLS (OVERALL)
Inadequate Access Controls-Separation of Duties
Finding Control Number: FS-6701-12-01

The School District will implement controls to make sure that employee's only have access to the accounting functions that are necessary for the performance of the employee's job duties.

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

The School District will make sure that all bank reconciliations are completed, and reviewed in a timely manner, and all outstanding checks are documented.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

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

The School District will make sure that established and approved internal controls are followed and enforced thereby making sure that transactions are processed accurately and in a timely manner.

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

The School District will review and/or revise (if necessary) the internal control policies as it relates to journal entries.

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

The School District will reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review will be conducted to make sure that the capital assets listing is accurate, and to make sure that the list conforms to generally accepted accounting principles.

ACCOUNTING CONTROLS (OVERALL)
Inadequate Access Controls - Separation of Duties
Finding Control Number: FS-6701-13-01

The School District will implement controls to make sure that employee's only have access to the accounting functions that are necessary for the performance of the employee's job duties.

CASH AND CASH EQUIVALENTS
Inadequate Internal Controls Procedures
Finding Control Number: FS-6701-13-02

The School District will make sure that all bank reconciliations are completed, and reviewed in a timely manner, and all outstanding checks are documented.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
REVENUES/RECEIVABLES/RECEIPTS
Inadequate Internal Controls over School Activity Accounts
Finding Control Number: FS-6701-13-03

The School District will make sure that established and approved internal controls are followed and enforced thereby making sure that transactions are processed accurately and in a timely manner.

GENERAL LEDGER
Inadequate Accounting Procedures
Finding Control Number: FS-6701-13-07

The School District will review and/or revise (if necessary) the internal control policies as it relates to journal entries.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Finding Control Number: FS-6701-13-08

The School District will reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review will be conducted to make sure that the capital assets listing is accurate, and to make sure that the list conforms to generally accepted accounting principles.

ACCOUNTING CONTROLS (OVERALL)
Inadequate Access Controls - Separation of Duties
Finding Control Number: FS 2014-001

The School District will implement controls to make sure that employee's only have access to the accounting functions that are necessary for the performance of the employee's job duties.

CASH AND CASH EQUIVALENTS
INVESTMENTS
Inadequate Internal Controls Procedures
Finding Control Number: FS 2014-002

The School District will make sure that all bank reconciliations are completed, and reviewed in a timely manner, and all outstanding checks are documented.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
REVENUES/RECEIVABLES/RECEIPTS
Inadequate Internal Controls over School Activity Accounts
Finding Control Number: FS 2014-003

The School District will make sure that established and approved internal controls are followed and enforced thereby making sure that transactions are processed accurately and in a timely manner.

GENERAL LEDGER
Inadequate Accounting Procedures
Finding Control Number: FS 2014-007

The School District will review and/or revise (if necessary) the internal control policies as it relates to journal entries.

CAPITAL ASSETS
Inadequate Internal Controls over Capital Assets
Finding Control Number: FS 2014-008

The School District will reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review will be conducted to make sure that the capital assets listing is accurate, and to make sure that the list conforms to generally accepted accounting principles.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS
FA-6701-10-02	Partially Resolved - See Corrective Action/Responses
FA-6701-11-03	Unresolved – See Corrective Action Responses
FA-6701-12-02	Partially Resolved – See Corrective Action Responses
FA-6701-12-03	Unresolved – See Corrective Action Responses
FA-6701-13-01	Partially Resolved – See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRNCIPLES
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

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 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

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. In addition, we are waiting on Head Start to determine whether a refund is due.

HANCOCK COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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: $2,150.50
Finding Control Number: FA-6701-12-02

The School District has implemented internal controls for monitoring compliance with Federal guidelines. The School District has reviewed 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 and the Food Services – National School Lunch Program.

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 and 93.709)
Questioned Cost: $10,076.73
Finding Control Number: FA-6701-12-03

The School District has implemented procedures to ensure that all expenditures charged to Federal program are allowable under OMB Circular A-87, approved by the program director, and Superintendent or Designee and properly documented. In addition, we are waiting on Head Start to determine whether a refund is due.

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
PERIOD OF AVAILABILITY
Inadequate Internal Control Procedures
U.S. Department of Health and Human Services
Head Start (CDFA: 93.600)
Questioned Cost: $3,569.58
Finding Control Number: FA-6701-13-01

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.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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HANCOCK COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

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

Internal control over financial reporting:

▪ Material weakness identified?	Yes
▪ Significant deficiencies identified?	Yes

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

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

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

All major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-143, Section 510(a)? No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Grants to Local Educational Agencies
93.600	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

FS 2015-001 Inadequate Separation of Duties

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

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

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

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

Questioned Costs:
N/A

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

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

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The School District has implemented controls to ensure that employees only have access to the accounting functions that are necessary for the performance of the employee's job duties.

Contact Person: Matthias Jones
Telephone: (706) 444-5775
Fax: (706) 444-7026
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FS 2015-002 Inadequate Internal Control Procedures

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

Description:

The accounting procedures of the School District were insufficient to provide adequate internal control procedures over the Cash and Cash Equivalents function.

Criteria:

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

Condition:

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

- Of the twenty bank reconciliations provided, none were dated to indicate when the reconciliations were prepared; therefore, it could not be determined if the bank accounts were reconciled in a timely manner.
- The Payroll account reconciliation contained an outstanding checklist with handwritten amounts for which no documentation could be provided.
- There were several checks written when no sufficient funds were available in the bank account to cover the check.
- The General Operating reconciliation contained reconciling items totaling $547.02 that have been outstanding for ten months or more.

Questioned Costs:

N/A

Cause:

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

Effect or Potential Effect:

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The School District will make sure that all bank reconciliations are completed, and reviewed in a timely manner, and all outstanding checks are documented.

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

FS 2015-003 Inadequate Internal Controls Over School Activity Accounts

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

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

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

Condition:
Expenditures/Liabilities/Disbursements
A review of fifty-six vouchers revealed the following deficiencies:

- There were sixteen transactions that had no evidence of review and approval.
- There were twenty-five transactions that were not supported by an invoice or any other documentation.

Revenues/Receivables/Receipts
A review of fifty-seven receipts revealed the following deficiencies:

- There were fifty receipts that were not provided for review.
- Two of the seven receipts provided for review were not signed by the Principal signifying its accuracy and that the amount of the deposit had been correctly posted to the ledger.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cash and Cash Equivalents
Of the twelve bank reconciliations provided, none were dated to indicate when the reconciliations were prepared; therefore it could not be determined if the bank accounts were reconciled in a timely manner.

Questioned Costs:
N/A

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

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

Recommendation:
The School District should implement procedures to ensure that disbursements and receipts of funds within the school activity accounts are adequately documented and recorded in the financial records. The School District should also establish a monitoring process to provide reasonable assurance that transactions are processed according to established procedures and that cash accounts are reconciled in a timely manner.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The School District will implement procedures to ensure that disbursements and receipts within the school activity accounts are adequately documented and recorded in the financial records. Also, the School district will establish a monitoring process to provide reasonable assurance that transactions are processed according to established procedures and that cash accounts are properly reconciled.

Contact Person: Matthias Jones
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II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-004 Inadequate Accounting Procedures

Control Categories: General Ledger
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: FS 2014-007, FS-6701-13-07, and FS-6701-12-08

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

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

Condition:
A review of fifty-seven journal entries revealed the following:

- One journal entry did not have supporting documentation.
- Sixteen journal entries were not properly approved. It was noted that the preparer was also signing off as the approver.
- No date of approval was indicated on any of the journal entries tested, therefore timeliness of approvals could not be determined.

Question Cost:
N/A

Cause:
In discussing this deficiency with the School District, they stated that the cause was a result of management not adequately monitoring control procedures and lack of resources to create enhanced separation of duties.

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

Recommendation:
The School District should review current internal control procedures to ensure journal entries are properly documented and approved by someone independent of the general ledger function.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The School District will review the current internal control procedures to ensure all journal entries are properly approved by someone independent of the general ledger function, they are properly documented and adequate documentation is provided.

Contact Person: Matthias Jones
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FS 2015-005 Inadequate Internal Controls over Capital Assets
Control Categories: Capital Assets
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: FS 2014-008, FS-6701-13-08 and FS-6701-12-09

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

Criteria:
Chapter 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 records.

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

- The School District lacked proper internal controls to detect significant errors in a timely manner.
- The capital asset listing, as presented, failed to provide elements of information as required such as asset identifiers and location identifiers.
- Several assets on the capital asset listing were no longer owned by the School District.
- Assets had been removed from the asset listing that were still owned by the School District.
- Several assets appeared to be impaired in accordance with GASB 42. The School District did not adhere to its capital asset policy in determining the status of assets.
- Depreciation expense was not calculated in accordance with the School District's capital asset policy.
- A total of 109 assets were fully depreciated and still in use by the District.
- A physical review of twenty-two capital assets revealed the following deficiencies:
    - Two assets did not display adequate identifying labels.
    - One asset was not in the correct location.

Question Cost:
N/A

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:

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

Recommendation:

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

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The School District will reassess internal controls procedures related to capital assets to ensure that they are in place and operating effectively. In addition, an administrative review will be performed annually to ensure the accuracy of capital asset records and to make appropriate adjustments to ensure capital assets records and procedures for maintaining capital assets conform to generally accepted accounting principles.

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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.