

**HOUSTON COUNTY  
BOARD OF EDUCATION**

**PERFORMANCE AND OPERATIONAL REVIEW  
EDUCATION SPECIAL PURPOSE  
LOCAL OPTION SALES TAX  
(E-SPLOST)**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**

HOUSTON COUNTY BOARD OF EDUCATION

JUNE 30, 2021

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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Houston County Board of Education  
1100 Main Street  
Perry, Georgia 31069

We have performed procedures, enumerated in the accompanying Performance and Operational Review on pages 4 – 7, related to Houston County Board of Education's compliance with Georgia Section 20-2-491 during year ended June 30, 2021. The Board's management is responsible for its compliance with those specific requirements.

Houston County Board of Education's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether the entity complied with the specific requirements. This report may not be suitable for any other purpose. The procedures performed may not address all items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures are appropriate for their purposes.

Our procedures and associated results are presented in the accompanying Performance and Operational Review on pages 4 – 7.

We were engaged by Houston County Board of Education's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specific requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Houston County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

Macon, Georgia  
December 31, 2021

HOUSTON COUNTY BOARD OF EDUCATION

EXECUTIVE SUMMARY  
JUNE 30, 2021

Georgia Code Section 20-2-491 requires public school systems to obtain continuing performance reviews for expenditures of sales tax for capital outlay if the tax generates \$5 million or more annually. The independent performance review shall:

- Include a goal of ensuring, to the maximum extent possible, that the tax funds are expended efficiently and economically so as to ensure that the school district receives the maximum benefit for the dollars collected.
- Provide for issuance of periodic reports, not less than once annually, with respect to the extent to which the expenditures are expended efficiently and economically as outlined above.
- Provide for issuance of periodic public recommendations, not less than annually, for improvements in meeting the goal specified above.

The Education Special Purpose Local Option Sales Tax (E-SPLOST) is a referendum voted and approved by the Houston County voters in which one percent is added to the local sales tax for the purpose of funding building, renovation, or other educational capital projects that would otherwise require financing through other sources. E-SPLOST funds are also available for retiring general obligation bond debts incurred with respect only to capital outlay projects and to issue new general obligation bonds for specific capital outlay projects. In fiscal year 2021, the school system incurred bond interest expense of \$776,500 and made principal payments in the amount of \$6,050,000. The 2017 E-SPLOST funds under review were approved by the voters on March 1, 2016, and the 2022 E-SPLOST funds under review were approved by the voters on March 16, 2021.

During the fiscal year ended June 30, 2021, 2017 E-SPLOST expenditures were as follows:

	<u>2017 E-SPLOST EXPENDITURES</u>
Acquiring, constructing, repairing, improving, renovating, extending, upgrading and equipping school buildings and support facilities in the Houston County School District	<u>\$ 22,525,633</u>
Total 2017 E-SPLOST Expenditures	<u><u>\$ 22,525,633</u></u>

The schedule above reflects total expenditures relative to 2017 E-SPLOST proceeds for fiscal year ended June 30, 2021.

HOUSTON COUNTY BOARD OF EDUCATION

EXECUTIVE SUMMARY  
JUNE 30, 2021  
(CONTINUED)

The schedule below reflects total expenditures and funding for the Houston County Board of Education 2017 E-SPLOST Projects for the fiscal year ended June 30, 2021.

Funded By:	
2017 E-SPLOST proceeds	\$ 21,817,653
Rebates, Reimbursements, and other Local Revenues	<u>707,980</u>
Total Houston County E-SPLOST Project Expenditures	<u><u>\$ 22,525,633</u></u>

During the fiscal year ended June 30, 2021, 2022 E-SPLOST expenditures were as follows:

	<u>2022 E-SPLOST EXPENDITURES</u>
Acquiring, constructing, furnishing, and equipping one new middle school and two new elementary schools	<u>\$ 76,951</u>
Total 2022 E-SPLOST Expenditures	<u><u>\$ 76,951</u></u>

The schedule above reflects total expenditures relative to 2022 E-SPLOST for fiscal year ended June 30, 2021.

The schedule below reflects total expenditures and funding for the Houston County Board of Education 2022 E-SPLOST Projects for the fiscal year ended June 30, 2021.

Funded By:	
Anticipated 2022 E-SPLOST Receipts	<u>\$ 76,951</u>
Total Houston County 2022 E-SPLOST Project Expenditures	<u><u>\$ 76,951</u></u>

HOUSTON COUNTY BOARD OF EDUCATION  
PERFORMANCE AND OPERATIONAL REVIEW  
JUNE 30, 2021

**REVIEW SCOPE, OBJECTIVES AND METHODOLOGY**

Review Scope

Clifton, Lipford, Hardison & Parker, LLC was engaged to conduct a performance and operational review of the E-SPLOST program for the year ended June 30, 2021. The review focused on the School System's compliance with the state legislation and the receipt and expenditures of sales tax proceeds for allowable E-SPLOST educational purposes.

Review Objectives

Based on the requirements of Georgia Code Section 20-2-491, we identified the following objectives of the operational review:

1. To the maximum extent possible, the tax funds are being expended efficiently and economically, so as to secure the maximum possible benefit from the tax dollars collected.
2. The sales tax proceeds are being disbursed in a fiscally responsible manner.
3. The School System has established adequate administrative controls to ensure the proper management of the sales tax proceeds received.
4. The Schools' technology and transportation expenditures are reasonable.
5. Investment of the sales tax proceeds received by the School System has been conducted in a sound fiscal manner.

Review Methodology

The following details some of the significant phases of the engagement:

- Plan the engagement and obtain a written understanding of the scope and objectives of the review.
- Document our understanding of the internal control environment related to the expenditures of the E-SPLOST funds.
- Prepare a review program based on review objectives and the control environment to include the following steps:
  - a. Conduct interviews with staff members responsible for the E-SPLOST program.
  - b. Review proposal procedures to ensure that there are a variety of contractors, architects and vendors used, they are qualified, and that contracts are awarded to the responsible and responsive offer or whose proposal is determined in writing to be the most advantageous to the Board.
  - c. Review a majority of the E-SPLOST expenditures.
- Conclude the review and prepare a draft report.
- Obtain management input and representation and finalize report.

HOUSTON COUNTY BOARD OF EDUCATION

PERFORMANCE AND OPERATIONAL REVIEW

JUNE 30, 2021

(CONTINUED)

**PROCEDURES, RESULTS, AND CLOSING**

**Objective #1: To the maximum extent possible, the tax funds are being expended efficiently and economically, so as to secure the maximum possible benefit from the tax dollars collected.**

- We obtained a copy of the 2017 E-SPLOST and 2022 E-SPLOST resolutions as approved by the Board of Education of the School District and the voters of Houston County, Georgia.
- We conducted interviews with the Director of Accounting and the Director of Facilities to understand how projects are chosen and how priorities are made among projects.
- We reviewed board minutes to verify that projects were brought before the board and were voted on before the start of the project.
- We reviewed the Five-Year Local Facilities Plan that includes county growth projections, projected student populations, projected priorities, and facilities outline by school.
- Our sample included 99% of the 2017 E-SPLOST and 2022 E-SPLOST disbursements for fiscal year 2021.

Results: Our procedures indicate the HCSS fiscal year 2021 E-SPLOST disbursements were related to activities approved in the E-SPLOST resolutions and the approved Five-Year Local Facilities Plan and were approved by the Board.

**Objective #2: The sales tax proceeds are being disbursed in a fiscally responsible manner.**

- We conducted interviews with the Director of Accounting to identify how costs and use of funding of E-SPLOST monies are determined, how they are classified, and ultimately recorded in the general ledger.
- We reviewed a sample of disbursements to verify that costs were properly identified as E-SPLOST, were properly reviewed and authorized by appropriate personnel, and were properly coded to an E-SPLOST account.
- We gained an understanding of the prequalification and sealed proposal process for contracts.
- We gained an understanding of the various project models to ensure that the best method is used and sound procurement policies are followed.

Results: Our procedures indicate the disbursements reviewed were authorized and coded to an E-SPLOST account in the general ledger. Per discussion with the Director of Facilities, HCSS uses the *Construction Manager at Risk* and the *Design-Bid-Build* models. These models are in accordance with program objectives. Because architect contracts are service oriented, they are not required to go through the proposal process. HCSS has developed prototypical plans for new schools (except high schools) and have determined that it is more cost effective to use the same proto-type plan on these new school construction projects.

HOUSTON COUNTY BOARD OF EDUCATION  
PERFORMANCE AND OPERATIONAL REVIEW  
JUNE 30, 2021  
(CONTINUED)

**PROCEDURES, RESULTS, AND CLOSING (CONTINUED)**

**Objective #3: Adequate administrative controls have been established to ensure the proper management of the sales tax proceeds received by the School System.**

- We conducted interviews with the Director of Accounting to identify how funds are received and recorded from the State.
- We reviewed the general ledger accounts and Office of the State Treasurer, Georgia Fund 1 statements to verify monthly deposits and compared them to the Georgia Department of Revenues monthly disbursements report.

Results: Our procedures indicate that the HCSS E-SPLOST program recorded all E-SPLOST proceeds to E-SPLOST accounts and deposited all E-SPLOST proceeds into E-SPLOST bank accounts.

**Objective #4: The Schools' technology and transportation expenditures are reasonable.**

- During 2021, E-SPLOST technology expenditures were \$1,493,079. We reviewed 85% of the technology expenditures. Transportation expenditures were \$3,822,550. We reviewed 99% of the transportation expenditures.

Results: Our procedures indicate that the technology and transportation expenditures sampled were in accordance with the referendum.

**Objective #5: Investment of the sales tax proceeds received by the School System has been conducted in a sound fiscal manner.**

- We conducted interviews with the Director of Accounting to identify how funds are invested.
- We reviewed the Board's investment policy.

Results: Our procedures indicate the School System invests monies in the Office of the State Treasurer, Georgia Fund 1. These funds are managed by the Office of the State Treasurer. The primary investment objectives of Georgia Fund 1 are safety of capital, liquidity, yield, and diversification with primary emphasis of safety of capital and liquidity.



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(CONTINUED)

**CLOSING**

Our sample included approximately 99% of all E-SPLOST expenditures for construction and equipping of the Houston County schools and the general obligation debt payments for the year ended June 30, 2021.

The Houston County School System (“HCSS”) works under the direction of the School Board (“the Board”) and its Superintendent. The Board approves projects selected for E-SPLOST funding. The HCSS employs a Director of Facilities and a complete facilities staff to oversee all E-SPLOST and capital outlay projects. Due to the internal expertise on staff, most of the large projects use the *Construction Manager-at-Risk* model. However, the HCSS also used the *Design-Bid-Build* model for smaller projects. The facilities department oversees construction in progress.

Our procedures for the year ended June 30, 2021 identified no instances of non-compliance with applicable laws and regulations that apply to capital outlay expenditures funded by the E-SPLOST and we identified no instances that the Houston County School System is not operating the E-SPLOST program in an economical and efficient manner and safeguarding and maximizing E-SPLOST funds in accordance with Georgia State Code.

This report is intended solely for the information and use of the Board of Education of the Houston County School System and its management and other officials and is not intended to be and should not be used by anyone other than these specified parties.