

**HENRY COUNTY BOARD
OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2023**

**Prepared by:
Finance Department**

**33 North Zack Hinton Parkway
McDonough, Georgia 30253**

HENRY COUNTY BOARD OF EDUCATION

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
Henry County Board of Education
McDonough, 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 **Henry County Board of Education** (the "School System") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School System'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 System as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund, Special Revenue Fund and Debt Service 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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). 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 School System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement 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 the fair presentation of these 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 System'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 System'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 System'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") (on pages 5 through 13), the Schedules of Proportionate Share of the Net Pension Liabilities, the Schedules of Pension Contributions, the Schedule of Proportionate Share of the Net OPEB Liability, and the Schedule of OPEB Contributions (on pages 70 through 78), be presented to supplement the basic financial elements. 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 System's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia Annotated §48-8-121 and are also 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 and the Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds 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 June 12, 2024 on our consideration of the School System'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 System'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 Henry County Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
June 12, 2024

HENRY COUNTY BOARD OF EDUCATION

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

INTRODUCTION

Our Management's Discussion and Analysis ("MD&A") of the Henry County Board of Education's (the "School System") financial performance provides an overview of the School System's financial activities for the fiscal year ended June 30, 2023. The intent of this MD&A is to look at the School System's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School System's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2023 are as follows:

- The net position for the School System increased from \$230.3 million in 2022 to \$311.0 million in 2023, an increase of \$80.7 million.
- Total revenues for governmental funds increased from \$616.8 million in 2022 to \$673.7 million in 2023, an increase of \$56.9 million.
- Total expenditures of governmental funds increased from \$595.4 million in 2022 to \$666.1 million in 2023, an increase of \$70.7 million.
- The 2023 total fund balance for the General Fund (\$90.9 million) shows a \$10.7 million increase from the prior fiscal year amount (\$80.2 million).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: the MD&A (this section), the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School System. These include the government-wide and fund financial statements.

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 System presenting both short-term and long-term information about the School System's overall financial status.

The fund financial statements focus on individual parts of the School System, reporting the School System's operation in more detail. The Governmental Fund statements disclose how basic services are financed in the short-term as well as what remains for future spending. In the case of the School System, the General Fund, Capital Projects Fund, Debt Service Fund, and Special Revenue Fund are reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the School System as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School System'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 System's net position and how they have changed. Net position, the difference between the School System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are one way to measure the School System's financial health or position.

Over time, increases or decreases in the School System's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School System, additional non-financial factors, such as changes in the property tax base, community support for education and student achievement should be considered.

The Statement of Net Position and the Statement of Activities reflects the School System's governmental activities.

Fund Financial Statements

The School System uses many funds to account for a multitude of financial transactions during the fiscal year. However, the fund financial statements presented in this report provide separate columns of detailed information about only the School System's major funds.

Governmental Funds – Most of the School System's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the **modified accrual method of accounting** which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School System's general government 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 differences between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM AS A WHOLE

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2023	Fiscal Year 2022
Assets		
Current and Other Assets	\$ 463,791,565	\$ 435,162,500
Capital Assets, Net	918,703,722	909,339,042
Total Assets	<u>\$ 1,382,495,287</u>	<u>\$ 1,344,501,542</u>
 Deferred Outflows of Resources	 <u>\$ 342,820,090</u>	 <u>\$ 181,282,930</u>
Liabilities		
Current and Other Liabilities	90,613,069	76,626,964
Long-Term Liabilities	1,186,691,749	842,387,042
Total Liabilities	<u>\$ 1,277,304,818</u>	<u>\$ 919,014,006</u>
 Deferred Inflows of Resources	 <u>\$ 136,981,207</u>	 <u>\$ 376,461,041</u>
 Net Position		
Invested in Capital Assets, Net of Debt	\$ 705,532,893	\$ 673,883,805
Restricted	239,500,492	260,117,037
Unrestricted	(634,004,033)	(703,691,417)
Total Net Position	<u>\$ 311,029,352</u>	<u>\$ 230,309,425</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Changes in Net Position

	Governmental Activities	
	Fiscal Year 2023	Fiscal Year 2022
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 11,588,327	\$ 6,093,022
Operating Grants and Contributions	317,049,268	308,683,783
Capital Grants and Contributions	283,966	51,544
Total Program Revenues	328,921,561	314,828,349
General Revenues:		
Property Taxes	257,453,389	215,550,850
Sales Taxes:		
Special Purpose Local Option Sales Tax for Debt Service	58,973,186	55,068,377
Other Taxes	5,989,843	8,835,759
Grants and Contributions not Restricted to Specific Programs	3,519,994	14,331,680
Investment Earnings	10,707,787	(96,769)
Local School Activity	10,128,906	8,390,469
Gain on Defeasance	3,188,199	2,195,945
Total General Revenues	349,961,304	304,276,311
Total Revenues	678,882,865	619,104,660
Program Expenses		
Instruction	378,732,263	310,093,837
Support Services:		
Pupil Services	34,239,122	25,410,520
Improvement of Instructional Services	17,634,107	13,887,012
Instructional Staff Training	5,888,166	4,436,157
Educational Media Services	7,317,824	5,388,295
General Administration	7,438,765	4,569,716
School Administration	37,059,230	28,936,710
Business Services	2,209,482	1,664,954
Maintenance and Operation of Plant	46,659,620	37,967,765
Student Transportation Services	23,617,808	22,623,687
Central Support Services	4,549,543	3,432,194
Other Support Services	2,443,857	3,859,324
Operations of Non-Instructional Services:		
Community Services	3,558,706	3,267,990
School Nutrition	20,340,977	18,716,321
Interest on Short-Term and Long-Term Debt	6,473,468	9,446,206
Bond Issuance Cost and Fees	-	1,421,235
Total Expenses	598,162,938	495,121,923
Increase in Net Position	\$ 80,719,927	\$ 123,982,737

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 these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School System's taxpayers by each activity as compared to the prior fiscal year.

Table 3
Cost of Services

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2022
Instruction	\$ 378,732,263	\$ 310,093,837	\$ (126,057,577)	\$ 67,565,287
Support Services:				
Pupil Services	34,239,122	25,410,520	(21,321,394)	14,630,012
Improvement of Instructional Services	17,634,107	13,887,012	(15,644,819)	12,249,284
Improvement of Instructional Staff Training	5,888,166	4,436,157	735,562	(1,359,417)
Educational Media Services	7,317,824	5,388,295	(7,317,824)	5,311,058
General Administration	7,438,765	4,569,716	(43,995)	(1,194,278)
School Administration	37,059,230	28,936,710	(36,474,350)	28,001,157
Business Services	2,209,482	1,664,954	(2,193,054)	1,652,512
Maintenance and Operations	46,659,620	37,967,765	(30,957,656)	25,785,365
Student Transportation	23,617,808	22,623,687	(21,024,542)	20,219,978
Central Support Services	4,549,543	3,432,194	(4,390,926)	3,322,161
Other Support Services	2,443,857	3,859,324	(2,429,355)	3,583,900
Operations of Non-Instructional Services:				
Enterprise Operations	-	-	3,737	(155,075)
Community Services	3,558,706	3,267,990	940,241	(133,623)
School Nutrition	20,340,977	18,716,321	3,408,043	(10,052,188)
Interest on Long-Term Debt	6,473,468	9,446,206	(6,473,468)	9,446,206
Loss on Defeasance	-	1,421,235	-	1,421,235
Total Expenses	\$ 598,162,938	\$ 495,121,923	\$ (269,241,377)	\$ 180,293,574

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM'S FUNDS

The School System's governmental funds are accounted for by using the modified accrual basis of accounting. The governmental funds had total revenues of \$673.7 million and total expenditures of \$666.1 million. Included in the expenditures of \$666.1 million, were approximately \$84.0 million of debt service expenditures.

Major Funds:

General Fund

The General Fund is the operating fund of the School System. Revenue from state and federal sources accounted for 52.1% of the School System's revenue. The other 47.9% is from local sources, primarily ad valorem taxes. In the fiscal year 2023, state and federal funding decreased by \$661,746. Local revenues increased by \$37.7 million. This was the result of growth in the property tax digest and interest income. The School System's maintenance and operation millage is 20.00 mills.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Projects Fund

The Capital Projects Fund is used to account for school construction and improvement projects.

The Capital Projects Fund expenditures were made with funds from a \$110.7 million General Obligation Bond Referendum in 2018 and a \$210 million General Obligation Bond Referendum in 2021. The School System purchased instructional resources, school buses, improved technology, began construction on a new administration building and a new transportation facility, continued construction on a new elementary school, renovated, repaired and improved existing facilities in 2023. Those expenditures totaled \$59.9 million.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payments of principal and interest for general obligation bond issues of the School System. The Special Purpose Local Option Sales Tax ("SPLOST") collections accounted for 59.7% of the Debt Service Fund revenue. The other 40.3% is from ad valorem taxes and interest income. For the fiscal year 2023, the debt service millage rate was 3.628 mills.

General Fund Budgeting Highlights

The School System's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund.

The School System budget is adopted at the aggregate level and maintained at the program, function, object, and site levels to facilitate budgetary control. The budgeting systems are designed to control the total budget but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets as well as provide flexibility for site management.

For the General Fund, actual revenues of \$484.0 million were 108.7% of the final budgeted amount of \$445.4 million. The final actual expenditures of \$443.5 million were 98.6% of the final budgeted amount of \$449.9 million. The School System's actual results for the General Fund for the fiscal year show that revenues exceeded expenditures by \$40.4 million. The School System adopted a budget for 2023 that planned to use \$4.5 million of fund balance reserves. However, revenues exceeded projections and expenditures were marginally less than projected.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the fiscal year ended June 30, 2023, the School System had \$918.7 million invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation as compared to the prior fiscal year.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	Fiscal Year 2023	Fiscal Year 2022
Land	\$ 43,648,786	\$ 43,648,786
Construction in Progress	34,913,938	7,076,863
Buildings and Improvements	783,234,256	799,155,840
Land Improvements	12,334,229	13,579,148
Infrastructure	2,091,672	2,179,126
SBITAs	1,978,588	2,473,236
Equipment	40,502,253	43,699,279
Total	\$ 918,703,722	\$ 911,812,278

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

At the fiscal year ended June 30, 2023, the School System had \$1.2 billion in long-term liabilities outstanding. Table 5 summarizes the School System's liabilities as compared to the prior fiscal year.

Table 5
Long-Term Liabilities at June 30,

	Governmental Activities	
	Fiscal Year 2023	Fiscal Year 2022
Bonds Payable	\$ 365,475,589	\$ 443,443,590
Compensated Absences	2,294,421	2,036,045
Workers' Compensation Claims Payable	3,928,030	3,439,094
SBITAs	5,016,404	2,473,236
Net Pension Liability	601,021,453	164,953,995
Net OPEB Liability	208,955,852	228,514,318
Total	\$ 1,186,691,749	\$ 844,860,278

At June 30, 2023, the School System's assigned bond ratings were 'Aa2' and 'AA' as determined by Moody's Investor Services, Inc. and Standard and Poor's Rating Services.

ECONOMIC CONDITIONS AFFECTING THE SCHOOL SYSTEM

The fiscal year 2024 budget was presented to the public and tentatively adopted by the Board of Education on April 17, 2023, with the final adoption on May 8, 2023. The budget represents an investment plan for the School System, its students, employees, and the communities as a whole. The budget is tied directly to the strategic vision and direction of the Board of Education. The budget for the General Fund expenditures for the fiscal year 2024 is \$510.2 million, representing an increase of \$60.3 million or 13.4% from the fiscal year 2023 General Fund final budget.

The fiscal year 2024 millage rate for the operating budget (Maintenance and Operations) is 20.00 mills and 3.628 mills for bond debt service. The rate remains unchanged from the fiscal year 2023. The tax digest for the fiscal year 2023 increased by 20.67% and the tax digest for the fiscal year 2024 increased by 21.54%. Also, the Tax Assessor is projecting additional growth for the fiscal year 2025. This indicates that existing property values have increased, and new construction is being added to the digest.

MANAGEMENT’S DISCUSSION AND ANALYSIS

On March 16, 2021, the citizens of Henry County approved a referendum to issue \$210,000,000 in aggregate principal amount of bonds for the purpose of funding the costs of acquiring, constructing and equipping two new elementary schools, a STEM high school, a new secondary transportation facility, a new administrative office, acquiring instructional and administrative technology improvements, land for future schools, school buses and related transportation equipment, safety and security equipment, electronic message signs and adding to and renovating/repairing existing buildings (the “Projects”). The approved referendum also included continued collection of a one cent Education Special Purpose Local Option Sales Tax (“ESPLOST”) for a period not to exceed 60 months and for the raising of not more than \$325,000,000 for the purpose of funding principal and interest on certain bonds and for funding the Projects.

ESPLOST collections for the calendar year 2023 were \$59.4 million (3.8% increase compared to 2022). ESPLOST 5 ended on December 31, 2022. ESPLOST 6 allows the District to continue collecting the sales tax for education for another five years beginning January 1, 2023 and ending December 31, 2027.

The School System plans capital improvements as future capital needs arise due to increased student population, age of the physical plant and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues, collections from ESPLOST, and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School System regularly monitors anticipated capital outlay needs and budgets resources accordingly.

CONTACTING THE SCHOOL SYSTEM’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School System’s finances and to show the School System’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mrs. Shanika Clay, Chief Financial Officer, Henry County Board of Education, 33 North Zack Hinton Parkway, McDonough Georgia, 30253. You may also email your questions to Mrs. Clay at shanika.clay@henry.k12.ga.us.

BASIC FINANCIAL STATEMENTS

HENRY COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 92,042,614
Investments	310,070,229
Taxes receivable	7,279,340
Intergovernmental receivables	53,464,480
Inventories	934,902
Capital assets, nondepreciable	78,562,724
Capital assets, depreciable (net of accumulated depreciation & amortization)	840,140,998
	<hr/>
Total assets	1,382,495,287
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	289,135,070
Other post-employment benefits	53,685,020
	<hr/>
Total deferred outflows of resources	342,820,090
	<hr/>
LIABILITIES	
Accounts payable	18,777,705
Accrued interest	5,318,161
Accrued payroll and payroll withholdings	59,176,546
Contracts payable	6,373,190
Retainage payable	967,467
Workers' compensation claims payable due within one year	2,854,906
Workers' compensation claims payable due in more than one year	1,073,124
Subscription agreements due within one year	1,345,064
Subscription agreements due in more than one year	3,671,340
Compensated absences due within one year	1,431,234
Compensated absences due in more than one year	863,187
Net pension liability, due in more than one year	601,021,453
Net other post-employment benefit liability, due in more than one year	208,955,852
General obligation bonds due within one year	43,270,059
General obligation bonds due in more than one year, net of unamortized premium	322,205,530
	<hr/>
Total liabilities	1,277,304,818
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Pensions	8,169,932
Other post-employment benefits	128,811,275
	<hr/>
Total deferred inflows of resources	136,981,207
	<hr/>
NET POSITION	
Net investment in capital assets	705,532,893
Restricted for debt service	64,968,240
Restricted for program activities	16,582,099
Restricted for capital projects	157,950,153
Unrestricted	(634,004,033)
	<hr/>
Total net position	\$ 311,029,352
	<hr/>

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

HENRY COUNTY BOARD OF EDUCATION

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 378,732,263	\$ 3,014,617	\$ 249,440,022	\$ 220,047	\$ (126,057,577)
Pupil services	34,239,122	-	12,917,728	-	(21,321,394)
Improvement of instructional services	17,634,107	-	1,989,288	-	(15,644,819)
Instructional staff training	5,888,166	-	6,623,728	-	735,562
Educational media services	7,317,824	-	-	-	(7,317,824)
General administration	7,438,765	-	7,394,770	-	(43,995)
School administration	37,059,230	-	584,880	-	(36,474,350)
Business services	2,209,482	-	16,428	-	(2,193,054)
Maintenance and operations	46,659,620	-	15,701,964	-	(30,957,656)
Student transportation	23,617,808	-	2,529,347	63,919	(21,024,542)
Central support services	4,549,543	-	158,617	-	(4,390,926)
Other support services	2,443,857	-	14,502	-	(2,429,355)
School nutrition	20,340,977	4,296,169	19,452,851	-	3,408,043
Enterprise operations	-	3,737	-	-	3,737
Community services	3,558,706	4,273,804	225,143	-	940,241
Interest on long-term debt	6,473,468	-	-	-	(6,473,468)
Total governmental activities	<u>\$ 598,162,938</u>	<u>\$ 11,588,327</u>	<u>\$ 317,049,268</u>	<u>\$ 283,966</u>	<u>(269,241,377)</u>
General revenues:					
Property taxes					257,453,389
Sales taxes					58,973,186
Other taxes					5,989,843
Grants and contributions not restricted to specific programs					3,519,994
Local school activity					10,128,906
Unrestricted investment gain					10,707,787
Gain on defeasance					3,188,199
Total general revenues					<u>349,961,304</u>
Change in net position					80,719,927
Net position, beginning of year					230,309,425
Net position, end of year					<u>\$ 311,029,352</u>

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

HENRY COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2023

ASSETS	General	Debt Service	Special Revenue	Capital Projects	Total Governmental Funds
Cash	\$ 2,775,462	\$ 29,607,333	\$ 17,372,274	\$ 42,287,545	\$ 92,042,614
Investments	116,607,871	35,061,214	-	158,401,144	310,070,229
Taxes receivable	6,435,862	843,478	-	-	7,279,340
Due from other governments	35,314,039	5,482,221	12,668,220	-	53,464,480
Due from other funds	1,177,619	-	-	-	1,177,619
Inventories	-	-	934,902	-	934,902
Total assets	<u>\$ 162,310,853</u>	<u>\$ 70,994,246</u>	<u>\$ 30,975,396</u>	<u>\$ 200,688,689</u>	<u>\$ 464,969,184</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 13,715,794	\$ -	\$ 684,823	\$ 4,377,088	\$ 18,777,705
Contracts payable	-	-	1,599,904	4,773,286	6,373,190
Retainage payable	-	-	231,849	735,618	967,467
Due to other funds	-	-	1,177,619	-	1,177,619
Accrued payroll and payroll withholdings	53,761,302	-	5,415,244	-	59,176,546
Total liabilities	<u>67,477,096</u>	<u>-</u>	<u>9,109,439</u>	<u>9,885,992</u>	<u>86,472,527</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	3,950,789	707,845	-	-	4,658,634
Unavailable revenue - grants	-	-	2,801,431	-	2,801,431
Total deferred inflows of resources	<u>3,950,789</u>	<u>707,845</u>	<u>2,801,431</u>	<u>-</u>	<u>7,460,065</u>
FUND BALANCES					
Fund balances:					
Nonspendable for inventories	-	-	934,902	-	934,902
Restricted for:					
Program activities	-	-	15,647,197	-	15,647,197
Debt service	-	70,286,401	-	-	70,286,401
Capital projects	-	-	-	157,950,153	157,950,153
Committed to:					
School activity funds	-	-	4,285,799	-	4,285,799
Capital projects	-	-	-	32,852,544	32,852,544
Assigned:					
For instructional expenses	15,300,000	-	-	-	15,300,000
Unassigned	75,582,968	-	(1,803,372)	-	73,779,596
Total fund balances	<u>90,882,968</u>	<u>70,286,401</u>	<u>19,064,526</u>	<u>190,802,697</u>	<u>371,036,592</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 162,310,853</u>	<u>\$ 70,994,246</u>	<u>\$ 30,975,396</u>	<u>\$ 200,688,689</u>	<u>\$ 464,969,184</u>

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

HENRY COUNTY BOARD OF EDUCATION

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

Amounts reported for governmental activities in the Statement of Net Position are different from amounts reported in the balance sheet of governmental funds due to the following:

Fund balances - total governmental funds	\$ 371,036,592
Capital assets:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of the assets	1,315,036,383
Accumulated depreciation/accumulated amortization	(396,332,661)
Revenues:	
Other long-term assets are not available to pay for the current period expenditures and, therefore, are reported as unavailable revenues in the funds.	
Property taxes	4,658,634
Grants	2,801,431
The issuance of long-term debt provides current financial resources to governmental funds, while the 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. Long-term liabilities at year-end consist of the following:	
Subscription agreements	(5,016,404)
Bonds payable	(328,150,000)
Accrued interest payable	(5,318,161)
Unamortized premium	(37,325,589)
Compensated absences	(2,294,421)
Workers' compensation claims payable	(3,928,030)
Net pension liability	(601,021,453)
Deferred outflows of resources - pensions	289,135,070
Deferred inflows of resources - pensions	(8,169,932)
Net OPEB liability	(208,955,852)
Deferred outflows of resources - OPEB	53,685,020
Deferred inflows of resources - OPEB	(128,811,275)
Net position - governmental activities	\$ 311,029,352

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

HENRY COUNTY BOARD OF EDUCATION

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

	General	Debt Service	Special Revenue	Capital Projects	Total Governmental Funds
REVENUES					
Local sources	\$ 228,221,502	\$ 97,162,162	\$ 18,698,879	\$ -	\$ 344,082,543
State sources	249,651,959	-	1,229,996	220,047	251,102,002
Federal sources	3,533,845	-	64,254,624	-	67,788,469
Interest income	4,807,516	1,624,542	709	4,275,020	10,707,787
Total revenues	486,214,822	98,786,704	84,184,208	4,495,067	673,680,801
EXPENDITURES					
Current:					
Instruction	297,946,030	-	27,888,173	-	325,834,203
Pupil services	19,305,154	-	12,862,679	-	32,167,833
Improvement of instructional services	13,101,551	-	3,662,786	-	16,764,337
Instructional staff training	832,992	-	4,856,279	-	5,689,271
Educational media services	7,080,688	-	-	-	7,080,688
General administration	4,597,830	-	2,529,589	-	7,127,419
School administration	34,411,992	-	584,880	-	34,996,872
Business services	2,089,349	2,505	-	-	2,091,854
Maintenance and operations	41,515,418	-	4,509,713	-	46,025,131
Student transportation	21,879,404	-	251,068	-	22,130,472
Central support services	4,142,761	-	121,181	-	4,263,942
Other support services	2,407,879	-	-	-	2,407,879
School nutrition	98,019	-	20,755,111	-	20,853,130
Community service	-	-	3,535,241	-	3,535,241
Capital outlay	-	-	-	51,132,352	51,132,352
Debt service:					
Principal retirement	-	67,502,657	-	1,453,148	68,955,805
Interest and fiscal charges	-	7,699,088	-	7,301,088	15,000,176
Total expenditures	449,409,067	75,204,250	81,556,700	59,886,588	666,056,605
Excess (deficiency) of revenues over (under) expenditures	36,805,755	23,582,454	2,627,508	(55,391,521)	7,624,196
OTHER FINANCING SOURCES (USES)					
SBITAs	-	-	-	3,996,316	3,996,316
Transfers in	-	-	202,499	25,940,799	26,143,298
Transfers out	(26,143,298)	-	-	-	(26,143,298)
Total other financing sources (uses)	(26,143,298)	-	202,499	29,937,115	3,996,316
Net change in fund balances	10,662,457	23,582,454	2,830,007	(25,454,406)	11,620,512
FUND BALANCE, beginning of year	80,220,511	46,703,947	16,234,519	216,257,103	359,416,080
FUND BALANCE, end of year	\$ 90,882,968	\$ 70,286,401	\$ 19,064,526	\$ 190,802,697	\$ 371,036,592

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

HENRY COUNTY BOARD OF EDUCATION

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

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

Net change in fund balances - total governmental funds.	\$ 11,620,512
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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/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization expense in the current period.

Total capital outlay	44,235,781
Total depreciation/amortization	(37,294,055)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.	(50,282)
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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.	1,772,885
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The issuance of long-term debt provides current financial resources to governmental funds, and thus contributes to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position. The amount of the items that make up these differences in the treatment of long-term debt and related items are as follows:

Subscription agreement	(3,996,316)
Principal payments of subscription agreement	1,453,148
Principal repayments on general obligation bonds	67,205,000

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. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The adjustments for these items are as follows:

Change in compensated absences	(258,376)
Change in accrued interest on general obligation bonds	1,249,563
Change in workers' compensation claim liability	(488,936)
Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts	240,980
Change in net pension liability and deferred inflows and outflows related to pension activity	(34,277,298)
Change in net OPEB liability and deferred inflows and outflows related to OPEB activity	18,544,320
Amortization of premium on general obligation bonds	10,763,001

Change in net position - governmental activities.	\$ 80,719,927
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The accompanying notes are an integral part of these financial statements.

HENRY COUNTY BOARD OF EDUCATION

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

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 209,011,159	\$ 209,011,159	\$ 228,221,502	\$ 19,210,343
State sources	234,436,000	234,436,000	247,417,729	12,981,729
Federal sources	1,960,000	1,960,000	3,533,845	1,573,845
Interest income	25,000	25,000	4,807,516	4,782,516
Total revenues	445,432,159	445,432,159	483,980,592	38,548,433
EXPENDITURES				
Current:				
Instruction	296,908,642	296,908,642	293,183,269	3,725,373
Pupil services	21,696,981	21,696,981	18,996,555	2,700,426
Improvement of instructional services	14,152,184	14,152,184	12,892,119	1,260,065
Instructional staff training	800,257	800,257	832,992	(32,735)
Educational media services	6,907,571	6,907,571	7,080,688	(173,117)
General administration	4,697,877	4,697,877	4,594,639	103,238
School administration	34,076,352	34,076,352	34,411,992	(335,640)
Business services	2,340,260	2,340,260	2,077,709	262,551
Maintenance and operations	40,375,841	40,375,841	41,343,695	(967,854)
Student transportation	21,279,573	21,279,573	21,614,271	(334,698)
Central support services	4,254,906	4,254,906	4,114,961	139,945
Other support services	2,445,016	2,445,016	2,397,604	47,412
School nutrition	-	-	433	(433)
Total expenditures	449,935,460	449,935,460	443,540,927	6,394,533
Excess (deficiency) of revenues over (under) expenditures	(4,503,301)	(4,503,301)	40,439,665	44,942,966
OTHER FINANCING (USES)				
Transfers out	-	-	(26,143,298)	(26,143,298)
Total other financing (uses), net	-	-	(26,143,298)	(26,143,298)
Net change in fund balances	\$ (4,503,301)	\$ (4,503,301)	\$ 14,296,367	\$ 18,799,668

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

HENRY COUNTY BOARD OF EDUCATION

DEBT SERVICE 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				
Local sources	\$ 88,920,400	\$ 88,920,400	\$ 97,162,162	\$ 8,241,762
Interest income	650,000	650,000	1,624,542	974,542
Total revenues	<u>89,570,400</u>	<u>89,570,400</u>	<u>98,786,704</u>	<u>9,216,304</u>
EXPENDITURES				
Current:				
Business services	-	-	2,505	(2,505)
Debt service:				
Principal retirement	35,605,000	35,605,000	67,502,657	(31,897,657)
Interest and fiscal charges	<u>9,469,688</u>	<u>9,469,688</u>	<u>7,699,088</u>	<u>1,770,600</u>
Total expenditures	<u>45,074,688</u>	<u>45,074,688</u>	<u>75,204,250</u>	<u>(30,129,562)</u>
Net change in fund balances	<u>\$ 44,495,712</u>	<u>\$ 44,495,712</u>	<u>\$ 23,582,454</u>	<u>\$ (20,913,258)</u>

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

HENRY COUNTY BOARD OF EDUCATION

SPECIAL REVENUE FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 10,994,632	\$ 10,994,632	\$ 18,698,879	\$ 7,704,247
State sources	350,000	350,000	1,229,996	879,996
Federal sources	62,370,631	62,370,631	64,254,624	1,883,993
Interest income	-	-	709	709
Total revenues	<u>73,715,263</u>	<u>73,715,263</u>	<u>84,184,208</u>	<u>10,468,945</u>
EXPENDITURES				
Current:				
Instruction	23,017,499	23,017,499	27,854,592	(4,837,093)
Pupil services	11,630,565	11,630,565	12,847,191	(1,216,626)
Improvement of instructional services	1,278,534	1,278,534	3,658,376	(2,379,842)
Instructional staff training	4,506,590	4,506,590	4,856,279	(349,689)
General administration	3,781,523	3,781,523	2,529,589	1,251,934
School administration	-	-	584,880	(584,880)
Maintenance and operations	4,971,470	4,971,470	4,509,713	461,757
Student transportation	739,405	739,405	251,068	488,337
Central support services	88,761	88,761	121,181	(32,420)
School nutrition	20,352,516	20,352,516	20,730,120	(377,604)
Community service	2,999,149	2,999,149	3,535,241	(536,092)
Total expenditures	<u>73,366,012</u>	<u>73,366,012</u>	<u>81,478,230</u>	<u>(8,112,218)</u>
Excess of revenues over expenditures	<u>349,251</u>	<u>349,251</u>	<u>2,705,978</u>	<u>2,356,727</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	202,499	202,499
Total other financing sources	<u>-</u>	<u>-</u>	<u>202,499</u>	<u>202,499</u>
Net change in fund balances	<u>\$ 349,251</u>	<u>\$ 349,251</u>	<u>\$ 2,908,477</u>	<u>\$ 2,559,226</u>

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

NOTES TO FINANCIAL STATEMENTS

HENRY COUNTY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Henry County Board of Education (the "School System") operates under a Board/Superintendent form of government. The five-member Board is elected by the public and the Board appoints the superintendent. These five elected members have decision making authority, the power to designate management, and the ability to significantly influence operations. The Board determines the millage rate at which school taxes are levied and may incur bonded indebtedness with voter approval.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the School System. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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 when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the School System considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and, therefore, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School System.

Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School System must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School System on a reimbursement basis.

The State of Georgia reimburses the School System 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, typically, 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 System over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30th, 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 30th of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board ("GASB") Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30th, and the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The School System reports the following major governmental funds:

The **General Fund** is the School System's primary operating fund. It accounts for all financial resources of the School System, except those required to be accounted for in another fund.

The **Special Revenue Fund** accounts for Federal and State funded programs. These grants are awarded to the School System for the purpose of accomplishing specific educational tasks as defined in the grant agreements. These funds also contain several locally funded programs whose expenditures are limited to specific purposes. School Activity Funds are also reported as Special Revenue Funds. The School Activity Funds are used to account for funds collected primarily through the fund-raising efforts of the individual school. Each school's principal is responsible, under the authority of the School System, for collecting, controlling, disbursing, and accounting for his or her school's funds. All resources of the fund, including earnings on invested resources, may be used to support the schools' activities.

The **Debt Service Fund** is used to account for accumulation of property tax and Special Purpose Local Option Sales Tax ("SPLOST") proceeds for the payment of debt principal and interest on the various bond issuances of the School System.

The **Capital Projects Fund** accounts for the proceeds of a 1% SPLOST as well as bond proceeds and revenues from local and state sources to be used for land and building acquisitions and construction and renovations of new educational and administrative facilities.

Amounts reported as *program revenues* include: 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the School System's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments

The School System's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool ("Georgia Fund 1"). The investment in Georgia Fund 1, created by the Official Code of Georgia Annotated ("O.C.G.A.") §36-83-8, represents the School System's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. Treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, bankers' acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in Georgia Fund 1 is valued at fair market value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

F. On-Behalf Payments

The State of Georgia makes certain pension plan payments on behalf of the School System for its employees. The School System records these payments as both a revenue and expenditure in the General Fund. The total of the on-behalf payments for the fiscal year ended June 30, 2023 was \$585,781.

G. Inventories

Inventories are stated at cost using the first-in/first-out ("FIFO") method. Donated food commodities are recorded at fair value. The School System utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as an expenditure when used rather than when purchased.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Non-Monetary Transactions

The School System received from the United States Department of Agriculture through the Georgia Department of Education \$1,735,405 in donated food commodities for its lunchroom programs. The federally assigned value of these commodities is reflected as a revenue and an expenditure in the financial statements.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of the asset. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capitalization thresholds and estimated useful lives of capital assets are as follows:

Asset	Capitalization Threshold	Years
Land	All	N/A
Infrastructure	All	50
Land improvements	\$ 10,000	10 – 20
Buildings and improvements	100,000	20 – 60
Machinery and equipment	10,000	5 – 25

J. Deferred Outflows/Inflows of Resources

GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a Statement of Net Position.

In addition to assets, the Statement of Financial Position/Governmental Funds Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The Governmental Activities report several types of deferred outflows of resources related to the reporting of the net pension liability and net OPEB liability. See also Note 9 – Retirement Plans and Note 10 – Other Post-Employment Benefits.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position/Governmental Funds Balance Sheet reports 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. In addition to the items related to changes in the net pension liability and net OPEB liability as discussed below, the School System has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The Governmental Activities report deferred inflows of resources related to the reporting of the net pension liability and net OPEB liability. See also Note 9 – Retirement Plans and Note 10 – Other Post-Employment Benefits.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense; information about the fiduciary net position of the Teachers' Retirement System of Georgia ("TRS"), the Public School Employees' Retirement System ("PSERS"), and the Employees' Retirement System ("ERS"); and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each 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.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

It is the School System's policy to permit employees to accumulate unused vacation and sick pay benefits. Accumulated unpaid sick leave benefits do not vest and, therefore, are not accrued in any fund, but are recognized as expenditures or expenses when incurred. Accumulated unpaid vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

N. Other Post-Employment Benefits ("OPEB")

For purposes of measuring the net OPEB liability (asset), 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 ("School OPEB Fund") and additions to/deductions from the School OPEB Fund's 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.

O. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the School System is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Non-spendable: Fund balances that are not in spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

Restricted: Fund balances that can be spent only for the specific purposes stipulated by external parties, either constitutionally or through enabling legislation (e.g., grants or donations).

Committed: Fund balances that can be used only for the specific purposes determined by an approved resolution of the School System. Commitments may be changed or lifted only by referring to formal action that imposed the original constraint on the fund (e.g., the School System's commitment in connection with future construction projects).

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

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

Unassigned: Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The School System reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

The responsibility for designating funds to specific classifications shall be as follows:

Committed: The Henry County Board of Education is the School System'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.

Assigned: The Henry County Board of Education has authorized the Superintendent and the Assistant Superintendent for Financial Services as officials authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

It is the goal of the School System to achieve and maintain an unassigned fund balance in the General Fund at fiscal year-end of not less than 5% of budgeted expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, net of any committed balance for capital expenditures, 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 System shall develop a restoration plan to achieve and maintain the minimum fund balance.

When multiple categories of fund balance are available for expenditures (e.g., a project is being funded partly by a grant, funds set aside by the School System, and unassigned fund balance), the School System will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used (i.e., the amount that the School System has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School System adopts annual budgets for its General Fund, Debt Service Fund and Special Revenue Fund. The School System does not employ encumbrance accounting and, accordingly, all appropriations lapse at year-end. After the School System has tentatively adopted a budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board members after the advertisement, the budget is revised as necessary and adopted as the final budget. This final budget is then submitted to the Georgia Department of Education in accordance with provisions of the QBE. The level of budgetary control (the level at which expenditures may not exceed appropriations) is at the function level.

The Statements of Revenues and Expenditures – Budget (Non-GAAP) to Actual present actual and budget data for the General Fund, Special Revenue Fund and Debt Service Fund. To facilitate comparison with the budget, adjustments have been made to actual revenues and expenditures to reflect actual amounts on the budget basis. The primary differences between the budget basis and GAAP are:

- a. State QBE revenue is recorded when received (budget) rather than when susceptible to accrual GAAP.
- b. Salaries and employee benefits paid to teachers under contract are recorded when paid (budget) rather than when the liability is incurred GAAP.
- c. Payments made by the State of Georgia for School System employee benefits are recognized as revenues and expenditures under GAAP and are not recognized on the budget basis.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Adjustments necessary to convert the General Fund's net change in fund balance from the GAAP basis to the budgetary basis are as follows:

GAAP basis net change in fund balance	\$ 10,662,457
Adjustments for:	
State QBE revenue	(1,648,449)
Salaries and employee benefits	5,282,359
State paid employee benefit revenue	(585,781)
State paid employee benefit expenditures	<u>585,781</u>
Budget basis net change in fund balance	<u>\$ 14,296,367</u>

Adjustments necessary to convert the Special Revenue Fund's net change in fund balance from the GAAP basis to the budgetary basis are as follows:

GAAP basis net change in fund balance	\$ 2,830,007
Adjustments for salaries and employee benefits	<u>78,470</u>
Budget basis net change in fund balance	<u>\$ 2,908,477</u>

NOTE 3. DEPOSITS AND INVESTMENTS

Credit Risk. State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia Fund 1. The investment in Georgia Fund 1, created by O.C.G.A. §36-83-8, represents the School System's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. Treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, bankers' acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in Georgia Fund 1 is valued at fair market value.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2023, the School System had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Less than One Year</u>	<u>1-3 Years</u>
Georgia Fund 1	AAAf	\$ 212,640,235	\$ 212,640,235	\$ -
U.S. Treasuries	AA+	97,429,994	54,940,454	42,489,540
		<u>\$ 310,070,229</u>	<u>\$ 267,580,689</u>	<u>42,489,540</u>

Interest Rate Risk. The School System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2023, all of the School System's deposits were properly collateralized in accordance with state law and applicable GASB pronouncements.

Fair Value Measurements. The School System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All the U.S. Treasury securities held by the School System are valued using Level 1 inputs.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the School System does not disclose investment in the Georgia Fund 1 within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Receivables at June 30, 2023, for the School System's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Special Revenue	Total
Taxes receivable	\$ 6,902,188	\$ 928,386	\$ -	\$ 7,830,574
Due from other governments	35,314,039	5,482,221	12,668,220	53,464,480
Less allowance for uncollectible	(466,326)	(84,908)	-	(551,234)
Net total receivable	<u>\$ 41,749,901</u>	<u>\$ 6,325,699</u>	<u>12,668,220</u>	<u>\$ 60,743,820</u>

Due from other governments consists of grant reimbursements due primarily from the Georgia Department of Education and sales taxes which are collected by the state on the School System's behalf. Taxes receivable consists of property taxes collected by the Henry County Tax Commissioner on the School System's behalf.

NOTE 5. PROPERTY TAXES

Henry County bills and collects property taxes for the School System. Property taxes are levied (assessed) on all taxable real, public utility and personal property (including vehicles) located within the County as of January 1st of each year. State law limits the School System's tax levy for operations to 20 mills (one mill equals \$1 per thousand dollars of assessed value). Assessed values for property tax purposes are determined by the Henry County Board of Tax Assessors for all property except public utilities and motor vehicles. Assessed value is set at 40% of market value. The State of Georgia establishes values for public utilities and motor vehicles.

Real property taxes were levied on July 26, 2022, billed on August 26, 2022, and payable on or before November 16, 2022. Henry County may place liens on property once the related tax payments become delinquent. The property tax receivable allowance is equal to 10% of outstanding property taxes at June 30, 2023, net of amounts collected within 60 days of year-end.

Vehicle personal property taxes are due upon each respective payor's date of birth on an annual basis. Beginning in April 2013, a title ad valorem tax is assessed upon sale of a vehicle, which replaces the personal property tax due annually on the payor's date of birth.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 43,648,786	\$ -	\$ -	\$ -	\$ 43,648,786
Construction in progress	7,076,863	31,180,897	-	(8,141,788)	30,115,972
SBITAs in progress	-	4,797,966	-	-	4,797,966
Total	<u>50,725,649</u>	<u>35,978,863</u>	<u>-</u>	<u>(8,141,788)</u>	<u>78,562,724</u>
Capital assets, being depreciated:					
Buildings and improvements	1,084,332,915	-	-	8,141,788	1,092,474,703
Land improvements	36,084,125	-	(21,488)	-	36,062,637
Infrastructure	3,484,220	-	-	-	3,484,220
Machinery and equipment	95,520,180	8,256,918	(1,963,117)	-	101,813,981
SBITAs	2,638,118	-	-	-	2,638,118
Total	<u>1,222,059,558</u>	<u>8,256,918</u>	<u>(1,984,605)</u>	<u>8,141,788</u>	<u>1,236,473,659</u>
Less accumulated depreciation for:					
Buildings and improvements	(285,177,075)	(24,063,372)	-	-	(309,240,447)
Land improvements	(22,504,977)	(1,244,647)	21,216	-	(23,728,408)
Infrastructure	(1,305,094)	(87,454)	-	-	(1,392,548)
Machinery and equipment	(51,820,901)	(11,403,934)	1,913,107	-	(61,311,728)
SBITAs	(164,882)	(494,648)	-	-	(659,530)
Total	<u>(360,972,929)</u>	<u>(37,294,055)</u>	<u>1,934,323</u>	<u>-</u>	<u>(396,332,661)</u>
Total capital assets, being depreciated, net	<u>861,086,629</u>	<u>(29,037,137)</u>	<u>(50,282)</u>	<u>8,141,788</u>	<u>840,140,998</u>
Governmental activities capital assets, net	<u>\$ 911,812,278</u>	<u>\$ 6,941,726</u>	<u>\$ (50,282)</u>	<u>\$ -</u>	<u>\$ 918,703,722</u>

Depreciation expense and amortization expense was charged to functions/programs of the School System as follows:

Governmental activities:

Instruction	\$ 35,109,162
Educational media services	1,004
School administration	225,634
Maintenance and operations	162,687
Student transportation	1,741,947
School nutrition	53,621
Total depreciation and amortization expense - governmental activities	<u>\$ 37,294,055</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

General Obligation Bonds. The School System issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School System.

General obligation bonds at June 30, 2023 consisted of the following:

<u>Series</u>	<u>Coupon Rate</u>	<u>Maturities</u>	<u>Balance</u>
2011	2.00% – 5.00%	2013 – 2024	\$ 12,265,000
2016	3.00% – 5.00%	2024 – 2034	91,040,000
2018	5.00%	2020 – 2034	14,845,000
2021	1.875% – 4.000%	2022 – 2037	210,000,000
			<u>\$ 328,150,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 36,665,000	\$ 11,858,056	\$ 48,523,056
2025	16,800,000	10,627,000	27,427,000
2026	34,050,000	9,539,900	43,589,900
2027	34,990,000	7,975,950	42,965,950
2028	35,965,000	6,384,250	42,349,250
2029 – 2033	95,220,000	17,498,150	112,718,150
2034 – 2037	74,460,000	3,032,938	77,492,938
Total	<u>\$ 328,150,000</u>	<u>\$ 66,916,244</u>	<u>\$ 395,066,244</u>

On June 24, 2021, the School System used cash on hand to defease a portion of the Series 2016 Bonds. The deposit to escrow totaled \$59,932,795, which defeased \$50,950,000 in principal due in fiscal year 2032 through 2034. Escrowed deposits are invested in risk-free investments including direct obligations of the U.S. government and securities backed by U.S. government obligations as collateral. The escrowed deposits have varying maturities coinciding with the principal and interest payments due on the defeased bonds until August 1, 2026 when the defeased bonds will be paid in full. The loss on cash defeasance was \$4,894,452. The result of the cash defeasance was an interest savings of \$24,348,600. As of June 30, 2023, the principal outstanding on the defeased bonds was \$50,950,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued). On June 21, 2022 the School System used cash on hand to defease a portion of the Series 2016 Bonds. The deposit to escrow totaled \$42,813,818, which defeased \$40,665,000 in principal due in fiscal year 2031 and 2032. Escrowed deposits are invested in risk-free investments including direct obligations of the U.S. government and securities backed by U.S. government obligations as collateral. The escrowed deposits have varying maturities coinciding with the principal and interest payments due on the defeased bonds until August 1, 2026 when the defeased bonds will be paid in full. The gain on cash defeasance was \$2,182,729. The result of the cash defeasance was an interest savings of \$14,662,500. As of June 30, 2023 the principal outstanding on the defeased bonds was \$40,665,000.

On June 21, 2022, the School System used cash on hand to defease a portion of the Series 2018 Bonds. The deposit to escrow totaled \$3,384,147, which defeased \$2,880,000 in principal due in fiscal year 2030 through 2034. Escrowed deposits are invested in risk-free investments including direct obligations of the U.S. government and securities backed by U.S. government obligations as collateral. The escrowed deposits have varying maturities coinciding with the principal and interest payments due on the defeased bonds until August 1, 2028 when the defeased bonds will be paid in full. The gain on cash defeasance was \$13,216. The result of the cash defeasance was an interest savings of \$1,270,500. As of June 30, 2023 the principal outstanding on the defeased bonds was \$2,880,000.

On June 22, 2023, the School System used cash on hand to defease a portion of the Series 2016 Bonds. The deposit to escrow totaled \$31,897,657, which defeased \$31,600,000 in principal due in fiscal years 2029, 2030, and 2031. Escrowed deposits are invested in risk-free investments including direct obligations of the U.S. government and securities backed by U.S. government obligations as collateral. The escrowed deposits have varying maturities coinciding with the principal and interest payments due on the defeased bonds until August 1, 2030 when the defeased bonds will be paid in full. The gain on cash defeasance was \$3,188,199. The result of the cash defeasance was an interest savings of \$27,528,250. As of June 30, 2023, the principal outstanding on the defeased bonds was \$31,600,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Changes in long-term debt related to governmental activities for the year ended June 30, 2023 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 395,355,000	\$ -	\$ (67,205,000)	\$ 328,150,000	\$ 36,665,000
Plus unamortized premium	48,088,590	-	(10,763,001)	37,325,589	6,605,059
Bonds payable, net	443,443,590	-	(77,968,001)	365,475,589	43,270,059
Workers' compensation claims payable	3,439,094	3,382,439	(2,893,503)	3,928,030	2,854,906
Compensated absences	2,036,045	1,730,157	(1,471,781)	2,294,421	1,431,234
SBITAs	2,473,236	3,996,316	(1,453,148)	5,016,404	1,345,064
Net pension liability	164,953,995	504,725,722	(68,658,264)	601,021,453	-
Net OPEB liability	228,514,318	32,190,455	(51,748,921)	208,955,852	-
Governmental activities long-term liabilities	<u>\$ 844,860,278</u>	<u>\$ 546,025,089</u>	<u>\$ (204,193,618)</u>	<u>\$ 1,186,691,749</u>	<u>\$ 48,901,263</u>

Restricted fund balance of \$70,286,401 is available in the Debt Service Fund to service the general obligation bonds.

Compensated absences, workers' compensation claims payable, the net pension liability, and the net other post-employment benefit liability are liquidated primarily by the General Fund.

NOTE 8. SUBSCRIPTION BASED ARRANGEMENTS

The School System 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 value of the intangible right-to-use assets at June 30, 2023:

	Governmental Activities
Cost	\$ 7,436,084
Less: Accumulated amortization	(659,530)
	<u>\$ 6,776,554</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. SUBSCRIPTION BASED ARRANGEMENTS (CONTINUED)

The School System has entered into several agreements for the purchase of right-to-use software subscriptions. 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:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,345,064	\$ 213,197	\$ 1,558,261
2025	1,392,229	156,032	1,548,261
2026	1,451,399	96,862	1,548,261
2027	827,712	35,178	862,890
	<u>\$ 5,016,404</u>	<u>\$ 501,269</u>	<u>\$ 5,517,673</u>

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023, is as follows:

Due to/from other funds:

Due To	Due From Special Revenue Fund
General Fund	\$ 1,177,619

These balances resulted from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers:

Transfers In	Transfers Out General Fund
Special Revenue Fund	\$ 202,499
Capital Projects Fund	25,940,799
	<u>\$ 26,143,298</u>

Transfers are used to: 1) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS

Teachers' Retirement System ("TRS")

Plan Description

All teachers of the School System as defined in O.C.G.A. §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers' Retirement System of Georgia ("TRS"). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (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. TRS issues a publicly available 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.

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 6.00% of their annual pay during fiscal year 2023.

The School System's contractually required contribution rate for the year ended June 30, 2023 was 19.98% of annual School System payroll. School System contributions to TRS were \$52,865,676 for the year ended June 30, 2023.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

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

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

At June 30, 2023, the School System reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School System by the State of Georgia for certain public school support personnel. The amounts recognized by the School System 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 System were as follows:

School System's proportionate share of the net pension liability	\$ 600,333,304
State of Georgia's proportionate share of the net pension liability associated with the School System	<u>1,138,791</u>
Total	<u>\$ 601,472,095</u>

The 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 School System's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2022. At June 30 2022, the School System's proportion was 1.848776%, which was a decrease of 0.013666% from its proportion measured as of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

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

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

For the year ended June 30, 2023, the School System recognized pension expense of \$86,761,359 and revenue of (\$40,984) for support provided by the State of Georgia for certain support personnel. At June 30, 2023, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,919,984	\$ 3,124,875
Changes of assumptions	90,369,317	-
Net difference between projected and actual earnings on pension plan investments	117,948,415	-
Changes in proportion and differences between School System contributions and proportionate share of contributions	2,717,382	5,038,816
School System contributions subsequent to the measurement date	<u>52,865,676</u>	<u>-</u>
Total	<u>\$ 288,820,774</u>	<u>\$ 8,163,691</u>

School System contributions subsequent to the measurement date of \$52,865,676 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending 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:

<u>Year Ending June 30,</u>	
2024	\$ 60,053,861
2025	47,348,697
2026	34,807,126
2027	85,581,723

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System ("TRS") (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:

Inflation	2.50%
Salary increase	3.00% – 8.75%, 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, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected 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 10. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System ("TRS") (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 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 of inflation.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School System's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the School System'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%) or 1-percentage-point higher (7.90%) than the current rate:

	1.00% Decrease (5.90%)	Current Discount Rate (6.90%)	1.00% Increase (7.90%)
School System's proportionate share of the net pension liability	\$ 905,704,140	\$ 600,333,304	\$ 350,957,622

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

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

Pension Plan Fiduciary Net Position

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

Public School Employees' Retirement System ("PSERS")

Plan Description

PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers' Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, 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 \$15.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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 \$496,389.

Pension Liabilities and Pension Expense

At June 30, 2023, the School System did not have a 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 System is as follows:

State of Georgia's proportionate share of the Net Pension	
Liability associated with the School System	<u>\$ 3,453,031</u>

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 System 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 System recognized pension expense and revenue of \$867,745 for support provided by the State of Georgia.

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:

Inflation	2.50%
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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions (Continued)

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		
	Below-Median Annuitant	Male: +2; Female: +2	Male: 101%; Female: 103%
Disability Retirees	General Disabled	Male: -3; Female: 0	Male: 103%; Female: 106%
Beneficiaries	General Below-Median		
	Contingent Survivors	Male: +2; Female: +2	Male: 104%; Female: 99%

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.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected 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 asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation (%)	Long-term expected real rate of return (%)*
Fixed income	30.00%	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 of inflation.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total 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 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.

Employees' Retirement System ("ERS")

Plan Description

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 ten 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Continued)

Retirement benefits paid to members are based upon the monthly average of the members' 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 members' monthly pension, at reduced rates, to a designated beneficiary upon the members' death. Death and disability benefits are also available through the ERS plan.

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 System's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2023, was 31.01% of annual covered payroll for Old and New Plan members and 27.47% for GSEPS members. The rates include the annual actuarially determined employer contribution rate of 24.67% of annual covered payroll for old and new plan members and 21.59% for GSEPS members, plus a 6.34% adjustment to the old and new plan and a 5.88% adjustment to the GSEPS plan for the commencement of COLA prefunding for certain retired ERS members. The School System's contributions to ERS totaled \$96,659 for the year ended June 30, 2023. 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 \$96,659 for the current fiscal year.

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

At June 30, 2023, the School System reported a liability for its proportionate share of the net pension liability in the amount of \$688,149. The 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 School System's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2022. At June 30, 2022, the employer's proportion was 0.010304%, which was an increase of 0.000324% from its proportion measured as of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

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

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

For the year ended June 30, 2023, the School System recognized pension expense of \$196,310. At June 30, 2023, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ 1,478	\$ 6,241
Changes of assumptions	122,325	-
Net difference between projected and actual earnings on pension plan investments	79,956	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,878	-
School System contributions subsequent to the measurement date	96,659	-
Total	<u>\$ 314,296</u>	<u>\$ 6,241</u>

School System contributions subsequent to the measurement date of \$96,659 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending 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:

Year Ending June 30,

2024	\$ 116,747
2025	31,165
2026	1,994
2027	61,490

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System ("ERS") (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:

Inflation	2.50%
Salary increase	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:

<u>Participant Type</u>	<u>Membership Table</u>	<u>Set Forward (+) / Setback (-)</u>	<u>Adjustment to Rates</u>
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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System ("ERS") (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%	

* Rates shown are net of inflation.

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

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

Sensitivity of the School System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School System's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the School System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School System's proportionate share of net pension liability	\$ 916,054	\$ 688,149	\$ 496,499

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report which is publicly available at www.ers.ga.gov/financials.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS ("OPEB")

State of Georgia School Employees' Post-Employment Benefit Fund

Plan Description

The Board participates in the School OPEB Fund which is another OPEB plan administered by the State of Georgia Department of Community Health ("DCH"). Certified teachers and non-certified employees of the School System as defined in O.C.G.A. §20-2-875 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 of the State of Georgia and administered by the Board of Community Health ("DCH 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 DCH Board.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State of Georgia School Employees’ Post-Employment Benefit Fund (Continued)

Benefits

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 ERS, Georgia Judicial Retirement System (“JRS”), Legislative Retirement System (“LRS”), TRS or 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 DCH 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 required and made to the School OPEB Fund from the School System were \$8,174,337 for the year ended June 30, 2023. Active employees are not required to contribute to the School OPEB Fund.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the School System reported a liability of \$208,955,852 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 System’s proportion of the net OPEB liability was actuarially determined based on employer contributions to the School OPEB Fund during the fiscal year ended June 30, 2022. At June 30 2022, the School System’s proportion was 2.109987%, which was an increase of 0.000136% from its proportion measured as of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State of Georgia School Employees’ Post-Employment Benefit Fund (Continued)

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

For the year ended June 30, 2023, the School System recognized OPEB expense of \$(10,369,983). At June 30, 2023, the School System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual	\$ 8,340,598	\$ 82,125,978
Changes of assumptions	31,824,404	42,261,611
Net difference between projected and actual	1,274,572	-
Changes in proportion and differences between School System contributions and proportionate share of contributions	4,071,109	4,423,686
School System contributions subsequent to the measurement date	<u>8,174,337</u>	<u>-</u>
Total	<u>\$ 53,685,020</u>	<u>\$ 128,811,275</u>

School System contributions subsequent to the measurement date of \$8,174,337 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending 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:

<u>Year Ending June 30,</u>	
2024	\$ (23,689,941)
2025	(19,237,316)
2026	(14,572,959)
2027	(16,566,848)
2028	(8,303,386)
2029	(930,142)

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State of Georgia School Employees’ Post-Employment Benefit Fund (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:

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

Mortality rates were based on the Pub-2010 Mortality Tables for Males or Females, as appropriate, 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 with 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State of Georgia School Employees’ Post-Employment Benefit Fund (Continued)

Actuarial Assumptions (Continued)

- 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 two years and adjusted 101% for males and 103% 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 104% for males and 99% for females) with the MP-2019 Projection scale applied generationally.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ended June 30, 2018, with the exception of the assumed annual rate of inflation changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation.

The remaining actuarial assumptions (e.g., initial per capital costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the School System 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State of Georgia School Employees’ Post-Employment Benefit Fund (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 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 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 %	2.00 %
Equities	70.00	9.40%
Total	100.00 %	

* Rates shown are 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%. The plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate as used for the long-term rate of return was applied to all periods of projected benefit payments to determine total OPEB liability. 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 cash flows 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

State of Georgia School Employees’ Post-Employment Benefit Fund (Continued)

Sensitivity of the School System’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School System’s proportionate share of the net OPEB liability calculated using the discount rate of 3.57%, as well as what the School System’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:

	1.00% Decrease (2.57%)	Current Discount Rate (3.57%)	1.00% Increase (4.57%)
School System's proportionate share of the net OPEB liability	\$ 236,354,157	\$ 208,955,852	\$ 185,734,583

Sensitivity of the School System’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the School System’s proportionate share of the net OPEB liability, as well as what the School System’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:

	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
School System's proportionate share of the net OPEB liability	\$ 180,040,445	\$ 208,955,852	\$ 244,492,765

Detailed information about the OPEB plan’s fiduciary net position is available in the 2022 State of Georgia Annual Comprehensive Financial Report which is publicly available at: <https://sao.georgia.gov/statewide-reporting/acfr>.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT

The School System is exposed to various risks of loss for claims associated with torts; theft of, damage to and destruction of assets; errors and omissions; natural disaster; workers' compensation; unemployment compensation; and dental benefits. The School System is self-insured for workers' compensation and unemployment compensation. The School System purchases commercial insurance for all other risks of loss. The School System has not experienced any reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past five years.

Workers' Compensation

The School System is partially self-insured for workers' compensation claims of its employees. Claims exceeding \$450,000 per occurrence are covered through a private insurance carrier. The School System is liable for any other claims filed. The School System has entered into a contract with a third-party to administer the program. Activity is accounted for in the General Fund.

Unemployment Compensation

The School System is self-insured for unemployment compensation claims of its employees. Activity is accounted for in the General Fund.

Changes in the balances of claims liabilities for the years ended June 30, 2022 and June 30, 2023 for which the School System is self-insured are as follows:

Workers' Compensation	June 30, 2023	June 30, 2022
Unpaid claims, beginning of fiscal year	\$ 3,439,094	\$ 3,208,495
Incurred claims (including IBNRs)	3,382,439	2,368,323
Claim payments and changes in estimates	(2,893,503)	(2,137,724)
Unpaid claims, end of fiscal year	<u>\$ 3,928,030</u>	<u>\$ 3,439,094</u>
Unemployment Compensation	June 30, 2023	June 30, 2022
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	(54,886)	-
Claim payments and changes in estimates	54,886	-
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 13. COMMITMENTS AND CONTINGENCIES

In addition to the liabilities enumerated in the balance, at June 30, 2023, the School System has contractual commitments on uncompleted contracts of approximately \$23,573,337.

The School System is involved in a number of legal matters which either have or could result in litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School System's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School System.

The School System participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School System has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023, may be impaired. In the opinion of the School System, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 14. TAX ABATEMENTS

For the year ended June 30, 2023, the School System's tax revenues were reduced by \$3,122,378 under agreements entered into by Henry County. Under these agreements, taxes on both real and personal property are reduced based on investments made by the corporation to whom the incentives were offered. In order to qualify, certain eligibility requirements must be met and are based on the economic development goals of each project. Generally, a project will create employment opportunities, promote trade and commerce in the County, and increase the tax base. If a company fails to meet the criteria established in the agreement, recovery payments may apply.

NOTE 15. SUBSEQUENT EVENT – BOND DEFEASANCE

On June 10, 2024, the Henry County Board of Education approved a resolution to defease \$30,445,000 of outstanding Series 2021 Bonds with scheduled maturities in August of 2032 and August 2033. The defeasance will be funded from existing resources in the Debt Service Fund.

REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY BOARD OF EDUCATION

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

	2023	2022	2021	2020
School System's proportion of the net pension liability	1.848776%	1.862442%	1.839905%	1.851531%
School System's proportionate share of the net pension liability	\$ 600,333,304	\$ 164,720,572	\$ 445,697,005	\$ 398,129,230
State of Georgia's proportionate share of the net pension liability associated with the School System	1,138,791	302,211	938,434	729,802
Total	\$ 601,472,095	\$ 165,022,783	\$ 446,635,439	\$ 398,859,032
School System's covered payroll	\$ 250,366,194	\$ 242,764,633	\$ 237,240,681	\$ 226,378,191
School System's proportionate share of the net pension liability as a percentage of its covered payroll	239.78%	67.85%	187.87%	175.87%
Plan fiduciary net position as a percentage of the total pension liability	72.85%	92.03%	77.01%	78.56%

Note: Schedule is intended to show information for the last 10 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>
1.917723%	1.884172%	1.824504%	1.782816%	1.777907%
\$ 355,970,466	\$ 350,179,169	\$ 376,415,518	\$ 271,416,033	\$ 224,615,099
<u>657,842</u>	<u>1,689,404</u>	<u>2,663,064</u>	<u>2,226,359</u>	<u>2,054,616</u>
<u>\$ 356,628,308</u>	<u>\$ 351,868,573</u>	<u>\$ 379,078,582</u>	<u>\$ 273,642,392</u>	<u>\$ 226,669,715</u>
\$ 228,406,692	\$ 217,402,172	\$ 201,773,455	\$ 188,247,437	\$ 181,381,743
155.85%	161.07%	186.55%	144.18%	123.84%
80.27%	79.33%	76.06%	81.44%	84.03%

HENRY COUNTY BOARD OF EDUCATION

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

	2023	2022	2021	2020
Contractually required contributions	\$ 52,865,676	\$ 49,597,543	\$ 46,270,939	\$ 50,152,680
Contributions in relation to the contractually required contribution	52,865,676	49,597,543	46,270,939	50,152,680
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School System's covered payroll	\$ 264,592,973	\$ 250,366,194	\$ 242,764,633	\$ 237,240,681
Contributions as a percentage of covered payroll	19.98%	19.81%	19.06%	21.14%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

2019	2018	2017	2016	2015
\$ 47,313,042	\$ 38,395,165	\$ 31,023,290	\$ 28,793,072	\$ 24,754,538
47,313,042	38,395,165	31,023,290	28,793,072	24,754,538
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 226,378,191	\$ 228,406,692	\$ 217,402,172	\$ 201,773,455	\$ 188,247,437
20.90%	16.81%	14.27%	14.27%	13.15%

HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
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 from the RP-2000 tables to the 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 Teachers 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.

On May 11, 2022, the Board adopted recommended changes to the long-term assumed rate of return and payroll growth assumption utilized by the System. The long-term assumed rate of return was changed from 7.25% to 6.90%, and the payroll growth assumption was changed from 3.00% to 2.50%.

HENRY COUNTY BOARD OF EDUCATION

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School System's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
School System's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net position liability associated with the School System	<u>3,453,031</u>	<u>351,976</u>	<u>2,723,145</u>	<u>2,686,635</u>
Total	<u>\$ 3,453,031</u>	<u>\$ 351,976</u>	<u>\$ 2,723,145</u>	<u>\$ 2,686,635</u>
School System's covered payroll	\$ 10,712,607	\$ 7,802,664	\$ 9,191,780	\$ 9,800,472
School System's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	81.21%	98.00%	84.45%	85.02%

Note: Schedule is intended to show information for the last 10 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>
0.00%	0.00%	0.00%	0.00%	0.00%
\$ -	\$ -	\$ -	\$ -	\$ -
<u>2,572,522</u>	<u>2,385,224</u>	<u>3,119,781</u>	<u>2,035,518</u>	<u>1,788,211</u>
<u>\$ 2,572,522</u>	<u>\$ 2,385,224</u>	<u>\$ 3,119,781</u>	<u>\$ 2,035,518</u>	<u>\$ 1,788,211</u>
\$ 9,443,354	\$ 9,265,258	\$ 8,366,835	\$ 7,608,424	\$ 7,272,459
N/A	N/A	N/A	N/A	N/A
85.26%	85.69%	81.00%	87.00%	88.29%

HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
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 School System. Primary among the changes were the updates to the rates of mortality, retirement, disability, withdrawal, and salary increases. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with the projection scale BB (set forward three 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 assumptions utilized by the System based on the experience study prepared for the five-year period ended June 30, 2019. Primary among the changes were the updates to 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 the June 30, 2021 Total Pension Liability.

HENRY COUNTY BOARD OF EDUCATION

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School System's proportion of the net pension liability	0.010304%	0.009980%	0.008961%	0.007793%
School System's proportionate share of the net pension liability	<u>\$ 688,149</u>	<u>\$ 233,423</u>	<u>\$ 377,702</u>	<u>\$ 321,581</u>
School System's covered payroll	\$ 264,094	\$ 232,068	\$ 232,068	\$ 196,437
School System's proportionate share of the net pension liability as a percentage of its covered payroll	260.57%	100.58%	162.75%	163.71%
Plan fiduciary net position as a percentage of the total pension liability	67.44%	87.62%	76.64%	76.64%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

2019	2018	2017	2016	2015
0.006904%	0.006960%	0.007129%	0.009524%	0.011874%
<u>\$ 283,826</u>	<u>\$ 282,669</u>	<u>\$ 337,232</u>	<u>\$ 385,855</u>	<u>\$ 445,348</u>
\$ 176,946	\$ 162,649	\$ 165,761	\$ 233,297	\$ 267,378
160.40%	173.79%	203.45%	165.39%	166.56%
76.68%	76.33%	72.34%	76.20%	77.99%

HENRY COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contributions	\$ 96,659	\$ 62,131	\$ 60,492	\$ 57,228
Contributions in relation to the contractually required contribution	<u>96,659</u>	<u>62,131</u>	<u>60,492</u>	<u>57,228</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered payroll	\$ 328,808	\$ 264,094	\$ 245,304	\$ 232,068
Contributions as a percentage of covered payroll	29.40%	23.53%	24.66%	24.66%

Note: Schedule is intended to show information for the last 10 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>
\$ 48,677	\$ 43,688	\$ 40,158	\$ 40,976	\$ 51,232
<u>48,677</u>	<u>43,688</u>	<u>40,158</u>	<u>40,976</u>	<u>51,232</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 196,437	\$ 176,946	\$ 162,649	\$ 165,761	\$ 233,297
24.78%	24.69%	24.69%	24.72%	21.96%

HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
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 School System. Primary among the changes were the updates to the rates of mortality, retirement, disability, withdrawal, and salary increases. The expectation of retired life mortality was changed to the RP-2000 Combined Mortality Table projected to 2025 with the projection scale BB (set forward two 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 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 assumptions utilized by the System based on the experience study prepared for the five-year period ended June 30, 2019. Primary among the changes were the updates to rates of mortality, retirement, withdrawal, and salary increases. 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 the June 30, 2021 Total Pension Liability.

On April 21, 2022, the Board adopted a new funding policy which, in part, provides that the Actuarial Accrued Liability and Normal Cost of the System will include a prefunded variable Cost-of-Living Adjustment ("COLA") for eligible retirees and beneficiaries of the System. Under the new policy, future COLAs are provided through a profit-sharing mechanism using the System's asset performance. After studying the parameters of this new policy, the assumption for future COLAs was set at 1.05%. Previously, no future COLAs were assumed. In addition, the funding policy set the assumed rate of return at 7.20% for the June 30, 2021 valuation and established a new Transitional Unfunded Actuarial Accrued Liability as of June 30, 2021 which will be amortized over a closed 20-year period.

HENRY COUNTY BOARD OF EDUCATION

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School System's proportion of the net OPEB liability	2.109987%	2.109851%	2.082291%	2.102940%
School System's proportionate share of the net OPEB liability	<u>\$ 208,955,852</u>	<u>\$ 228,514,318</u>	<u>\$ 305,840,054</u>	<u>\$ 258,075,856</u>
School System's covered employee payroll	\$ 223,887,423	\$ 211,026,062	\$ 201,835,822	\$ 194,074,030
School System's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	93.33%	108.29%	151.53%	132.98%
Plan fiduciary net position as a percentage of the total OPEB liability	6.17%	6.14%	3.99%	4.63%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

2019		2018	
2.151518%		2.124464%	
\$	273,451,335	\$	298,486,337
\$	192,254,828	\$	181,077,474
142.23%		164.84%	
2.93%		1.61%	

HENRY COUNTY BOARD OF EDUCATION

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

	2023	2022	2021	2020
Contractually required contribution	\$ 8,174,337	\$ 7,629,185	\$ 7,848,292	\$ 7,041,823
Contributions in relation to the contractually required contribution	8,174,337	7,629,185	7,848,292	7,041,823
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School System's covered employee payroll	\$ 228,760,627	\$ 223,887,423	\$ 211,026,062	\$201,835,822
Contributions as a percentage of covered employee payroll	3.57%	3.41%	3.72%	3.49%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

2019	2018	2017
\$ 11,325,788	\$ 11,151,110	\$ 11,077,122
11,325,788	11,151,110	11,077,122
\$ -	\$ -	\$ -
\$194,074,030	\$192,254,828	\$181,077,474
5.84%	5.80%	6.12%

HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHOOL OPEB FUND
FOR THE YEAR ENDED JUNE 30, 2023

CHANGES OF BENEFITS TERMS

There have been no changes in benefit terms.

CHANGES OF ASSUMPTIONS

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

For the June 30, 2019 actuarial valuation, the decremental assumptions were changed to reflect the Teachers' Retirement Systems' experience study.

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

For the June 30, 2017, actuarial valuation: Participation assumption, tobacco use assumption and morbidity factors were revised.

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

For the June 30, 2012, actuarial valuation: A data audit was performed and data collection procedures and assumptions were changed.

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, to 2.22% as of June 30, 2020, and to 3.57% as of June 30, 2022.

SUPPLEMENTARY INFORMATION

HENRY COUNTY BOARD OF EDUCATION

SUPPLEMENTARY INFORMATION SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2016 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The cost of acquiring, constructing and equipping a new McDonough High School, a new McDonough Middle School, a new multi-purpose facility at each existing high school, a new performing arts center in the northern region of Henry County, and a new distribution center; adding to, renovating, repairing, improving and equipping existing athletic facilities, including turf fields at existing high schools and athletic field lighting at three existing middle schools; acquiring instructional and administrative technology improvements including necessary software, land for future schools, and school buses and related transportation equipment; acquiring and constructing an access connector between Southern Crescent Technical College and the School District's Academy for Advanced Studies; adding to, renovating, repairing, improving, and equipping existing school buildings, transportation and maintenance buildings, and other buildings and facilities useful or desirable in connection therewith; and acquiring any necessary property, therefor, both real and personal; to the extent funds are available, to pay the cost of acquiring, constructing, and equipping one new elementary school and a new central office facility and acquiring any necessary property, therefor, both real and personal; to pay capitalized interest incident thereto; and to pay expenses incident to accomplishing the foregoing.

Original Estimated Cost	Current Estimated Cost	Prior Years ^{1,2}	Current Year ¹	Total
\$ 325,000,000	\$ 398,500,000	\$ 390,255,673	\$ 7,882,178	\$ 398,137,851
<u>\$ 325,000,000</u>	<u>\$ 398,500,000</u>	<u>\$ 390,255,673</u>	<u>\$ 7,882,178</u>	<u>\$ 398,137,851</u>

¹ Included in the expenditures shown above are expenditures which were funded by grant funds in the amount of \$3,629,614 in 2017, \$1,622,813 in 2018, \$7,945,933 in 2019, \$2,107,298 in 2020, \$1,065,482 in 2021, \$51,544 in 2022, and \$220,047 in 2023.

² Included in the expenditures shown above, the School System has incurred interest to provide advanced funding for the above projects. Prior year interest amounts to \$15,576,930.

HENRY COUNTY BOARD OF EDUCATION

SUPPLEMENTARY INFORMATION SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2021 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The cost of acquiring, constructing, and equipping two new elementary schools, a STEM high school, a new secondary transportation facility, and a new administrative office facility; acquiring instructional and administrative technology improvements (including, without limitation, student and staff laptop devices and necessary software), land for future schools, school buses and related transportation equipment, safety and security equipment, and electronic message signs; adding to, renovating, repairing, improving, and equipping existing school buildings (including, without limitation, renovations at an existing elementary school and additions at two existing middle schools and three existing high schools), and other buildings and facilities useful or desirable in connection therewith; and acquiring any necessary property therefore, both real and personal, all for the School System (collectively the "Capital Projects").

Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
<u>\$ 325,000,000</u>	<u>\$ 371,000,000</u>	<u>\$ 47,089,590</u>	<u>\$ 44,377,463</u>	<u>\$ 91,467,053</u>
<u>\$ 325,000,000</u>	<u>\$ 371,000,000</u>	<u>\$ 47,089,590</u>	<u>\$ 44,377,463</u>	<u>\$ 91,467,053</u>
Total expenditures, 2016 Issue				\$ 7,882,178
Total expenditures, 2021 Issue				44,377,463
Total non-SPLOST expenditures				7,626,947
Total expenditures Capital Projects Fund				<u>\$ 59,886,588</u>

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
Henry County Board of Education
McDonough, Georgia**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Henry County Board of Education (the "School System") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements and have issued our report thereon dated June 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School System'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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the School System'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 over financial reporting 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School System'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 communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
June 12, 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
Henry County Board of Education
McDonough, Georgia**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Henry County Board of Education's (the "School System") 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 System's major federal programs for the year ended June 30, 2023. The School System'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 System 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 Each Major Federal Program

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 System 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 program. Our audit does not provide a legal determination of the School System'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 System's federal programs.

Auditor's Responsibilities 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 to express an opinion on the School System'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 System'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 System'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 System'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 System'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures of the School System's response to the noncompliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The School System's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 to be a significant deficiency.

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.

Government Auditing Standards require the auditor to perform limited procedures on the School System's response to the internal control over compliance finding identified in our compliance audit described in the accompany Schedule of Findings and Questioned Costs. The School System's response was not subjected to the other auditing procedures applied in the audit of compliance and accordingly, we express no opinion on it.

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
June 12, 2024

HENRY COUNTY BOARD OF EDUCATION

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

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Award ID Number	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Georgia Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	235GA324N1199	\$ 4,074,306
National School Lunch Program	10.555	235GA324N1199	11,682,668
USDA - Food Distribution	10.555	235GA324N1199	1,735,405
COVID-19 Emergency Operational Costs Reimbursement	10.555	235GA324N1199	1,193,599
Total Child Nutrition Cluster			18,685,978
State Administrative Expenses	10.560	235GA904N2533	9,745
Total U.S. Department of Agriculture			18,695,723
U.S. DEPARTMENT OF DEFENSE			
Direct Federal Award:			
Junior ROTC	12.unknown	N/A	703,871
U.S. DEPARTMENT OF EDUCATION			
Passed through Georgia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A210010	1,759,860
Title I Grants to Local Educational Agencies	84.010	S010A220010	7,042,433
Total Title I Grants to Local Educational Agencies			8,802,293
Title II, Part A - Supporting Effective Instruction State Grants	84.367	S367A210001	502,830
Title II, Part A - Supporting Effective Instruction State Grants	84.367	S367A220001	735,216
Title II, Part A - Advanced Placement Grant	84.367	S367A220001	1,150
Total Title II, Part A - Supporting Effective Instruction State Grants			1,239,196
Title III - Limited English Proficient	84.365	S365A210010	20,446
Title III - Limited English Proficient	84.365	S365A220010	125,429
Title III - Language Instruction to Immigrant Students	84.365	S365A210010	26,563
Title III - Language Instruction to Immigrant Students	84.365	S365A220010	19,402
Total Title III Cluster			191,840
Special Education Cluster:			
High Cost Fund Pool	84.027	H027A220073	109,799
IDEA Flowthrough	84.027	H027A210073	2,372,860
IDEA Flowthrough	84.027	H027A220073	5,184,909
Parent Mentor	84.027	H027A220073	27,921
COVID-19 American Rescue Plan (ARP) - Grants to States and LEAs	84.027X	H027X210073	1,649,432
IDEA Preschool	84.173	H173A210081	29,237
IDEA Preschool	84.173	H173A220081	109,781
COVID-19 IDEA Preschool	84.173X	H173X210081	11,843
Total Special Education Cluster			9,495,782
Vocational Education - Basic Grants to States	84.048	V048A210010	22,961
Vocational Education - Basic Grants to States	84.048	V048A220010	360,533
Total Vocational Education - Basic Grants to States			383,494
Education for Homeless Children and Youth Cluster	84.196	S196A210011	10,373
Education for Homeless Children and Youth Cluster	84.196	S196A220011	56,584
Total Education for Homeless Children and Youth Cluster			66,957
Title IV - Student Support and Academic Enrichment	84.424	S424A200011	66,488
Title IV - Student Support and Academic Enrichment	84.424	S424A210011	190,821
Title IV - Student Support and Academic Enrichment	84.424	S424A220011	277,162
Total Title IV - Student Support and Academic Enrichment			534,471

(Continued)

HENRY COUNTY BOARD OF EDUCATION

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

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Award ID Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
Passed through Georgia Department of Education:			
Education Stabilization Fund:			
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200012	\$ 437,570
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210012	9,552,808
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	S425U200012	14,414,262
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210012	6,063
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	S425U220012	26,885
COVID-19 - American Rescue Plan Homeless Children and Youth	84.425W	S425W210012	92,316
Total COVID-19 - Education Stabilization Funds			<u>24,529,904</u>
Total U.S. Department of Education			<u>45,243,937</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from Bright from the Start:			
Georgia Department of Early Care and Learning			
COVID-19 Child Care and Development Block Grant Cluster	93.575	N/A	<u>45,000</u>
Passed through from Georgia Department of Human Services:			
477 Cluster			
Temporary Assistance for Needy Families (TANF)	93.558	42700-040-0000106964	<u>297,820</u>
Total U.S. Department of Health and Human Services			<u>342,820</u>
U.S. FEDERAL COMMUNICATIONS COMMISSION			
Passed through from Universal Service Administration Company			
COVID-19 Emergency Connectivity Fund Program	32.009	N/A	<u>1,093,443</u>
Total Expenditures of Federal Awards			<u><u>\$ 66,079,794</u></u>

HENRY COUNTY BOARD OF EDUCATION

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 the Henry County Board of Education (the "School System") 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* 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. DE MINIMIS COST RATE

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

NOTE 3. NON-CASH AWARDS

The School System received non-cash awards under the National School Lunch Program, assistance listing 10.555, in the amount of \$1,735,405 for the year ended June 30, 2023.

NOTE 4. SUBRECIPIENTS

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

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditor 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?

X Yes ___ 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 200.516(a)?

X Yes ___ No

Identification of major programs:

Assistance Listing Number

Name of Federal Program or Cluster

U.S. Department of Education:

Special Education Cluster

84.027/84.027X/84.173/84.173X

Education Stabilization Fund:

COVID-19 Elementary and Secondary
School Emergency Relief Fund

84.425D

COVID-19 ARPA - Elementary and
Secondary School Emergency Relief
Fund

84.425U

COVID-19 Homeless Children and Youth

84.425W

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDIT RESULTS (CONTINUED)

Assistance Listing Number

Name of Federal Program or Cluster

32.009

U.S. Federal Communications

Commission:

COVID-19 Emergency Connectivity Fund

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

\$1,982,394

Auditee qualified as low-risk auditee?

____ Yes X No

B. FINDINGS: FINANCIAL STATEMENT AUDIT

None reported.

HENRY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2023 – 001. Special Education Cluster – Assistance Listing 84.027/84.027X/84.173/84.173X – Suspension and Debarment

Criteria: Per Uniform Guidance, entities are prohibited from contracting with or making subawards of \$25,000 or more to parties that are suspended or debarred.

Condition: Documentation was not available to indicate the School System verified one vendor for suspension and debarment before awarding and/or extending the contract during the fiscal year.

Context: See above condition.

Cause: Management oversight.

Effect: The School System was not in compliance with the requirements of suspension and debarment.

Recommendation: We recommend that the School System establish procedures to ensure proper verification of suspension and debarment.

Views of Responsible Official and Planned Correction Action: We concur. We will establish procedures to ensure proper verification of suspension and debarment.

HENRY COUNTY BOARD OF EDUCATION

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

No prior year findings.



District Office

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**Henry County
Board of Education**

Sophe Pope
Board Chair
District 4

Annette Edwards
Board Vice Chair
District 2

Dr. Pam Nutt
District 1

Holly Cobb
District 3

Makenzie McDaniel
District 5

Dr. Carl Knowlton
Interim Superintendent

We share a **VISION** to ensure a high-quality, world-class education for every student.

Our **MISSION** is to empower all students with exceptional opportunities and access that lead to success in a global society.

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MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2023 – 001. Special Education Cluster – Assistance Listing
84.027/84.027X/84.173/84.173X – Suspension and Debarment

Name of Contact Person Responsible for Corrective Action Plan: *Greg Goins, Executive Director Purchasing*

Corrective Action Plan: Management will implement a process to ensure all vendors are verified for suspension and debarment prior to awarding or extending a contract. The process will be documented in the vendor file.

Anticipated Completion Date: Fiscal year 2024