

Houston County School District



**Fiscal Year 2023
Annual Financial Report
June 30, 2023**

HOUSTON COUNTY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members of the
Houston County Board of Education
Perry, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the **Houston County School District** (the "School District") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School District as of June 30, 2023, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Houston County School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A"), the Schedules of Proportionate Share of the Net Pension Liabilities, the Schedules of Pension Contributions, the Schedules of Proportionate Share of the Net OPEB Liabilities, and the Schedule of OPEB Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedules of Expenditures of Special Purpose Local Option Sales Tax proceeds, as required by the Official Code of Georgia Annotated §48-8-121, and the Schedule of State Revenue are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Schedule of Expenditures of Federal Awards, the Schedules of Expenditures of Special Purpose Local Option Sales Tax proceeds, and the Schedule of State Revenue, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
March 5, 2024

HOUSTON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

INTRODUCTION

The discussion and analysis of Houston County School District's (the "School District") financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2023 are as follows:

On the government-wide financial statements:

- ❑ On the government-wide financial statements, net position increased \$57.4 million which represents a 43.9 percent increase from 2022. This total increase was due to governmental activities since the School District has no business-type activities.
- ❑ The School District had \$438.0 million in expenses related to governmental activities. Revenues totaled \$495.4 million. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$284.1 million or 57.4 percent of the total revenues and were used to offset these expenditures. General revenues of \$211.3 million or 42.6 percent of all revenues were adequate to provide for these programs.
- ❑ The current ratio, which measures the Board's ability to transform current assets into cash and to pay its short-term liabilities, was 5.6 for the fiscal year ended June 30, 2023. Generally, a ratio greater than 2.0 is considered very financially stable.

On the fund financial statements:

- ❑ Among major funds, the general fund had \$429.3 million in revenues and other financing sources, and \$402.0 million in expenditures and other financing uses. The general fund's fund balance increased to \$136.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; Management's Discussion and Analysis ("MD&A"), the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements include the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the School District presenting both short-term and long-term information about the overall financial status.

The fund financial statements focus on individual parts, reporting the School District's operation in more detail. The governmental funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fiduciary funds statements provide information about the financial relationships in which the Board acts solely as a trustee or agent for the benefit of others.

The fund financial statements reflect the School District's most significant funds. For the year ending June 30, 2023, the General Fund, the Capital Projects Fund, and the Debt Service Fund represent the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the School District's overall financial health or position. Over time, increases or decreases in net position are an indication of whether its financial health is improving or deteriorating. Changes may be the result of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct type of activity:

- **Governmental Activities** – All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, after school program, student and principal accounts, and various others.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required by State law and some by bond requirements. The School District's major governmental funds are the General Fund, Capital Projects Fund, and Debt Service Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the Board as a whole. Table 1 provides a summary of the Board's net position for 2023 compared to fiscal year 2022.

Table 1		
Net Position		
(In Thousands)		
	<u>Governmental Activities</u>	
	<u>Fiscal</u>	<u>Fiscal</u>
	<u>Year 2023</u>	<u>Year 2022</u>
Assets		
Current and Other Assets	\$ 250,133	\$ 241,825
Capital Assets, Net	462,434	398,928
Total Assets	712,567	640,753
Deferred Outflows of Resources	277,055	140,954
Liabilities		
Current and Other Liabilities	44,979	29,030
Long-Term Liabilities	663,400	346,434
Total Liabilities	708,379	375,464
Deferred Inflows of Resources	93,108	275,477
Net Position		
Net Invested in Capital Assets	413,612	376,080
Restricted	100,337	95,035
Unrestricted	(325,813)	(340,349)
Total Net Position	\$ 188,136	\$ 130,766

Total net position increased \$57.4 million to \$188.1 million. This increase was mainly attributable to increased investment in capital assets and utilizing additional operating grants for expenditures, partially offset by increases in our net pension liability. As shown on Table 2, the School District's operations also increased. Table 2 also shows the changes in net position for fiscal year 2023 compared to the changes in net position for fiscal year 2022. Instruction comprised 63.6 percent of governmental expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Changes in Net Position
(In Thousands)

	<u>Governmental Activities</u>	
	<u>Fiscal</u> <u>Year 2023</u>	<u>Fiscal</u> <u>Year 2022</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 6,574	\$ 7,583
Operating Grants and Contributions	253,084	265,868
Capital Grants and Contributions	<u>24,470</u>	<u>5,775</u>
Total Program Revenues	<u>284,128</u>	<u>279,226</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	63,388	55,713
Other Property Taxes	10,668	10,040
Sales Taxes		
Local Option Sales Tax	38,113	35,597
Special Purpose Local Option Sales Tax		
For Debt Service & Capital Projects	38,103	35,596
Other Sales Tax	1,799	2,538
Grants and Contributions not Restricted	41,742	42,291
Investment Earnings	5,942	343
Miscellaneous	<u>11,535</u>	<u>5,312</u>
Total General Revenues	<u>211,290</u>	<u>187,430</u>
Total Revenues	<u>495,418</u>	<u>466,656</u>
Program Expenses		
Instruction	278,801	234,847
Support Services		
Pupil Services	24,008	16,269
Improvement of Instructional Services	12,955	9,468
Instructional Staff Training		
Educational Media Services	5,165	4,208
General Administration	3,083	2,380
School Administration	27,535	21,571
Business Administration	3,117	2,824
Maintenance and Operation of Plant	27,379	24,872
Student Transportation Services	16,523	16,467
Central Support Services	7,012	6,170
Other Support Services	2,751	1,120
Operations of Non-Instructional Services		
Enterprise Operations	2,774	2,480
Community Services	1,046	1,017
Food Services	25,868	25,849
Interest on Short-Term and Long-Term Debt	<u>31</u>	<u>294</u>
Total Expenses	<u>438,048</u>	<u>369,836</u>
Increase in Net Position	<u>\$ 57,370</u>	<u>\$ 96,820</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services comparing fiscal year 2023 with fiscal year 2022. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>
Instruction	\$ 278,801	\$ 234,847	\$ 49,839	\$ 36,266
Support Services				
Pupil Services	24,008	16,269	19,889	7,467
Improvement of Instructional Services	12,955	9,467	8,667	3,465
Instructional Staff Training				
Educational Media Services	5,165	4,208	5,164	(110)
General Administration	3,083	2,380	(1,678)	884
School Administration	27,535	21,571	27,416	12,685
Business Administration	3,117	2,824	3,089	2,264
Maintenance and Operation of Plant	27,379	24,873	16,767	15,022
Student Transportation Services	16,523	16,467	13,706	13,459
Central Support Services	7,012	6,170	6,046	4,089
Other Support Services	2,751	1,120	2,748	440
Operations of Non-Instructional Services:				
Enterprise Operations	2,774	2,480	2,774	747
Community Services	1,046	1,017	(252)	(246)
Food Services	25,868	25,849	(286)	(6,116)
Interest on Short-Term and Long-Term Debt	31	294	31	294
Total Expenses	\$ 438,048	\$ 369,836	\$ 153,920	\$ 90,610

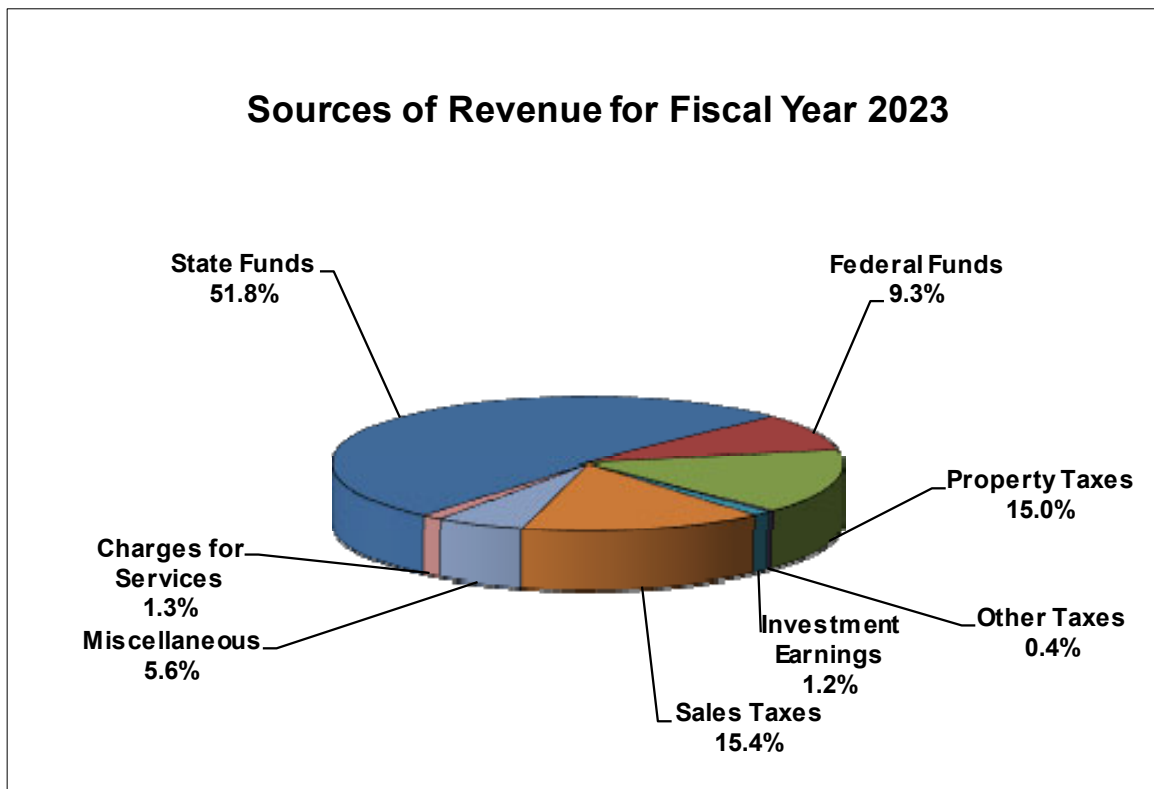
Although *program revenues* make up a majority of the funding, the School District is still dependent upon tax revenues for governmental activities. Approximately 17.9% of Instruction activities are supported through taxes and other general revenues, and for all governmental activities, general revenue support is 35.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$516.0 million and expenditures and other financing uses of \$506.9 million. There was an increase in the fund balance totaling \$9.1 million for the governmental funds as a whole. The General Fund increased by \$6.9 million due mainly to increases in mid-term funding, local taxes, increased interest earnings, and careful planning of expenditures. The Capital Projects Fund had an increase of \$0.5 million and Debt Service Fund had an increase of \$1.7 million to meet the subsequent year's debt requirements. The Capital Projects Fund increase was attributable to the transfer of funds for local capital outlay and to the timing of construction and renovation expenditures. These expenditures are funded by the proceeds of the Educational Special Purpose Local Option Sales Tax ("E-SPLOST") and the issuance of general obligation bonds during fiscal years 2017 and 2022. These funds will continue to be depleted as the School District completes the projects in the current capital outlay plan. The increase in the debt service fund was attributable to the higher amount of ESPLOST proceeds needed to pay next fiscal year's interest and principal payments due on the outstanding debt associated with the previously issued general obligation bonds. The increase in the fund balance of the General Fund for the year reflects that the School District was able to meet current costs as planned and budgeted.

The chart below shows the funding sources for the revenues. Of total revenues, 51.8% of the School District's revenues are derived from state grants, and 9.3% from federal grants. Property taxes make up 15.0% of the total funding, while an additional 15.4% is earned from the School District's sales taxes.



MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgeting Highlights

The School District's budget is prepared in accordance with Georgia law. The most significant budgeted fund is the General Fund.

During fiscal year 2023, the School District amended its General Fund budget as needed. The School District uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted revenues and other financing sources of \$445.5 million was greater than the original budgeted amount of \$416.2 million by \$29.3 million. The overall difference was mainly due to additional state grants of \$13.2 million, increased property taxes of \$7.7 million, and additional federal grants for ESSER funding and other federal awards of \$2.3 million. The actual revenues and other financing sources of \$429.9 million was less than the budgeted amount by \$15.6 million due mainly to the elimination of intra-fund transfers, federal grants being carried forward to the subsequent year, and an increase in sales taxes.

The final budgeted expenditures and other financing uses of \$447.2 million was more than the original budgeted amount of \$415.8 million by \$31.4 million. This difference was due mainly to adjusting the budget for additional local capital outlay transfers and the aforementioned additional ESSER grants. The actual expenditures and other financing uses of \$423.0 million was \$24.2 million less than budgeted. The reduced expenditures were mainly a result of an adjustment removing intrafund transfers, reductions of expenditures by the School District, and the requirements to budget for specific federal grants in advance of anticipated and actual need.

The differences in the beginning and ending budgeted fund balances to actual is the result of the School District's decision to include the Local Option Sales Taxes as current and prior year revenues for report purposes rather than reporting as deferred revenue in the current budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, the School District had \$462.4 million invested in capital assets, net of depreciation, all in governmental activities. Table 4 shows fiscal year 2023 balances compared with fiscal year 2022 balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 4
Capital Assets at June 30
(Net of Depreciation, In Thousands)

	<u>Governmental Activities</u>	
	<u>Fiscal</u> <u>Year 2023</u>	<u>Fiscal</u> <u>Year 2022</u>
Land	\$ 16,540	\$ 16,125
Construction In Progress	64,954	54,039
Buildings and Building Improvements	344,473	298,680
Equipment	15,947	13,216
Land Improvements	16,385	16,077
Intangible Assets	647	791
SBITAs	<u>3,488</u>	<u>4,427</u>
Total	\$ <u>462,434</u>	\$ <u>403,355</u>

The overall capital assets increased in fiscal year 2023 by \$63.5 million due to the construction and renovation expenses from the 2017 ESPLOST, 2022 ESPLOST, and local capital outlay projects during the current year, partially offset by the fiscal year 2023 depreciation of \$19.0 million.

Debt

At June 30, 2023, the School District had \$40.0 million in bonds outstanding with \$7.8 million due within one year, \$5.5 million in compensated absences earned as of the end of the year, and \$3.5 million in unamortized bond premiums with \$1.3 million due with one year. In addition, the School District reported long-term liabilities for its proportionate share of the net pension and net OPEB liabilities. Reporting these liabilities is required by GASB Statements No. 68 and No. 75. The School District's portion of these liabilities are actuarially determined based on employer contributions during the fiscal year ended June 30, 2022. The School District's contributions made during the current fiscal year are reported as deferred outflows of resources and will be recognized as a reduction of the liabilities in the subsequent fiscal year. Effective for fiscal year ended June 30, 2023, the School District is required by GASB Statement No. 96 to report Subscription-Based Information Technology Arrangements ("SBITAs").

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 5 summarizes the long-term debt outstanding at June 30, 2023, compared to fiscal year 2022 balances.

Table 5		
Debt at June 30		
(In Thousands)		
	<u>Governmental Activities</u>	
	<u>Fiscal</u>	<u>Fiscal</u>
	<u>Year 2023</u>	<u>Year 2022</u>
General Obligation Bonds	\$ 40,000	\$ 46,325
Compensated Absences	5,497	5,184
Unamortized Bond Premiums	3,544	5,526
Net Pension Liability	474,307	126,515
Net OPEB Liability	151,019	162,884
SBITAs	569	-
	<u>\$ 674,936</u>	<u>\$ 346,434</u>

At June 30, 2023, the School District's overall legal bonding authority was \$558.4 million based on the assessed value of taxable property as of December 31, 2022. The School District's bonds have assigned ratings of Aa2 and AA+. In addition, the State of Georgia limits the amount available to be spent each year on multiyear leases, purchase, or lease purchase contracts to 7.5% of the locally generated taxes for the maintenance and operation of the school system. The current threshold for these types of purchases was \$8.5 million; however, the School District had no payments for these types of purchase agreements.

CURRENT ISSUES

The Houston County School District consists of 39 campuses located in Houston County, a fast-growing area with a population of approximately 170,752. Current enrollment is approximately 30,859 students in grades PK-12. Among Georgia's 159 counties, Houston ranks 14th in population and 20th in income. The 2023 School District millage ranks 158th out of 180 districts in Georgia.

In the past, the State of Georgia experienced serious financial hardship, and as a result, more pressure was being placed on the local school systems to prioritize their instructional programs and to fund them with additional locally generated revenues. In fiscal year 2003, the State enacted Austerity Reductions for the State allotments, resulting in a reduction of state revenues to the School District of approximately \$2 million in 2003 to a high of \$23.8 million in 2010. Those austerity reductions totaled \$158.4 million and the overall reduction of state funding, including other grants and programs, was approximately \$317.6 million between the fiscal years 2003 - 2018. Austerity reductions in the amount of \$7.2 million for the school district were included in the initial fiscal year 2022 allotments. However, the reduction was eliminated in the 2022 midterm allotments. The fiscal year 2023 state allotments did not include an austerity reduction nor did the fiscal year 2024 state initial allotments. Hopefully, this trend will continue in future years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other changes related to the pandemic were enacted by the School District to start the 2020 – 2021 school year and has continued through the 2022-2023 school year. Distance Learning opportunities and on-line classes were added to the School District's offerings to ensure a viable curriculum and educational opportunities are available for all students in Houston County. While Houston County's class sizes remain below the state maximum recommendations, any additional reductions in state funding combined with a growing system place a heavier burden on the locally generated taxes to help offset this loss of state funding. Despite these challenges, the Houston County School District is strong financially, and we remain optimistic about the ability of the School District to maximize all of the financial resources to continue to provide a quality education to our students.

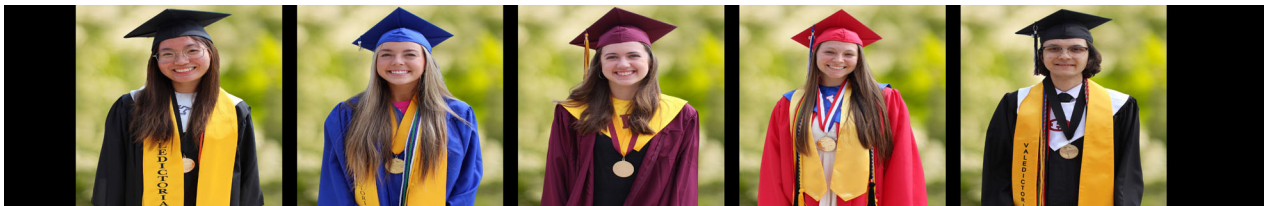
Houston County is home to Robins Air Force Base, Georgia's largest single industry. Robins Air Force Base had an estimated fiscal year 2022 economic impact on the State of Georgia of \$3.57 billion, with Houston County being, by far, the largest beneficiary of that impact. Other large employers located in the county include the School District, Houston County Hospital Authority, Perdue Farms, Frito-Lay Company, County and City Governments, and Northrop Grumman.

Houston is Georgia's sixty-sixth largest county in total area. As one of the fastest growing counties in Georgia, Houston had a 15 percent population increase from 1980-1990, a 24 percent increase from 1990-2000, a 26.3 percent increase from 2000-2010, and a 22.9 percent increase from 2010-2023. The population as of the 2020 census was 163,633 and grew to 171,983 in 2023. This growth has resulted in school system enrollment increases between 280 to 562 students for the past few years.

Houston has three municipalities: Centerville with an estimated population of 8,228; Perry with 20,624; and Warner Robins with 80,308. The county also includes the communities of Bonaire, Clinchfield, Elko, Haynesville, Henderson, and Kathleen.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Morris, Chief Financial Officer, at the Houston County Board of Education, P.O. Box 1850, 1100 Main Street, Perry, Georgia 31069. You may also email your questions to Michelle.Morris@hcbe.net.



BASIC FINANCIAL STATEMENTS

HOUSTON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 198,970,989
Investments	316,374
Receivables:	
Taxes	9,426,964
Intergovernmental:	
State	28,850,786
Federal	7,017,432
Other	550,222
Inventory	4,158,693
Prepaid items	705,150
Net OPEB asset	136,882
Capital assets (non-depreciable)	81,494,196
Capital assets (net of accumulated depreciation)	380,939,542
Total assets	712,567,230
DEFERRED OUTFLOWS	
Related to pension plans	236,381,844
Related to OPEB plan	40,673,186
Total deferred outflows	277,055,030
LIABILITIES	
Accounts payable	470,059
Salaries and benefits payable	25,058,886
Contracts payable	765,767
Accrued interest payable	666,667
Retainage payable	4,512,146
Bonds payable, due within one year	9,034,979
Bonds payable, due in more than one year	34,508,818
Workers' compensation, due within one year	1,395,970
Workers' compensation, due in more than one year	573,672
Subscription-based arrangements, due within one year	183,692
Subscription-based arrangements, due in more than one year	385,593
Compensated absences, due within one year	2,891,407
Compensated absences, due in more than one year	2,605,429
Net pension liability, due in more than one year	474,306,875
Net OPEB liability, due in more than one year	151,018,672
Total liabilities	708,378,632
DEFERRED INFLOWS	
Related to pension plans	2,559,766
Related to OPEB plan	90,547,870
Total deferred inflows	93,107,636
NET POSITION	
Net investment in capital assets	413,612,028
Restricted for:	
Continuation of federal programs	11,680,975
Capital projects	24,190,660
Debt service	9,079,125
Net OPEB asset	136,882
Property Tax Rollback	55,249,376
Unrestricted	(325,813,054)
Total net position	\$ 188,135,992

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

HOUSTON COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and
					Governmental
					Changes in Net Position
Governmental activities:					
Instruction	\$ 278,801,375	\$ 799,026	\$ 203,693,782	\$ 24,469,705	\$ (49,838,862)
Support services:					
Pupil services	24,007,610	-	4,118,898	-	(19,888,712)
Improvement of instructional services	12,955,093	-	4,288,691	-	(8,666,402)
Educational media services	5,164,435	-	-	-	(5,164,435)
General administration	3,083,178	-	4,761,486	-	1,678,308
School administration	27,534,574	-	118,641	-	(27,415,933)
Business administration	3,117,221	-	27,824	-	(3,089,397)
Maintenance and operation of plant	27,378,759	2,983	10,608,490	-	(16,767,286)
Student transportation services	16,522,928	105,998	2,710,568	-	(13,706,362)
Central support services	7,011,518	-	965,034	-	(6,046,484)
Other support services	2,750,947	-	3,305	-	(2,747,642)
Enterprise operations	2,774,395	-	-	-	(2,774,395)
Food service operations	25,868,400	4,367,291	21,787,659	-	286,550
Community service operation	1,046,490	1,298,427	-	-	251,937
Interest on long-term debt	31,020	-	-	-	(31,020)
Total governmental activities	<u>\$ 438,047,943</u>	<u>\$ 6,573,725</u>	<u>\$ 253,084,378</u>	<u>\$ 24,469,705</u>	<u>\$ (153,920,135)</u>
General revenues:					
Taxes:					
Property taxes:					
For maintenance and operations					63,388,011
Alternative ad valorem tax					47,514
Forest land protection ac					72,371
Title ad valorem ta:					10,549,136
Sales taxes:					
Special Purpose Local Option Sales Tax:					
For debt services					9,770,000
For capital projects					28,332,569
Local Option Sales Tax					38,112,564
Intangible Recording Tax					1,213,820
Real Estate Transfer Tax					551,639
Railroad Equipment Tax					33,191
Grants and Contributions not Restricted to Specific Programs					41,742,198
Unrestricted investment earnings					5,941,890
Miscellaneous					11,535,186
Total general revenues					<u>211,290,089</u>
Change in net position					57,369,954
Net position, beginning of year					130,766,038
Net position, end of year					<u>\$ 188,135,992</u>

The accompanying notes are an integral part of these financial statements

HOUSTON COUNTY SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2023

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 116,268,305	\$ 73,623,559	\$ 9,079,125	\$ 198,970,989
Investments	316,374	-	-	316,374
Receivables:				
Taxes	5,947,966	3,478,998	-	9,426,964
Intergovernmental:				
State	28,725,624	125,162	-	28,850,786
Federal	7,017,432	-	-	7,017,432
Other	550,222	-	-	550,222
Inventory	4,158,693	-	-	4,158,693
Total assets	\$ 162,984,616	\$ 77,227,719	\$ 9,079,125	\$ 249,291,460
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 470,059	\$ -	\$ -	\$ 470,059
Salaries and benefits payable	25,058,886	-	-	25,058,886
Retainage payable	-	4,512,146	-	4,512,146
Contracts payable	-	765,767	-	765,767
Total liabilities	25,528,945	5,277,913	-	30,806,858
DEFERRED INFLOWS				
Unavailable revenue - property taxes	877,086	-	-	877,086
Unavailable revenue - other taxes	33,191	-	-	33,191
Total deferred inflows	910,277	-	-	910,277
FUND BALANCES				
Non-spendable:				
Inventory	4,158,693	-	-	4,158,693
Restricted for:				
Federal programs	11,680,975	-	-	11,680,975
Debt service	-	-	9,079,125	9,079,125
Capital projects	-	24,190,660	-	24,190,660
Property Tax Rollback	59,183,392	-	-	59,183,392
Assigned for:				
Local capital outlay projects	-	47,759,146	-	47,759,146
Student activities	4,835,471	-	-	4,835,471
Subsequent year's budget	1,437,487	-	-	1,437,487
Unassigned	55,249,376	-	-	55,249,376
Total fund balances	136,545,394	71,949,806	9,079,125	\$ 217,574,325
Total liabilities, deferred inflows and fund balances	\$ 162,984,616	\$ 77,227,719	\$ 9,079,125	

(Continued)

HOUSTON COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2023

Total fund balances - governmental funds	\$	217,574,325
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Cost	\$ 722,775,606	
Less accumulated depreciation	<u>(260,341,868)</u>	\$ 462,433,738
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>		
Property taxes and other taxes		910,277
<p>Prepaid expenditures are not recognized in the funds</p>		
		705,150
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable	\$ (40,000,000)	
Bond premium	(3,543,797)	
Accrued interest	(666,667)	
Workers' compensation	(1,969,642)	
Compensated absences payable	(5,496,836)	
Subscription-based arrangements	(569,285)	
Pensions - deferred outflows of resources	236,381,844	
Pension - deferred inflows of resources	(2,559,766)	
Net pension liability	(474,306,875)	
OPEB - deferred outflows of resources	40,673,186	
OPEB - deferred inflows of resources	(90,547,870)	
Net OPEB asset	136,882	
Net OPEB liability	<u>(151,018,672)</u>	<u>(493,487,498)</u>
Net position of governmental activities		<u>\$ 188,135,992</u>

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

HOUSTON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 73,920,845	\$ -	\$ -	\$ 73,920,845
Sales taxes	38,112,564	28,332,569	9,770,000	76,215,133
Other taxes	1,765,459	-	-	1,765,459
State funds	247,843,448	8,367,381	-	256,210,829
Federal funds	46,085,123	-	-	46,085,123
Charges for services	6,573,725	-	-	6,573,725
Investment earnings	3,466,274	2,184,118	291,498	5,941,890
Miscellaneous	11,535,186	16,102,324	-	27,637,510
Total revenues	429,302,624	54,986,392	10,061,498	494,350,514
EXPENDITURES				
Current:				
Instruction	249,102,885	55,252	-	249,158,137
Support services:				
Pupil services	22,391,944	-	-	22,391,944
Improvement of instructional services	12,313,499	-	-	12,313,499
Educational media services	4,845,950	-	-	4,845,950
General administration	2,892,209	-	-	2,892,209
School administration	25,267,379	-	-	25,267,379
Business administration	2,786,104	-	8,080	2,794,184
Maintenance and operation of plant	28,040,049	-	-	28,040,049
Student transportation services	15,693,729	3,118,800	-	18,812,529
Central support services	6,301,136	33,185	-	6,334,321
Other support services	1,733,288	-	-	1,733,288
Enterprise operations	2,774,395	-	-	2,774,395
Food services operations	26,792,391	-	-	26,792,391
Community services operation	1,046,490	-	-	1,046,490
Capital outlay	-	72,249,390	-	72,249,390
Debt service:				
Principal retirement	46,088	-	6,325,000	6,371,088
Interest and fees	3,297	-	2,030,347	2,033,644
Total expenditures	402,030,833	75,456,627	8,363,427	485,850,887
Excess (deficiency) of revenues over (under) expenditures	27,271,791	(20,470,235)	1,698,071	8,499,627
OTHER FINANCING SOURCES (USES)				
Subscription-based arrangements	615,373	-	-	615,373
Transfers in	-	21,000,000	-	21,000,000
Transfers out	(21,000,000)	-	-	(21,000,000)
Total other financing sources (uses)	(20,384,627)	21,000,000	-	615,373
Net change in fund balances	6,887,164	529,765	1,698,071	9,115,000
FUND BALANCE, beginning of year	129,658,230	71,420,041	7,381,054	208,459,325
FUND BALANCE, end of year	\$ 136,545,394	\$ 71,949,806	\$ 9,079,125	\$ 217,574,325

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

HOUSTON COUNTY SCHOOL DISTRICT

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, 2023

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

Net change in fund balances - total governmental funds	\$	9,115,000
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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 capital outlay exceeded depreciation and amortization is to increase net position.

Capital outlay	\$ 78,206,359	
Depreciation and amortization expense	<u>(18,989,321)</u>	59,217,038

Net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net position.		(137,711)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 136,187	
Other taxes	<u>33,191</u>	169,378

Prepaid expenditures are not recorded in the funds		(792,733)
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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	\$ 6,325,000	
Principal payments - subscription-based arrangements	46,088	
Bond premium amortization	1,982,393	
Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts	898,005	
Change in net pension liability and deferred inflows and outflows related to pension activity	(31,354,758)	
Change in net OPEB liability and deferred inflows and outflows related to OPEB activity	12,954,161	
Issuance of subscription-based arrangements	<u>(615,373)</u>	(9,764,484)

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	20,231	
Compensated absences	(312,940)	
Claims and judgements	<u>(143,825)</u>	<u>(436,534)</u>

Change in net position of governmental activities	\$	<u><u>57,369,954</u></u>
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The accompanying notes are an integral part of these financial statements.

HOUSTON COUNTY SCHOOL DISTRICT

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 65,700,000	\$ 73,400,000	\$ 73,920,845	\$ 520,845
Sales taxes	35,923,372	35,198,372	38,112,564	2,914,192
Other taxes	-	-	1,765,459	1,765,459
State funds	235,186,695	248,432,286	247,843,448	(588,838)
Federal funds	66,183,326	68,509,363	46,085,123	(22,424,240)
Charges for services	4,412,138	8,011,995	6,573,725	(1,438,270)
Investment earnings	406,893	2,593,409	3,466,274	872,865
Miscellaneous	8,427,447	9,316,251	11,535,186	2,218,935
Total revenues	<u>416,239,871</u>	<u>445,461,676</u>	<u>429,302,624</u>	<u>(16,159,052)</u>
EXPENDITURES				
Current:				
Instruction	261,108,622	265,904,665	249,102,885	16,801,780
Support services:				
Pupil services	21,126,148	23,483,517	22,391,944	1,091,573
Improvement of instructional services	12,726,266	13,082,600	12,313,499	769,101
Educational media services	4,744,944	4,846,944	4,845,950	994
General administration	3,315,872	3,460,643	2,892,209	568,434
School administration	25,368,570	25,558,396	25,267,379	291,017
Business administration	2,710,566	2,847,519	2,786,104	61,415
Maintenance and operation of plant	28,435,322	30,255,773	28,040,049	2,215,724
Student transportation services	16,116,819	16,775,363	15,693,729	1,081,634
Central support services	7,681,932	8,356,445	6,301,136	2,055,309
Other support services	2,338,497	2,582,477	1,733,288	849,189
Enterprise operations	2,597,826	2,722,054	2,774,395	(52,341)
Food services operations	24,847,328	26,940,152	26,792,391	147,761
Community services operation	633,200	633,200	1,046,490	(413,290)
Debt service:				
Principal retirement	-	-	46,088	(46,088)
Interest and fiscal charges	-	-	3,297	(3,297)
Total expenditures	<u>413,751,912</u>	<u>427,449,748</u>	<u>402,030,833</u>	<u>25,418,915</u>
Excess of revenues over expenditures	<u>2,487,959</u>	<u>18,011,928</u>	<u>27,271,791</u>	<u>9,259,863</u>
OTHER FINANCING SOURCES (USES)				
Subscription-based arrangements	-	-	615,373	615,373
Transfers out	(2,000,000)	(19,750,000)	(21,000,000)	(1,250,000)
Total other financing uses, net	<u>(2,000,000)</u>	<u>(19,750,000)</u>	<u>(20,384,627)</u>	<u>(634,627)</u>
Net change in fund balance	487,959	(1,738,072)	6,887,164	8,625,236
FUND BALANCE, beginning of year	<u>129,658,230</u>	<u>129,658,230</u>	<u>129,658,230</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 130,146,189</u>	<u>\$ 127,920,158</u>	<u>\$ 136,545,394</u>	<u>\$ 8,625,236</u>

NOTES TO FINANCIAL STATEMENTS

HOUSTON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

NOTE 1. DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements of the School District. The government-wide statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide Statements

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Statements (Continued)

2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

Program revenues include: a) charges paid by the recipients of goods or services offered by the programs, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the School District's funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements are presented for governmental funds. The emphasis of fund financial statements is on major governmental funds, with each displayed in a separate column.

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for and reports all financial resources of the School District, except those resources required to be accounted for in another fund.
- The *Capital Projects Fund* accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax ("ESPLOST"), and grants from the Georgia State Financing and Investing Commission, that are restricted, committed, or assigned to the expenditure capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

- 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 and interest.

Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide 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. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 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 financed purchases, if any, are reported as other financing sources.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted resources 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 12-month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School District over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in 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 2023, the System adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement defines subscription-based information technology arrangements and provides uniform guidance for accounting and financial reporting for transactions that meet that definition. Under this statement, a government is required to recognize a subscription liability and an intangible right-to-use asset for contracts that meet the definition of a subscription-based information technology arrangement.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Composition of Deposits – Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (“Georgia Fund 1”) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. The Official Code of Georgia Annotated (“O.C.G.A.”) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

Investments

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

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

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

Receivables

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

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Supply Inventories – On the basic financial statements, inventories of consumable supplies and materials are reported at cost (weighted average). The School District uses the consumption method to account for inventories of consumable supplies whereby an asset is recorded when supplies are purchased, and expenditures are recorded at the time the supplies are consumed.

Prepaid Items

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items, in both the government-wide and governmental fund financial statements.

Capital Assets

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The School District does not capitalize book collections or works of art.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is computed using the straight-line for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Construction in Progress	All	N/A
Vehicles	All	5 – 14 Years
Land Improvements	All	8 – 50 Years
Buildings and Improvements	All	10 – 50 Years
Equipment	\$ 10,000	5 – 10 Years
Right-to-Use Assets	100,000	Term
Intangible Assets	100,000	Up to 20 years

Intangible Right-To-Use Assets

Leases, as a lessee, are included as intangible right-to-use assets and lease obligations on the Statement of Net Position. Subscription-based information technology arrangements (“SBITAs”) result in an intangible right-to-use subscription asset and a subscription liability on the Statement of Net Position. An intangible right-to-use asset represents the School District’s right to use an underlying asset for the lease or subscription term. Lease and subscription obligations represent the School District’s liability to make lease and subscription payments arising from the lease or subscription agreement. Intangible right to-use assets, lease obligations, and subscription liabilities are recognized based on the present values of lease or subscription payments over the lease term, where the initial term exceeds 12 months. Residual value guarantees and the value of an option to extend or terminate a lease or subscription are reflected to the extent it is reasonably certain to be paid or exercised. Variable payments based on future performance or usage are not included in the measurement of the lease or subscription liability. Intangible right-to-use assets are amortized using a straight-line basis over the shorter of the lease or subscription term or useful life of the underlying asset.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net position and Governmental Funds Balance Sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Members of the Teachers Retirement System of Georgia ("TRS") may apply unused sick leave toward early retirement in excess of 60 days. Employees retiring under the TRS are eligible to be paid for up to sixty days of leave at a rate of \$22.50 per day, upon retirement. Employees retiring under the Public School Employees Retirement System will be eligible to sell all unused leave up to the one hundred day maximum accumulation, at \$22.50 per day. The employee must have a minimum of five consecutive years of employment with the School District, contiguous with retirement.

Public School Employees Retirement System employees who terminate employment may apply to sell unused leave in excess of forty-five days, but not to exceed one hundred days at \$22.50 per day. The employee must have a minimum of five consecutive years of employment with the School District contiguous to a voluntary termination.

Accrued vacation leave will be paid to all eligible employees at their daily rate up to a maximum of forty-five days. Vacation leave of fifteen days is awarded to all full-time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed forty-five days.

Long-Term Liabilities

In the School District's government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the effective interest method. To conform to GAAP, bond premiums and discounts should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-employment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees' Post-employment Benefit Fund (the "School OPEB Fund") and additions to/deductions from the School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by the School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-employment Benefits Other Than Pensions ("SEAD-OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund ("SEAD-OPEB") plan ("the Plan") and additions to/deductions from the SEAD-OPEB's fiduciary net position have been determined on the same basis as they are reported by SEAD-OPEB. For this purpose, death benefits are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

Fund balances for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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

Non-spendable consists of resources that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted consists of resources that can be used only for specific purposes pursuant to constraints either: 1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation.

Committed consists of resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. The Board 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 balances 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 consists of resources constrained by the School District's intent to be used for specific purposes but are neither restricted nor committed. The intent should be expressed by: 1) the Board, or 2) the budget or finance committee, the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned consists of resources within the General Fund not meeting the definition of any aforementioned category. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

The fund balances of the School District's General Fund has been accumulated to meet the purpose of providing stability and flexibility to respond to unexpected adversity and/or opportunities. The School District's basic goal is to maintain annual expenditure increases necessary to provide a consistent educational environment satisfactory to its citizens and to limit expenditures to anticipate revenue in order to maintain a balanced budget.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

The Houston County School District adopted the property tax levy for the 2022 tax digest year (calendar year) on July 28, 2022 (levy date), based on property values as of January 1, 2022. Taxes were due on December 20, 2022 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2022 tax digest are reported as revenue in the governmental funds for the fiscal year 2023. The Houston 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, 2023, for maintenance and operations amounted to \$63,904,362.

The tax millage rate levied for the 2022 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>13.183</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$10,549,136 during the fiscal year ended June 30, 2023.

Sales Taxes

In 1982, the voters of Houston County approved a local amendment to the Constitution of the State of Georgia which limited the maximum allowable mill rate for ad valorem taxes levied by the School District each year. The maximum allowable mill rate for the School District in each year must be reduced by the mill rate which would yield on the digest for that year an amount equal to the amount received by the District in the immediately preceding year from the local sales and use tax. Local Option Sales Tax revenue, at the fund reporting level, during the fiscal year amounted to \$38,112,564 and was recorded in the General Fund. Local Option Sales Tax is to be used for the maintenance and operation of the School District, and the corresponding millage rate was adjusted accordingly.

Education Special Purpose Local Option Sales Tax ("ESPLOST"), at the fund reporting level, during the year amounted to \$38,102,569 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be reauthorized at least every five years.

NOTES TO FINANCIAL STATEMENTS

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 Fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was prepared in accordance with GAAP.

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

O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

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

NOTE 4. DEPOSITS AND INVESTMENTS

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

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

- 1) Surety bonds 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,

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Collateralization of Deposits (Continued) –

- 5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- 6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- 7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

Custodial Credit Risk- 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, 2023, the School District had deposits with a carrying amount of \$61,389,443 which includes certificates of deposits in the amount of \$316,374. The bank balances were \$76,290,124 and were properly insured by federal depository insurance or collateralized through the Georgia Secure Deposit Program at June 30, 2023.

Reconciliation of cash and cash equivalents to carrying value of deposits:

Statement of Net Position:

Cash and cash equivalents	\$ 198,970,989
Add: Deposits with an original maturity of three months or more reported as an investment.	316,374
Less: Investment pool reported as cash and cash equivalents:	
Georgia Fund 1	(137,897,920)
Total carrying value of deposits - June 30, 2023	<u>\$ 61,389,443</u>

At June 30, 2023, \$70,747,257 of the School District’s bank balances was exposed to custodial credit risk. This balance was in the State’s Secure Deposit Program (“SDP”). The SDP is a multi-bank pledging pool which requires participating banks to accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of the State Treasurer (“OST”) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased in the amount of up to 125% if economic or financial conditions warrant. The program lists the types of eligible criteria. The OST approves authorized custodians. In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of covered depository collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Investments – For investments, this is the risk that, in the event of the failure of the depository financial institution, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2023, the District was not exposed to custodial credit risk for investments.

Categorization of Cash Equivalents – The School District reported cash equivalents of \$137,897,920 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the Securities and Exchange Commission (“SEC”) as an investment company and does not operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool’s share price, \$1.00 per share, which approximates market value. The pool is an AAAf rated investment pool by Standard & 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, 2023, was 28 days.

The Georgia Fund 1 (“local government investment pool”) is administered by the State of Georgia, Office of the State Treasurer and is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia Annual Comprehensive Financial Report*, which is publicly available at <https://sao.georgia.gov/statewide-reporting/acfr>.

Categorization of Investments – At June 30, 2023, the School District had the following investments:

Investment	Maturities	Fair Value
Certificate of deposit	December 2, 2023	\$ 306,329
Certificate of deposit	December 1, 2023	10,045
		\$ 316,374

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.**

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in the capital assets of governmental activities during the fiscal year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 16,125,232	\$ -	\$ -	\$ 414,842	\$ 16,540,074
Construction in progress	54,038,556	75,153,526	-	(64,237,960)	64,954,122
Total	<u>70,163,788</u>	<u>75,153,526</u>	<u>-</u>	<u>(63,823,118)</u>	<u>81,494,196</u>
Capital assets, being depreciated:					
Buildings and improvements	507,798,615	-	(512,129)	58,950,440	566,236,926
Equipment	37,492,686	2,154,532	(1,765,577)	3,328,969	41,210,610
Land improvements	24,236,368	282,928	(142,852)	1,543,709	25,920,153
Intangible Assets	1,437,220	-	-	-	1,437,220
SBITAs	5,861,128	615,373	-	-	6,476,501
Total	<u>576,826,017</u>	<u>3,052,833</u>	<u>(2,420,558)</u>	<u>63,823,118</u>	<u>641,281,410</u>
Less accumulated depreciation for:					
Buildings and improvements	(209,118,420)	(13,085,490)	440,234	-	(221,763,676)
Equipment	(24,276,596)	(2,743,837)	1,756,902	-	(25,263,531)
Land improvements	(8,159,188)	(1,461,275)	85,711	-	(9,534,752)
Intangible Assets	(646,749)	(143,722)	-	-	(790,471)
SBITAs	(1,434,441)	(1,554,997)	-	-	(2,989,438)
Total	<u>(243,635,394)</u>	<u>(18,989,321)</u>	<u>2,282,847</u>	<u>-</u>	<u>(260,341,868)</u>
Total capital assets, being depreciated, net	<u>333,190,623</u>	<u>(15,936,488)</u>	<u>(137,711)</u>	<u>63,823,118</u>	<u>380,939,542</u>
Governmental activities capital assets, net	<u>\$ 403,354,411</u>	<u>\$ 59,217,038</u>	<u>\$ (137,711)</u>	<u>\$ -</u>	<u>\$ 462,433,738</u>

Current year depreciation expense by function for capital assets is as follows:

Instruction	\$ 14,362,717
Support Services:	
Pupil services	\$ 394,300
General administration	6,543
School administration	437,500
Business administration	154,532
Maintenance and operations	264,657
Student transportation	2,019,725
Support services - central	334,726
Support services - other	1,014,621
	<u>4,626,604</u>
Total depreciation and amortization expense	<u>\$ 18,989,321</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2023 consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>
	<u>General Fund</u>
Capital Projects Fund	\$ 21,000,000

Transfers are used to move sales tax revenues collected by the General Fund to Capital Projects fund as a supplemental funding source for capital construction projects.

NOTE 8. RISK MANAGEMENT

Commercial Insurance

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; natural disasters; and unemployment compensation.

Georgia School Boards Association Risk Management Fund – The School District participates in the Georgia School Boards Association Risk Management Fund (“the Fund”), a public entity risk pool organized on August 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, errors and omissions liability, cyber risk and property damage, including safety engineering and other loss prevention and control techniques, and to administer the Fund including the processing and defense of claims brought against members of the Fund. The School District pays an annual contribution to the Fund for coverage. Reinsurance is provided to the Fund through agreements by the Fund with insurance companies according to their specialty for property (including coverage for flood and earthquake), machinery breakdown, general liability, errors and omission, crime, cyber risk and automobile risks. Reinsurance limits and retentions vary by line of coverage.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RISK MANAGEMENT (CONTINUED)

Workers' Compensation

The School District has established a limited risk management program for workers' compensation claims. The School District accounts for claims within the general fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$550,000 loss per occurrence, up to the statutory limit.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2022	\$ 2,275,413	\$ 739,437	\$ (1,189,033)	\$ 1,825,817
2023	1,825,817	1,733,524	(1,589,699)	1,969,642

Unemployment Compensation

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

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2022	\$ 154,006	\$ -	\$ 154,006	\$ -
2023	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RISK MANAGEMENT (CONTINUED)

Surety Bond

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

Position Covered	Amount
Superintendent	\$ 50,000

NOTE 9. LONG-TERM LIABILITIES

The changes in long-term liabilities during the fiscal year ended June 30, 2023 for governmental activities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 46,325,000	\$ -	\$ (6,325,000)	\$ 40,000,000	\$ 7,770,000
Unamortized Bond Premiums	5,526,190	-	(1,982,393)	3,543,797	1,264,979
Compensated Absences	5,183,896	3,120,131	(2,807,191)	5,496,836	2,891,407
SBITAs	-	615,373	(46,088)	569,285	183,692
Net Pension Liability	126,514,724	408,720,396	(60,928,245)	474,306,875	-
Net OPEB Liability	162,884,053	27,769,567	(39,634,948)	151,018,672	-
Total	\$ 346,433,863	\$ 440,225,467	\$ (111,723,865)	\$ 674,935,465	\$ 12,110,078

The net other post-employment benefit liability and the net pension liability are liquidated primarily using the General Fund.

General Obligation Bonds

The School District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semi-annually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The School District repays general obligation bonds from voter-approved property taxes and sales taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

The School District had no unused line of credit or outstanding notes from direct borrowings and direct placements related to governmental activities as of June 30, 2023. In the event the entity is unable to make the principal and interest payments using proceeds from the ESPLOST, the debt will be satisfied from a direct annual ad valorem tax levied upon all taxable property within the School District. Additional security is provided by the State of Georgia Intercept Program which allows for state appropriations entitled to the School District to be transferred to the Debt Service Account Custodian for the payment of debt.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds (Continued)

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Government - Series 2022	5.0%	March 24, 2022	September 1, 2027	\$ 40,000,000	\$ 40,000,000

The following schedule details debt service requirements to maturity for the School District's total general obligation bonds payable:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2024	\$ 7,770,000	\$ 1,805,750	\$ 1,264,979
2025	7,880,000	1,414,500	990,897
2026	7,995,000	1,017,625	712,875
2027	8,115,000	614,875	430,737
2028	8,240,000	206,000	144,309
Total	<u>\$40,000,000</u>	<u>\$ 5,058,750</u>	<u>\$ 3,543,797</u>

Compensated Absences

Compensated Absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the General Fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM LIABILITIES (CONTINUED)

Subscription Based Arrangements

The School District has acquired several subscription-based assets under the provisions of various contracts that convey control of the right to use another entity's asset for a period of time in an exchange or exchange-like transaction. The following is a summary of the carrying values of intangible right-to-use assets at June 30, 2023:

	Governmental
Cost	\$ 6,476,501
Accumulated amortization	(2,989,438)
Net book value	\$ 3,487,063

During the fiscal year ended June 30, 2023, the School District entered into an agreement for the purchase of right-to-use software subscriptions at a cost of \$615,373. These arrangements have been recorded at the present value of the future minimum payments as of the date of inception. The following is a schedule of total future payments:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 183,692	\$ 18,608	\$ 202,300
2025	189,696	12,604	202,300
2025	195,897	6,403	202,300
	\$ 569,285	\$ 37,615	\$ 606,900

NOTES TO FINANCIAL STATEMENTS

NOTE 10. FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2023:

Nonspendable		
Inventories		4,158,693
Restricted		
Capital Projects	24,190,660	
Continuation of Federal Programs	11,680,975	
Debt Service	9,079,125	
Property Tax Rollback	59,183,392	104,134,152
Assigned		
Local Capital Outlay Projects	47,759,146	
School Activity Accounts	4,835,471	
Subsequent Year's Budget	1,437,487	54,032,104
Unassigned		
		55,249,376
Fund Balance, June 30, 2023		\$ 217,574,325

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

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 4% of budgeted expenditures, not to exceed 15% of the total budget of the subsequent fiscal year in compliance with O.C.G.A §20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

NOTE 11. SIGNIFICANT COMMITMENTS

The School District is committed under outstanding construction contracts in the capital projects funds in the amount of \$42,567,618. Construction contracts include new school construction and expansion and renovation of existing facilities.

NOTES TO FINANCIAL STATEMENTS

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. Any disallowances resulting from the grantor audit may become a liability of the School District. However, the School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to have a material adverse effect on the financial condition of the School District.

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)

Georgia School Personnel Post-employment Health Benefit Fund

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

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

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$5,839,444 for the year ended June 30, 2023. Active employees are not required to contribute to the School OPEB Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2023, the School District reported a liability of \$151,018,672 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total OPEB liability as of June 30, 2022, was determined using standard roll-forward techniques.

The School District’s proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2022. At June 30, 2022, the School District’s proportion was 1.524951%, which was an increase of 0.021058% from its proportion measured as of June 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2023, the School District recognized on OPEB expense of \$(7,073,959). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,028,000	\$ 59,354,912
Changes of assumptions	23,000,453	30,543,736
Net difference between projected and actual earnings on pension plan investments	921,171	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	4,854,956	634,203
School District contributions subsequent to the measurement date	5,839,444	-
Total	\$ 40,644,024	\$ 90,532,851

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

School District contributions subsequent to the measurement date of \$5,839,444 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	OPEB
Ending June 30,	
2024	\$ (16,362,940)
2025	(12,382,153)
2026	(9,273,151)
2027	(11,576,342)
2028	(5,560,792)
2029	(572,893)

Actuarial Assumptions: The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

OPEB:

Inflation	2.50%
Salary increases	3.00% – 8.75%, including inflation
Long-term expected rate of return	7.00%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	5.00%
Ultimate trend rate:	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate trend rate:	
Pre-Medicare Eligible	2029
Medicare Eligible	2023

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

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

- For TRS members: Post-retirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table (ages set forward one year and adjusted 106%) was used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 Projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.
- For PSERS Members: Pre-retirement mortality rates were based on the Pub-2010 General Employee Mortality Table, with no adjustment, with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for service retirements were based on the Pub-2010 General Healthy Annuitant Mortality Table (ages set forward one year and adjusted 105% for males and 108% for females) with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for disability retirements were based on the Pub-2010 General Disabled Mortality Table (ages set back three years for males and adjusted 103% for males and 106% for females) with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for beneficiaries were based on the Pub-2010 General Contingent Survivor Mortality Table (ages set forward two years and adjusted 106% for males and 158% for females) with the MP-2019 Projection scale applied generationally.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the pension system, which covered the five-year period ended June 30, 2018, with the exception of the assumed annual rate of inflation which was changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

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

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. During fiscal year 2018, the School OPEB fund update their investment strategy to a more long-term approach. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return*
Fixed income	30.00%	4.50%
Equities	70.00%	11.90%
Total	100.00%	

*Net of Inflation

Discount rate: In order to measure the total OPEB liability for the School OPEB, a single equivalent interest rate of 3.57% was used as the discount rate, as compared with last year’s rate of 2.20%. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation bonds with an average rating of AA or higher (3.54% per the Municipal Bond Index Rate). The projection of cashflows used to determine the discount rate assumed that contributions from members and from the employers will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2128 until benefit payments ran out.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.57%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.57%) or 1-percentage-point higher (4.57%) than the current rate:

	1% Decrease (2.57%)	Current Discount Rate (3.57%)	1% Increase (4.57%)
School District's proportionate share of the collective net OPEB liability	\$ 170,820,251	\$ 151,018,672	\$ 134,235,963

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the collective net OPEB liability	\$ 130,120,639	\$ 151,018,672	\$ 176,702,267

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the Annual Comprehensive Financial Report (“ACFR”) which is publicly available at <https://sao.georgia.gov/statewide-reporting/acfr>.

State Employees' Assurance Department OPEB Fund (SEAD-OPEB)

Plan Description: The State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (“SEAD-OPEB”) was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., relating to retirement, so as to establish a fund for the provision of term life insurance to retired and vested inactive members of the Employees' Retirement System of Georgia (“ERS”), the Legislative Retirement System (“LRS”), and the Georgia Judicial Retirement System (“GJRS”). The plan is a cost-sharing multiple-employer defined benefit other postemployment benefit plan as defined in Governmental Accounting Standards Board (“GASB”) Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans. The SEAD-OPEB trust fund accumulates the premiums received, including interest earned on deposits and investments of such payments from retired and vested inactive members. Effective July 1, 2009, no newly hired members of any Georgia public retirement system are eligible for term life insurance under SEAD-OPEB.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State Employees’ Assurance Department OPEB Fund (SEAD-OPEB)

Benefits Provided: According to the policy terms covering the lives of members, insurance coverage is provided on a monthly, renewable term basis, and no return premiums or cash value are earned. The amount of insurance for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance under State Employees' Assurance Department Active Members Fund (“SEAD-Active”) in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 is 70% of the amount of insurance under SEAD-Active at age 60 or at termination, if earlier. Life insurance proceeds are paid in a lump sum to the beneficiary upon death of the retiree.

Contributions: Employee contribution rates as a percentage of member’s salaries were appropriated for the fiscal year ended June 30, 2022 as follows: ERS Old Plan - 0.45% and ERS New Plan, LRS, and GJRS - 0.23%. ERS Old Plan members were hired prior to July 1, 1982 and New Plan members were hired on or after July 1, 1982, but prior to January 1, 2009.

Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of 1% of the member’s earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2022.

Administrative costs for the plan are determined based on the plan’s share of overhead costs to accumulate and invest funds, actuarial services, and to process benefit payments to beneficiaries. Administrative fees are financed from the assets of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2023, the School District reported an asset of \$136,882 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022. The total OPEB asset used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2021. An expected total OPEB asset as of June 30, 2022, was determined using standard roll-forward techniques.

The School District’s proportion of the net OPEB asset was actuarially determined based on actual member salaries reported to the SEAD-OPEB plan during the fiscal year ended June 30, 2022. At June 30, 2022, the School District’s proportion was 0.037238%, which was an increase of 0.007504% from its proportion measured as of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State Employees’ Assurance Department OPEB Fund (“SEAD-OPEB”) (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued): For the year ended June 30, 2023, the School District recognized an OPEB expense of \$(40,758). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SEAD-OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 628	\$ 42
Changes of assumptions	-	650
Net difference between projected and actual earnings on pension plan investments	28,534	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	14,327
Total	\$ 29,162	\$ 15,019

There were no employer contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	SEAD-OPEB
2024	\$ (11,115)
2025	2,802
2026	1,068
2027	21,388

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State Employees’ Assurance Department OPEB Fund (“SEAD-OPEB”) (Continued)

Actuarial Assumptions: The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

SEAD - OPEB:

Inflation	2.50%
Salary increases	
ERS	3.00% - 6.75%
GJRS	3.75%
LRS	N/A
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate:	N/A

Mortality rates are as follows:

- The Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2019 scale is used for both males and females while in active service.
- The Pub-2010 Family of Tables projected generationally with the MP-2019 Scale and with further adjustments are used for post-retirement mortality assumptions in the following table:

Participant Type	Membership Table	Set Forward (+) / Setback (-)	Adjustment to Rates
Service Retirees	General Healthy		
	Annuitant	Male: +1; Female: +1	Male: 105%; Female: 108%
Disability Retirees	General Disabled	Male: -3; Female: 0	Male: 103%; Female: 106%
Beneficiaries	General		
	Contingent Survivors	Male: +2; Female: +2	Male: 106%; Female: 105%

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State Employees’ Assurance Department OPEB Fund (“SEAD-OPEB”) (Continued)

Actuarial Assumptions (Continued): The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of OPEB plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and estimates of arithmetic real rates of return as provided by the Fund 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 %	0.20 %
Domestic large equities	46.30	9.40
Domestic small equities	1.20	13.40
International developed market equities	12.30	9.40
International emerging market equities	5.20	11.40
Alternatives	5.00	10.50
Total	100.00 %	

*Rates shown are net inflation.

Discount rate: The discount rate used to measure the collective total OPEB liability was 7.00%. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State Employees’ Assurance Department OPEB Fund (“SEAD-OPEB”) (Continued)

Sensitivity of the Collective Net OPEB Asset to Changes in the Discount Rate: The following presents the collective net OPEB asset calculated using a discount rate of 7.00%, as well as what the collective net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate at June 30, 2022:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District’s proportionate share of the collective net OPEB asset	\$ 88,355	\$ 136,882	\$ 176,623

OPEB plan fiduciary net position: Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued ERS Annual Comprehensive Financial Report (“ACFR”) which is publicly available at <https://ers.ga.gov/financials>.

NOTE 14. RETIREMENT PLANS

The School District participates in various retirement plans administered by the State of Georgia as further explained below.

Teachers’ Retirement System of Georgia (“TRS”)

Plan Description: All teachers of the School District as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by O.C.G.A. §47-3-63 are provided a pension through the Teachers’ Retirement System of Georgia (“TRS”). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (the “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 TRS of Georgia issues a publicly available separate financial report that can be obtained at www.trsga.com/publications.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of Georgia ("TRS") (Continued)

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. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. 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 2023. The School District's contractually required contribution rate for the year ended June 30, 2023, was 19.98% of annual School District payroll. For the current fiscal year, employer contributions to the pension plan were \$41,576,967 from the School District.

Employees' Retirement System ("ERS")

Plan description: The Employees' Retirement System of Georgia ("ERS") is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/financials.

Benefits Provided: The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan ("GSEPS"). Employees under the Old Plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are New Plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the Old Plan, the New Plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, post-retirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System ("ERS") (Continued)

Contributions: Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2023 was 31.01% of annual covered payroll. 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. Employer contributions to the pension plan were \$132,418 for the current fiscal year.

Public School Employees' Retirement System ("PSERS")

Plan Description: Public School Employees' Retirement System ("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 TRS. The ERS Board of Trustees, plus two additional trustees, administers 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/financials.

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 \$15.50, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RETIREMENT PLANS (CONTINUED)

Public School Employees' Retirement System ("PSERS") (Continued)

Contributions (Continued) Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$750,141.

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

At June 30, 2023, the School District reported a liability of \$474,306,875 for its proportionate share of the Net Pension Liability for TRS (\$473,265,435) and ERS (\$1,041,440).

The TRS Net Pension Liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the Net Pension Liability, the related State of Georgia support, and the total portion of the Net Pension Liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability	\$ 473,265,435
State of Georgia's proportionate share of the net pension liability associated with the School District	1,477,148
Total	<u>\$ 474,742,583</u>

The net pension liability for TRS and ERS was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022, was determined using standard roll-forward techniques. The School District's proportion of the Net Pension Liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2022.

At June 30, 2022, the School District's TRS proportion was 1.457460%, which was an increase of 0.030556% from its proportion measured as of June 30, 2021. At June 30, 2022, the School District's ERS proportion was 0.015594%, which was an increase of 0.002144% from its proportion measured as of June 30, 2021.

At June 30, 2023, 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 \$6,219,929.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RETIREMENT PLANS (CONTINUED)

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

The PSERS Net Pension Liability was measured as of June 30, 2022. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022, 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, 2022.

For the year ended June 30, 2023, the School District recognized pension expense of \$72,079,331 for TRS, \$296,320 for ERS, \$1,563,065 for PSERS, and revenue of \$1,563,065 for PSERS. The revenue is support provided by the State of Georgia. For TRS, the State of Georgia support is provided only for certain support personnel.

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,645,366	\$ 2,463,457
Changes of assumptions	71,241,548	-
Net difference between projected and actual earnings on pension plan investments	92,983,193	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	10,440,802	86,863
School District contributions subsequent to the measurement date	41,576,967	-
Total	\$ 235,887,876	\$ 2,550,320

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RETIREMENT PLANS (CONTINUED)

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

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,237	\$ 9,446
Changes of assumptions	185,126	-
Net difference between projected and actual earnings on pension plan investments	121,005	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	53,182	-
School District contributions subsequent to the measurement date	132,418	-
Total	\$ 493,968	\$ 9,446

School District contributions subsequent to the measurement date for TRS and ERS 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	TRS	ERS
2024	\$ 52,908,272	\$ 200,728
2025	40,615,469	55,300
2026	29,801,423	3,017
2027	68,435,425	93,059

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions: The total pension liability as of June 30, 2022, was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System:

Inflation	2.50%
Salary increases	3.00 – 8.75%, average, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

Post-retirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table (ages set forward one year and adjusted 106%) was used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 Projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions (Continued): The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed income	30.00 %	0.20 %
Domestic large equities	46.30	9.40
Domestic small equities	1.20	13.40
International developed market equities	12.30	9.40
International emerging market equities	5.20	11.40
Alternatives	5.00	10.50
Total	100.00 %	

Employees' Retirement System:

Inflation	2.50%
Salary increases	3.00% - 6.75%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates are as follows:

- The Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2019 scale is used for both males and females while in active service.
- The Pub-2010 Family of Tables projected generationally with the MP-2019 Scale and with further adjustments are used for post-retirement mortality assumptions as follows:

Participant Type	Membership Table	Set Forward (+) / Setback (-)	Adjustment to Rates
Service Retirees	General Healthy		
	Annuitant	Male: +1; Female: +1	Male: 105%; Female: 108%
Disability Retirees	General Disabled	Male: -3; Female: 0	Male: 103%; Female: 106%
Beneficiaries	General		
	Contingent Survivors	Male: +2; Female: +2	Male: 106%; Female: 105%

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions (Continued):

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

Public School Employees' Retirement System:

Inflation	2.75%
Salary increase	N/A
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

Mortality rates are as follows:

- The Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2010 scale is used for both males and females while in active service.
- The Pub-2010 Family of Tables projected generationally with the MP-2019 Scale and with further adjustments are used for post-retirement mortality assumptions as follows:

Participant Type	Membership Table	Set Forward (+) / Setback (-)	Adjustment to Rates
Service Retirees	General Healthy Below-Median Annultant	Male: +2; Female: +2	Male: 101%; Female: 103%
Disability Retirees	General Disabled General Below-Median	Male: -3; Female: 0	Male: 103%; Female: 106%
Beneficiaries	Contingent Survivors	Male: +2; Female: +2	Male: 104%; Female: 99%

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RETIREMENT PLANS (CONTINUED)

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

Public School Employees' Retirement System:

The long-term expected rate of return on ERS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and 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 %	0.20 %
Domestic large equities	46.30	9.40
Domestic small equities	1.20	13.40
International developed market equities	12.30	9.40
International emerging market equities	5.20	11.40
Alternatives	5.00	10.50
Total	100.00 %	

*Rates shown are net inflation.

Discount Rate: The discount rate used to measure the total TRS pension liability was 6.90%. The discount rate used to measure the total ERS and PSERS pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, ERS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

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 6.90% and 7.0%, 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 (5.90% and 6.0%) or 1-percentage-point higher (7.90% and 8.0%) than the current rate:

	Teachers' Retirement System		
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
School District's proportionate share of the collective net pension liability	\$ 714,000,807	\$ 473,265,435	\$ 276,673,159
	Employees' Retirement System		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
School District's proportionate share of the collective net pension liability	\$ 1,386,349	\$ 1,041,440	\$ 751,398

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS, ERS and PSERS financial report which is publicly available at www.trsga.com/publications and <http://www.ers.ga.gov/financials>.

Defined Contribution Plan

In July 1999, the School District began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees Retirement System ("PSERS"). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The School District selected AIG Valic as the provider of this plan. For each employee covered under PSERS, the Board began matching 100% of employee's contributions up to 5.0% of the employee's base pay.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RETIREMENT PLANS (CONTINUED)

Defined Contribution Plan (Continued)

The employee becomes vested in the plan with five years of experience. Employees who had already achieved five years of experience at the time the plan was implemented were vested upon enrollment. Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and five years of service to the School District. If an employee terminates employment prior to achieving 5 years of service, funds paid on behalf of the non-vested employee are credited back to the School District.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2023	100%	\$ 457,434
2022	100%	390,556
2021	100%	368,958

NOTE 15. TAX ABATEMENTS

The School District property tax revenues were reduced by \$492,259 under agreements entered into by the Houston County Development Authority (“Development Authority”). The Development Authority issued revenue bonds to provide capital financing for local businesses.

Included in the amount abated, the following is the individual tax abatement agreement that exceeded 10 percent of the total amount abated:

- A real estate property tax abatement totaling \$153,115 and a personal property tax abatement totaling \$74,492 to a manufacturing plant expansion.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSTON COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School District's proportion of the net pension liability	1.457460%	1.426904%	1.384135%	1.371579%
School District's proportionate share of the net pension liability	\$ 473,265,435	\$ 126,200,141	\$ 335,291,672	\$ 294,926,572
State of Georgia's proportionate share of the net pension liability associated with the School District	1,477,148	378,803	1,022,734	924,401
	<u>\$ 474,742,583</u>	<u>\$ 126,578,944</u>	<u>\$ 336,314,406</u>	<u>\$ 295,850,973</u>
School District's covered payroll	\$ 197,748,341	\$ 186,297,179	\$ 178,898,712	\$ 167,951,497
School District's proportionate share of the net pension liability as a percentage of its covered payroll	239.33%	67.74%	187.42%	175.60%
Plan fiduciary net position as a percentage of the total pension liability	72.85%	92.03%	77.01%	78.56%

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

2019	2018	2017	2016	2015
1.361385%	1.386441%	1.478342%	1.418023%	1.412022%
\$ 252,702,217	\$ 257,674,330	\$ 304,998,438	\$ 215,879,921	\$ 178,390,355
809,495	875,182	1,090,354	852,392	719,867
<u>\$ 253,511,712</u>	<u>\$ 258,549,512</u>	<u>\$ 306,088,792</u>	<u>\$ 216,732,313</u>	<u>\$ 179,110,222</u>
\$ 162,856,789	\$ 158,922,980	\$ 144,097,581	\$ 150,299,369	\$ 144,097,581
155.17%	162.14%	211.66%	143.63%	123.80%
80.27%	79.33%	76.06%	81.44%	84.03%

HOUSTON COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 41,576,967	\$ 39,052,154	\$ 35,402,026	\$ 37,704,109
Contributions in relation to the contractually required contribution	<u>41,576,967</u>	<u>39,052,154</u>	<u>35,402,026</u>	<u>37,704,109</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	208,709,152	197,748,341	186,297,179	178,898,712
Contributions as a percentage of covered payroll	19.92%	19.75%	19.00%	21.08%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 34,992,211	\$ 27,288,903	\$ 22,601,157	\$ 23,141,379	\$ 19,687,722	\$ 17,625,186
<u>34,992,211</u>	<u>27,288,903</u>	<u>22,601,157</u>	<u>23,141,379</u>	<u>19,687,722</u>	<u>17,625,186</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
167,951,497	162,856,789	158,922,980	162,747,775	150,299,369	144,097,581
20.83%	16.76%	14.22%	14.22%	13.10%	12.23%

HOUSTON COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION TEACHERS' RETIREMENT SYSTEM OF GEORGIA FOR THE YEAR ENDED JUNE 30, 2023

CHANGES OF ASSUMPTIONS

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

On May 15, 2019, the Board adopted recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

In 2019 and later, the expectation of retired life mortality was changed to the Pub-2010 Teacher Headcount Weighted Below Median Healthy Retiree mortality table from the RP-2000 Mortality Tables. In 2019, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

HOUSTON COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the School District	6,219,929	578,518	4,115,200	3,693,525
	<u>\$ 6,219,929</u>	<u>\$ 578,518</u>	<u>\$ 4,115,200</u>	<u>\$ 3,693,525</u>
School District's covered payroll	\$ 13,140,581	\$ 12,075,320	\$ 11,984,121	\$ 10,829,358
School District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	81.21%	98.00%	84.45%	85.02%

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
\$ -	\$ -	\$ -	\$ -	\$ -
<u>3,508,395</u>	<u>3,218,420</u>	<u>4,098,431</u>	<u>2,607,682</u>	<u>2,303,408</u>
<u>\$ 3,508,395</u>	<u>\$ 3,218,420</u>	<u>\$ 4,098,431</u>	<u>\$ 2,607,682</u>	<u>\$ 2,303,408</u>
\$ 11,060,129	\$ 10,507,779	\$ 10,489,157	\$ 10,330,433	\$ 10,016,812
0.00%	0.00%	0.00%	0.00%	0.00%
85.26%	85.69%	81.00%	87.00%	88.29%

HOUSTON COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2023

CHANGES OF ASSUMPTIONS

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females).

A new funding policy was initially adopted by the Board on March 15, 2018, and most recently amended on December 17, 2020. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation and further reduced from 7.40 % to 7.30% for the June 30, 2018 actuarial valuation.

On December 17, 2020, the Board adopted recommended changes to the economic and demographic assumption utilized by the System based on the experience study prepared for the five-year period ending June 30, 2019. Primary among the changes were the updates to the rates of mortality, retirement, disability, and withdrawal. This also included a change to the long-term assumed investment rate of return to 7.00%. These assumption changes are reflected in the calculation of June 30, 2021 total pension liability.

HOUSTON COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School District's proportion of the net pension liability	0.015594%	0.013450%	0.012357%	0.013078%
School District's proportionate share of the net pension liability	\$ 1,041,440	\$ 314,583	\$ 520,842	\$ 539,668
School District's covered payroll	381,427	322,315	311,559	329,664
School District's proportionate share of the net pension liability as a percentage of its covered payroll	273.04%	97.60%	167.17%	163.70%
Plan fiduciary net position as a percentage of the total pension liability	67.44%	87.62%	76.21%	76.74%

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

	2019	2018	2017	2016	2015
	0.016995%	0.018664%	0.018934%	0.018205%	0.017996%
\$	698,670	\$ 758,008	\$ 895,658	\$ 737,557	\$ 674,961
	440,648	457,801	405,212	416,239	405,212
	158.56%	165.58%	221.03%	177.20%	166.57%
	76.68%	76.33%	72.34%	76.20%	77.99%

HOUSTON COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 132,418	\$ 93,946	\$ 78,734	\$ 76,831
Contributions in relation to the contractually required contribution	<u>132,418</u>	<u>93,946</u>	<u>78,734</u>	<u>76,831</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	427,016	381,427	322,315	311,559
Contributions as a percentage of covered payroll	31.01%	24.63%	24.43%	24.66%

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 81,691	\$ 109,325	\$ 113,580	\$ 108,826	\$ 91,406	\$ 74,802
<u>81,691</u>	<u>109,325</u>	<u>113,580</u>	<u>108,826</u>	<u>91,406</u>	<u>74,802</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
329,664	440,648	457,801	440,234	416,239	405,212
24.78%	24.81%	24.81%	24.72%	21.96%	18.46%

HOUSTON COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2023

CHANGES OF ASSUMPTIONS

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 2 years for both males and females).

A new funding policy was initially adopted by the Board on March 15, 2018, and most recently amended on June 18, 2020. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation and further reduced from 7.40 % to 7.30% for the June 30, 2018 actuarial valuation.

On December 17, 2020, the Board adopted recommended changes to the economic and demographic assumption utilized by the System based on the experience study prepared for the five-year period ending June 30, 2019. Primary among the changes were the updates to the rates of mortality, retirement, disability, and withdrawal. This also included a change to the long-term assumed investment rate of return to 7.00%. These assumption changes are reflected in the calculation of June 30, 2021 Total Pension Liability.

HOUSTON COUNTY SCHOOL DISTRICT

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School District's proportion of the net OPEB Liability	1.524951%	1.503893%	1.492954%	1.491326%
School District's proportionate share of the net	<u>\$ 151,018,672</u>	<u>\$ 162,884,053</u>	<u>\$ 219,280,173</u>	<u>\$ 183,017,696</u>
	<u>\$ 151,018,672</u>	<u>\$ 162,884,053</u>	<u>\$ 219,280,173</u>	<u>\$ 183,017,696</u>
School District's covered employee payroll	\$ 151,109,718	\$ 141,950,957	\$ 136,156,581	\$ 127,221,476
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	99.94%	114.75%	161.05%	143.86%
Plan fiduciary net position as a percentage of the total pension liability	6.17%	6.14%	3.99%	4.63%

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

<u>2019</u>	<u>2018</u>	<u>2017</u>
1.473949%	1.484992%	1.504207%
<u>\$ 187,334,394</u>	<u>\$ 208,640,779</u>	<u>\$ 222,927,776</u>
<u>\$ 187,334,394</u>	<u>\$ 208,640,779</u>	<u>\$ 222,927,776</u>
\$ 121,721,037	\$ 121,721,037	\$ 117,333,618
153.90%	171.41%	189.99%
2.93%	1.61%	0.64%

HOUSTON COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 5,839,444	\$ 5,513,840	\$ 5,594,227	\$ 5,048,822
Contributions in relation to the contractually required contribution	<u>5,839,444</u>	<u>5,513,840</u>	<u>5,594,227</u>	<u>5,048,822</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered employee payroll	160,051,912	151,109,718	141,950,957	136,156,581
Contributions as a percentage of covered employee payroll	3.65%	3.65%	3.94%	3.71%

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

2019	2018	2017
\$ 8,031,819	\$ 7,665,615	\$ 7,742,869
<u>8,031,819</u>	<u>7,665,615</u>	<u>7,742,869</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
127,221,476	123,412,245	121,721,037
6.31%	6.21%	6.36%

HOUSTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHOOL OPEB FUND
FOR THE YEAR ENDED JUNE 30, 2023

CHANGES OF BENEFIT TERMS

There have been no changes in benefit terms.

CHANGES IN ASSUMPTIONS

June 30, 2020 valuation: Decremental assumptions were changed to reflect the Employees Retirement Systems experience study. Approximately 0.10% of employees are members of the Employees Retirement System.

June 30, 2019 valuation: Decremental assumptions were changed to reflect the Employees Retirement Systems experience study.

June 30, 2018 valuation: The inflation assumption was lowered from 2.75% to 2.50%.

June 30, 2017 valuation: The participation assumption, tobacco use assumption and morbidity factors were revised.

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

The discount rate was updated from 3.07% as of June 30, 2016 to 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018, back to 3.58% as of June 30, 2019, and to 2.22% as of June 30, 2020, and to 3.57% as of June 30, 2022.

HOUSTON COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB ASSET
SEAD - OPEB
FOR THE FISCAL YEAR ENDED JUNE 30,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School District's proportion of the Net OPEB Asset	0.037238%	0.029734%	0.026147%	0.025847%
School District's proportionate share of the Net OPEB Asset	<u>\$ 136,882</u>	<u>\$ 183,110</u>	<u>\$ 74,262</u>	<u>\$ 73,086</u>
	<u>\$ 136,882</u>	<u>\$ 183,110</u>	<u>\$ 74,262</u>	<u>\$ 73,086</u>
School District's covered employee payroll	\$ 381,427	\$ 322,315	311,559	329,664
School District's proportionate share of the Net OPEB Asset as a percentage of its covered employee payroll	35.89%	56.81%	23.84%	22.17%
Plan fiduciary net position as a percentage of the total pension liability	138.03%	164.76%	129.20%	129.73%

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

<hr/>	
<u>2019</u>	<u>2018</u>
0.031312%	0.031437%
<u>\$ 84,745</u>	<u>\$ 81,706</u>
<u>\$ 84,745</u>	<u>\$ 81,706</u>
405,212	457,801
20.91%	17.85%
129.46%	130.17%

HOUSTON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS SEAD - OPEB FOR THE FISCAL YEAR ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered employee payroll	427,016	381,427	322,315	311,559
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

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

2019	2018	2017	2016	2015	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
329,664	440,648	457,801	440,234	416,239	405,212
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

HOUSTON COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SEAD-OPEB FUND FOR THE YEAR ENDED JUNE 30, 2023

CHANGES OF BENEFIT TERMS

There have been no changes in benefit terms.

CHANGES IN ASSUMPTIONS

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 2 years for both males and females).

A new funding policy was initially adopted by the Board on March 15, 2018, and most recently amended on June 18, 2020. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation and further reduced from 7.40 % to 7.30% for the June 30, 2018 actuarial valuation.

On December 17, 2020, the Board adopted recommended changes to the economic and demographic assumption utilized by the System based on the experience study prepared for the five-year period ending June 30, 2019. Primary among the changes were the updates to the rates of mortality, retirement, disability, and withdrawal. This also included a change to the long-term assumed investment rate of return to 7.00%. These assumption changes are reflected in the calculation of June 30, 2021 Total Pension Liability.

SUPPLEMENTARY INFORMATION

HOUSTON COUNTY SCHOOL DISTRICT

SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Agency/Funding	Governmental Fund Types		Total
	General Fund	Capital Projects Fund	
Grants			
Bright from the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 5,430,814	\$ -	\$ 5,430,814
Education, Georgia Department of Quality Basic Education			
Direct Instructional Cost:			
Kindergarten Program	7,582,326	-	7,582,326
Kindergarten Program - Early Intervention Program	4,510,960	-	4,510,960
Primary Grades (1-3) Program	15,366,640	-	15,366,640
Primary Grades - Early Intervention (1-3) Program	13,007,286	-	13,007,286
Upper Elementary Grades (4-5) Program	8,275,420	-	8,275,420
Upper Elementary Grades - Early Intervention (4-5) Program	7,468,975	-	7,468,975
Middle School (6-8) Program	18,734,301	-	18,734,301
High School General Education (9-12) Program	17,461,397	-	17,461,397
Career Technical and Agricultural Education Program 9-12	6,358,642	-	6,358,642
Students with Disabilities	32,687,444	-	32,687,444
Program for Intellectually Gifted Students - Category VI	20,486,106	-	20,486,106
Remedial Education Program	6,670,849	-	6,670,849
Alternative Education Program	1,422,984	-	1,422,984
English Speakers of Other Languages (ESOL)	2,133,709	-	2,133,709
Media Center Program	3,861,968	-	3,861,968
20 Days Additional Instruction	1,098,448	-	1,098,448
Staff and Professional Development	757,574	-	757,574
Principal Staff and Professional Development	11,589	-	11,589
Indirect Cost:			
Central Administration	4,246,331	-	4,246,331
School Administration	7,425,989	-	7,425,989
Facility Maintenance and Operations	8,001,056	-	8,001,056
Categorical Grants:			
Pupil Transportation	1,801,291	-	1,801,291
Nursing Services	653,808	-	653,808
Vocational Supervisors	28,667	-	28,667
Education Equalization Funding Grant	41,742,198	-	41,742,198
Food Services	861,670	-	861,670
Vocational Education	1,016,439	-	1,016,439

(Continued)

HOUSTON COUNTY SCHOOL DISTRICT

SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Agency/Funding	Governmental Fund Types		Total
	General Fund	Capital Projects Fund	
Grants (Continued)			
Other State Programs:			
Math and Science Supplements	\$ 257,072	\$ -	\$ 257,072
Hygiene Products in Georgia Schools	25,303	-	25,303
Teachers' Retirement	124,432	-	124,432
Preschool Handicapped Program	535,356	-	535,356
CTAE Connect Grant Bond Funds	180,000	-	180,000
Bus Purchases - State Allotment	440,550	-	440,550
Bus Safety Incentive Grant	7,238	-	7,238
Pupil Transportation - State Bonds	40,000	-	40,000
Total State Categorical Grants:			
One Time QBE Adjustment	6,331,410	-	6,331,410
Military Counselors	47,065	-	47,065
Office of the State Treasurer:			
Public School Employees Retirement	750,141	-	750,141
Capital Outlay Grants:			
Miscellaneous	-	8,367,381	8,367,381
	<u>\$ 247,843,448</u>	<u>\$ 8,367,381</u>	<u>\$ 256,210,829</u>

See Notes to the Basic Financial Statements.

HOUSTON COUNTY SCHOOL DISTRICT

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS - 2017 ESPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Project	Original Estimated Cost ⁽¹⁾	Current Estimated Costs ⁽²⁾	Expended In Current Year ⁽³⁾	Expended In Prior Years ⁽³⁾	Total Completion Cost	Estimated Completion Date
Acquiring instructional and administrative technology equipment and materials;		\$ 14,965,676	\$ 33,185	\$ 14,932,491	\$ 14,965,676	October 31, 2022
Acquiring safety, security, and fire protection equipment;		1,678,697	-	1,678,697	1,678,697	January 1, 2021
Adding to, renovating, repairing, improving, furnishing, and equipping existing school buildings, and physical education and other buildings and facilities, including any necessary demolition;		37,402,649	554,403	36,848,246	37,402,649	June 30, 2023
Adding to, constructing, renovating, furnishing, and equipping gymnasiums and athletic facilities;		56,369,693	3,348,372	53,021,320	56,369,692	September 30, 2022
Renovations, additions, and improvements to parking and traffic access facilities, including necessary sitework;		8,065,262	842,945	7,222,318	8,065,263	June 30, 2023
Acquiring, constructing, furnishing, and equipping one new elementary school;		21,899,492	-	21,899,492	21,899,492	September 30, 2021
Acquiring buses, vehicles, and transportation equipment;		10,160,487	3,118,800	7,041,687	10,160,487	September 30, 2022
Acquiring any necessary property, both real and personal;		2,058,043	-	2,058,043	2,058,043	December 31, 2020
Paying expenses incident to accomplishing the foregoing		397,417	-	397,417	397,417	February 28, 2022
	<u>\$ 135,000,000</u>	<u>\$ 152,997,416</u>	<u>\$ 7,897,705</u>	<u>\$ 145,099,711</u>	<u>\$ 152,997,416</u>	

⁽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 project(s). Includes all cost from project inception to completion.

⁽³⁾ The voters of Houston County approved the imposition of a 1% sales tax to fund the above project(s) 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 project(s).

(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding as follows:

Prior Years	\$ 4,820,284
Current Year	<u>2,030,347</u>
Total	<u>\$ 6,850,631</u>

Reconciliation to total expenditures, Capital Projects Fund:	\$ 57,481,400	Total expenditures, 2017 and 2022 SPLOST
	<u>17,975,227</u>	Non-SPLOST Expenditures
	<u>\$ 75,456,627</u>	Total expenditures, Capital Projects Fund

See Notes to the Basic Financial Statements.

HOUSTON COUNTY SCHOOL DISTRICT

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS - 2022 ESPLOST
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Project	Original Estimated Cost ⁽¹⁾	Current Estimated Costs ⁽²⁾	Expended In Current Year ⁽³⁾	Expended In Prior Years ⁽³⁾	Total Completion Cost	Estimated Completion Date
Acquiring instructional and administrative technology equipment and materials;		\$ 152,973	\$ 55,252	\$ 80,000	\$ 135,252	June 30, 2024
Acquiring safety, security, and fire protection equipment;		69,119	45,153	11,958	57,111	December 30, 2023
Adding to, renovating, repairing, improving, furnishing, and equipping existing school buildings, and physical education and other buildings and facilities, including any necessary demolition;		75,789,992	20,242,732	12,147,262	32,389,994	June 30, 2027
Renovations, additions, and improvements to parking and traffic access facilities, including any necessary sitework;		2,000,000	129,602	-	129,602	June 30, 2027
Acquiring, constructing, furnishing, and equipping one new middle school and two new elementary schools;		119,700,000	28,754,877	4,601,933	33,356,810	June 30, 2027
Acquiring, constructing, furnishing, and equipping a performing arts center;		17,000,000	-	-	-	June 30, 2027
Acquiring any necessary property, both real and personal;		8,000,000	356,079	-	356,079	June 30, 2027
Paying expenses incident to accomplishing the foregoing		455,000	-	427,115	427,115	November 30, 2026
	<u>\$ 190,000,000</u>	<u>\$ 223,167,084</u>	<u>\$ 49,583,695</u>	<u>\$ 17,268,268</u>	<u>\$ 66,851,963</u>	

⁽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 project(s). Includes all cost from project inception to completion.

⁽³⁾ The voters of Houston County approved the imposition of a 1% sales tax to fund the above project(s) 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 project(s).

See Notes to the Basic Financial Statements.

COMPLIANCE SECTION



**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**

**To the Superintendent and Members
of the Houston County Board of Education
Perry, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Houston County School District (the "School District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, and the budgetary comparison for the General Fund, which collectively comprise the School System's basic financial statements and have issued our report thereon dated March 5, 2024..

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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 a 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. 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.

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

Report on Compliance and Other Matters

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

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 report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
March 5, 2024



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

To the Superintendent and Members
of the Houston County Board of Education
Perry, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Houston County School District (the "School District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2023. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, (*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal programs. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mauldin & Jenkins, LLC

Macon, Georgia
March 5, 2024

HOUSTON COUNTY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Funding Agency Program/Grant	Assistance Listing Number	Pass- Through Entity ID Number	Expenditures In Period
U.S. Department of Agriculture:			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster:			
Food Services:			
School Breakfast Program	10.553	235GA324N1099	\$ 5,274,244
National School Lunch Program	10.555	235GA324N1099	14,253,651
COVID-19 Supply Chain Assistance Grant	10.555	235GA324N1099	846,502
Total Child Nutrition Cluster			<u>20,374,397</u>
Other Programs:			
Pass-Through From Georgia Department of Education:			
Child Nutrition Discretionary Grants - Limited Availability	10.579	235GA324N1099	24,257
Total Other Programs			<u>24,257</u>
Total U.S. Department of Agriculture			<u>20,398,654</u>
U.S. Department of Education:			
Direct:			
Impact Aid	84.041B	N/A	<u>2,367,903</u>
Pass-Through From Georgia Department of Education			
Special Education Cluster:			
Grants to States	84.027A	H027A210073	1,466,919
Grants to States	84.027A	H027A220073	4,442,997
COVID-19 American Rescue Plan (ARP) - Grants to State and LEA:	84.027X	H027X210073	514,934
COVID-19 American Rescue Plan (ARP) - Age 3-5 Grants	84.173X	H173X210081	69,784
Preschool Grants	84.173A	H173A210081	19,715
Preschool Grants	84.173A	H173A220081	89,928
Total Special Education Cluster			<u>6,604,277</u>
Education Stabilization Fund:			
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210012	49,953
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210012	5,566,531
COVID-19- American Rescue Plan Elementary and Secondary School Homeless Children and Youth	84.425W	S425W210011	115,644
Total Education Stabilization Fund			<u>5,732,128</u>
Other Programs:			
Title I, Grants to Local Educational Agencies	84.010	S010A210010-21A	738,163
Title I, Grants to Local Educational Agencies	84.010	S010A220010	6,795,848
Title I, Migrant Education - State Grant Program	84.011	S011A210011	8,913
Title I, Migrant Education - State Grant Program	84.011	S011A220011	50,355
English Language Acquisition State Grants	84.365A	S365A210010	29,705
English Language Acquisition State Grants	84.365A	S365A220010	124,150
Supporting Effective Instruction State Grants	84.367A	S367A210001	487,406
Supporting Effective Instruction State Grants	84.367A	S367A220001	613,015
Career and Technical Education - Basic Grants to States	84.048A	V048A210010	17,176
Career and Technical Education - Basic Grants to States	84.048A	V048A220010	275,701
Student Support and Academic Enrichment	84.424A	S424A210011	101,242
Student Support and Academic Enrichment	84.424A	S424A220011	326,053
Education for Homeless Children and Youth	84.196A	S196A210011	11,731
Education for Homeless Children and Youth	84.196A	S196A220011	49,568
Total Other Programs			<u>9,629,026</u>
Total U.S. Department of Education			<u>24,333,334</u>

HOUSTON COUNTY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

(Continued)

Health and Human Services, U. S. Department of

Pass-Through from Georgia Department of Education:

Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79SM083659	140,915
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79SM083659	<u>282,793</u>
Total Substance Abuse and Mental Health Services			<u>423,708</u>

Pass-Through from Bright from the Start:

Georgia Department of Early Care and Learning:

CCDF Cluster:

COVID-19 - Child Care and Development Block Grant	93.575	N/A	<u>240,000</u>
Total Child Care and Development Block Grant			240,000

Total U.S. Department of Health and Human Services 663,708

U.S. Department of Defense

Direct:

Department of the Air Force
R.O.T.C. Program

12.unknown N/A 378,806

Total U.S. Department of Defense 378,806

Total Expenditures of Federal Awards \$ 45,774,502

N/A = Not Available

HOUSTON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Houston County School District (the "School District") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* ("CFR") Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2. DONATED COMMODITIES

The Child Nutrition Cluster includes \$1,709,540 of non-cash expenditures in the form of donated food commodities.

NOTE 3. DE MINIMIS COST RATE

The School District elected not to use the 10% de minimis cost rate for the year ended June 30, 2023.

NOTE 4. SUBRECIPIENTS

The School District did not pass through any funds to subrecipients for the year ended June 30, 2023.

NOTE 5. TRANSFERS

During the year ended June 30, 2023, the School District transferred \$22,000 from the Title IV-A Student Support and Academic Enrichment program to the Title I-C, Migrant Education program. Expenditures of transfers are reflected within the receiving program.

HOUSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP. Unmodified

Internal control over financial reporting:
 Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered to be material weaknesses? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal Control over major programs:
 Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered to be material weaknesses? ___ Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516a? ___ Yes X No

Identification of major program:

<u>Assistance Listing Number</u>	Name of Federal Program or Cluster
84.010	<u>U.S. Department of Education:</u> Title I, Grants to Local Educational Agencies
84.425D/84.425U/84.425W	Education Stabilization Fund
84.027A/84.027X/84.173A/84.173X	Special Education Cluster
84.041B	Impact Aid

HOUSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION I
SUMMARY OF AUDIT RESULTS (CONTINUED)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$1,373,235

Auditee qualified as low-risk auditee?

Yes No

SECTION II
FINANCIAL STATEMENTS FINDINGS

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

HOUSTON COUNTY SCHOOL DISTRICT

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

None reported.