

**HENRY COUNTY BOARD
OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2020**

**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, 2020

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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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Henry County Board of Education** (the "School System") as of and for the year ended June 30, 2020, 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.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School System as of June 30, 2020, 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.

Other Matters***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 4 through 12), the schedules of proportionate share of the net pension liability, the schedules of pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of OPEB contributions on pages 61 through 71 be presented to supplement the basic financial elements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

Other 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 schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated §48-8-121, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the schedule of expenditures of special purpose local option sales tax proceeds (collectively “the supplementary information”) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2021 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henry County Board of Education’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
March 16, 2021

HENRY COUNTY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020. 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 2020 are as follows:

- On the government-wide financial statements, the assets and deferred outflow of resources of the School System exceeded liabilities by \$111.4 million.
- Total revenues for governmental funds increased from \$513.9 million in 2019 to \$527.1 million in 2020, an increase of \$13.2 million.
- Total expenditures of governmental funds decreased from \$572.8 million in 2019 to \$547.5 million in 2020, a decrease of \$25.3 million.
- The 2020 total fund balance for the General Fund (\$56.3 million) shows an \$11.5 million increase from the prior fiscal year amount (\$44.8 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. The 'Fiduciary Fund statements provide information about the financial relationships in which the School System acts solely as a trustee or agent for the benefit of others. 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 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.

Fiduciary Funds – The School System is the trustee, or fiduciary, for assets that belong to clubs, organizations and others within the principals' accounts. The School System is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School System excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM AS A WHOLE

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2020	Fiscal Year 2019
Assets		
Current and Other Assets	\$ 279,962,326	\$ 308,462,282
Capital Assets, Net	911,436,510	893,695,799
Total Assets	\$ 1,191,398,836	\$ 1,202,158,081
 Deferred Outflows of Resources	 \$ 141,771,323	 \$ 117,595,032
Liabilities		
Current and Other Liabilities	74,461,183	88,403,842
Long-Term Liabilities	1,057,679,178	1,069,477,443
Total Liabilities	\$ 1,132,140,361	\$ 1,157,881,285
 Deferred Inflows of Resources	 \$ 89,602,582	 \$ 73,302,644
Net Position		
Invested in Capital Assets, Net of Debt	\$ 575,978,395	\$ 598,809,672
Restricted	136,369,005	167,057,676
Unrestricted	(600,920,184)	(677,298,164)
Total Net Position	\$ 111,427,216	\$ 88,569,184

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Changes in Net Position

	Governmental Activities	
	Fiscal Year 2020	Fiscal Year 2019
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 8,237,754	\$ 9,781,937
Operating Grants and Contributions	265,413,722	253,245,829
Capital Grants and Contributions	2,448,178	8,436,033
Total Program Revenues	276,099,654	271,463,799
General Revenues:		
Property Taxes	183,451,732	173,432,809
Sales Taxes:		
Special Purpose Local Option Sales Tax for Debt Service	42,723,369	38,146,683
Other Taxes	5,742,583	4,336,018
Grants and Contributions not Restricted to Specific Programs	13,623,098	14,904,866
Investment Earnings	2,836,722	4,665,378
Local School Activity	6,997,041	9,559,078
Total General Revenues	255,374,545	245,044,832
Total Revenues	531,474,199	516,508,631
Program Expenses		
Instruction	337,726,431	308,500,000
Support Services:		
Pupil Services	19,323,006	17,870,947
Improvement of Instructional Services	13,573,793	11,105,559
Instructional Staff Training	4,226,245	4,463,182
Educational Media Services	6,508,970	5,970,969
General Administration	3,871,033	3,460,028
School Administration	29,835,786	28,037,512
Business services	1,534,831	1,733,493
Maintenance and Operation of Plant	37,265,544	33,434,825
Student Transportation Services	19,703,979	19,481,336
Central Support Services	3,501,165	2,398,360
Other Support Services	2,413,493	3,608,246
Operations of Non-Instructional Services:		
Community Services	2,899,979	3,487,793
School Nutrition	15,988,481	18,115,970
Interest on Short-Term and Long-Term Debt	10,243,431	12,628,225
Total Expenses	508,616,167	474,296,445
Increase in Net Position	\$ 22,858,032	\$ 42,212,186

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 2020	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2019
Instruction	\$ 337,726,431	\$ 308,500,000	\$ 111,197,323	\$ 86,710,332
Support Services:				
Pupil Services	19,323,006	17,870,947	16,899,171	15,268,238
Improvement of Instructional Services	13,573,793	11,105,559	12,940,729	10,774,324
Improvement of Instructional Staff Training	4,226,245	4,463,182	540,145	344,171
Educational Media Services	6,508,970	5,970,969	4,630,344	3,977,421
General Administration	3,871,033	3,460,028	(2,871,651)	(1,295,936)
School Administration	29,835,786	28,037,512	29,835,786	28,037,512
Business Services	1,534,831	1,733,493	1,526,969	1,732,174
Maintenance and Operations	37,265,544	33,434,825	24,430,935	22,496,065
Student Transportation	19,703,979	19,481,336	17,325,314	17,036,769
Central Support Services	3,501,165	2,398,360	3,481,098	2,386,412
Other Support Services	2,413,493	3,608,246	2,337,669	3,481,104
Operations of Non-Instructional Services				
Enterprise Operations	-	-	(66,624)	(67,278)
Community Services	2,899,979	3,487,793	(317,264)	(663,648)
School Nutrition	15,988,481	18,115,970	383,138	(13,239)
Interest on Long-Term Debt	10,243,431	12,628,225	10,243,431	12,628,225
Total Expenses	\$ 508,616,167	\$ 474,296,445	\$ 232,516,513	\$ 202,832,646

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 \$527.1 million and total expenditures of \$547.5 million. Included in the expenditures of \$547.5 million, were approximately \$50.7 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 60% of the School System's revenue. The other 40% is from local sources, primarily ad valorem taxes. In fiscal year 2020, state and federal funding increased by \$12.6 million. Local revenues increased by \$11.9 million. This was the result of growth in the property tax digest. 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 \$214.3 million General Obligation Bond Referendum in 2016 and a \$110.7 million General Obligation Bond Referendum in 2018. The School System purchased instructional resources, school buses, improved technology, finalized construction on a new middle school and a new high school, renovated, repaired, and improved existing facilities in 2020. Those expenditures totaled \$52.5 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 60% of the Debt Service Fund revenue. The other 40% is from ad valorem taxes. For fiscal year 2019, 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 \$412.1 million were 101.2% of the final budgeted amount of \$407.2 million. The final actual expenditures of \$399.6 million were 98.8% of the final budgeted amount of \$404.6 million. The School System's actual results for the General Fund for the fiscal year show that revenues exceeded expenditures by \$10 million. The School System adopted a balanced budget for 2020. However, revenues exceeded projections and expenditures were less than projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2020, the School System had \$911.4 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	Fiscal Year 2020	Fiscal Year 2019
Land	\$ 43,256,086	\$ 43,256,086
Construction in Progress	140,049,709	177,527,230
Buildings and Improvements	687,023,501	628,024,267
Land Improvements	16,305,384	17,775,037
Infrastructure	2,354,034	2,441,488
Equipment	22,447,796	24,671,691
Total	\$ 911,436,510	\$ 893,695,799

Debt

At fiscal year ended June 30, 2020, the School System had \$1.1 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 2020	Fiscal Year 2019
Bonds Payable	\$ 396,212,116	\$ 435,410,755
Compensated Absences	1,890,180	1,918,832
Workers Compensation Claims Payable	3,050,215	2,442,229
Net Pension Liability	398,450,811	356,254,292
Net OPEB Liability	258,075,856	273,451,335
Total	\$ 1,057,679,178	\$ 1,069,477,443

At June 30, 2020, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC CONDITIONS AFFECTING THE SCHOOL SYSTEM

The fiscal year 2021 budget was presented to the public and tentatively adopted by the Board of Education on August 10, 2020 with the final adoption on August 24, 2020. Georgia school districts typically adopt their budgets prior to the first day of the new fiscal year (July 1). However, due to the COVID-19 pandemic, the Georgia legislature had not approved a state budget for fiscal year 2021 in time for the School System to receive Quality Basic Education ("QBE") revenue allotments in a timely manner. Therefore, on June 8, 2020, the School System adopted a spending resolution in lieu of a budget. The spending resolution authorized the superintendent to spend funds from all sources for the month of July 2020 not to exceed one-twelfth of the final amended budget for all funds for the fiscal year ended June 30, 2020. On July 13, 2020, the School System adopted a second spending resolution in lieu of a budget. The spending resolution authorized the superintendent to spend funds from all sources for the month of August 2020 not to exceed one-twelfth of the final amended budget for all funds for the fiscal year ended June 30, 2020 until the budget could be finalized and adopted in August 2020. 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 fiscal year 2021 budget for General Fund expenditures (\$398.4 million) exceed budgeted revenues (\$373.4 million) by \$25.0 million mainly due to a \$22.8 million Austerity Reduction applied to the State's QBE funding formula for public education. As a result of the School System's prudent fiscal management over past years, the School System was well positioned to use reserves to offset the shortfall in revenue. Subsequently, the Georgia legislature approved a mid-term budget for fiscal year 2021 that includes a 60% (\$13.6 million) restoration of the Austerity Reduction. Also, local tax revenues are pacing higher than expected and expenditures are less than anticipated, resulting in an updated projection to use only \$5 million reserves to balance the fiscal year 2021 General Fund budget.

The fiscal year 2021 millage rate for the operating budget is 20.00 mills and 3.628 mills for bond debt service. The rate remains unchanged from fiscal year 2020. The tax digest for fiscal year 2021 increased by 7.27%. Also, the Tax Assessor is projecting additional growth for fiscal year 2022. This indicates that existing property values have stabilized and new construction is being added to the digest.

The Coronavirus Aid, Relief and Economic Security ("CARES") Act was passed by Congress and signed into law on March 27, 2020. Included within the CARES Act were Elementary and Secondary School Emergency ("ESSER") Funds to provide federal assistance with COVID-19 related expenditures. The State of Georgia's share of the ESSER funds totaled \$457.2 million; the School System received four grants from Georgia's CARES allocation totaling \$6.2 million. Uses of funds included instructional materials, technology devices to support remote learning, food preparation, supports for at-risk students, cleaning and personal protective equipment supplies, equitable services for non-public students, and for the continuity of core staff and services including restoring revenue shortfalls related to state austerity to prevent furloughs of staff. The School System will be allocated additional funding of \$23.7 million from the Coronavirus Response and Relief Supplemental Appropriations Act ("CARES 2") passed by Congress and signed into law on December 21, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Education Special Purpose Local Option Sales Tax ("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.

E-SPLOST collections for calendar year 2020 were \$45.7 million (16.2% increase compared to 2019). The current E-SPLOST 5 program ends December 31, 2022. On March 16, 2021, the citizens of Henry County will vote on a referendum for E-SPLOST 6, which would continue collecting the sales tax for education for another five years beginning January 1, 2023 and ending December 31, 2027.

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, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 33,487,048
Investments	194,657,188
Taxes receivable	6,509,699
Intergovernmental receivables	44,905,856
Inventories	402,535
Capital assets, nondepreciable	183,305,795
Capital assets, depreciable (net of accumulated depreciation)	728,130,715
Total assets	1,191,398,836
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	120,378,598
Other post-employment benefits	21,046,100
Deferred charge on refunding	346,625
Total deferred outflows of resources	141,771,323
LIABILITIES	
Accounts payable	12,258,954
Accrued interest	6,690,780
Accrued payroll and payroll withholdings	49,084,226
Contracts payable	6,338,389
Retainage payable	88,834
Workers' compensation claims payable due within one year	1,596,868
Workers' compensation claims payable due in more than one year	1,453,347
Compensated absences due within one year	1,072,107
Compensated absences due in more than one year	818,073
Net pension liability, due in more than one year	398,450,811
Net other post-employment benefit liability, due in more than one year	258,075,856
General obligation bonds due within one year	33,814,000
General obligation bonds due in more than one year, net of unamortized premium	362,398,116
Total liabilities	1,132,140,361
DEFERRED INFLOWS OF RESOURCES	
Pensions	18,928,535
Other post-employment benefits	70,674,047
Total deferred inflows of resources	89,602,582
NET POSITION	
Net investment in capital assets	575,978,395
Restricted for debt service	85,719,314
Restricted for program activities	4,122,667
Restricted for capital projects	46,527,024
Unrestricted	(600,920,184)
Total net position	\$ 111,427,216

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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 337,726,431	\$ 1,765,413	\$ 222,656,397	\$ 2,107,298	\$ (111,197,323)
Pupil services	19,323,006	-	2,423,835	-	(16,899,171)
Improvement of instructional services	13,573,793	-	633,064	-	(12,940,729)
Instructional staff training	4,226,245	-	3,686,100	-	(540,145)
Educational media services	6,508,970	-	1,878,626	-	(4,630,344)
General administration	3,871,033	-	6,742,684	-	2,871,651
School administration	29,835,786	-	-	-	(29,835,786)
Business services	1,534,831	-	7,862	-	(1,526,969)
Maintenance and operations	37,265,544	-	12,834,609	-	(24,430,935)
Student transportation	19,703,979	-	2,037,785	340,880	(17,325,314)
Central support services	3,501,165	-	20,067	-	(3,481,098)
Other support services	2,413,493	-	75,824	-	(2,337,669)
School nutrition	15,988,481	3,188,474	12,416,869	-	(383,138)
Enterprise operations	-	66,624	-	-	66,624
Community services	2,899,979	3,217,243	-	-	317,264
Interest on long-term debt	10,243,431	-	-	-	(10,243,431)
Total governmental activities	<u>\$ 508,616,167</u>	<u>\$ 8,237,754</u>	<u>\$ 265,413,722</u>	<u>\$ 2,448,178</u>	<u>(232,516,513)</u>
General revenues:					
Property taxes					183,451,732
Sales taxes					42,723,369
Other taxes					5,742,583
Grants and contributions not restricted to specific programs					13,623,098
Local school activity					6,997,041
Unrestricted investment earnings					<u>2,836,722</u>
Total general revenues					<u>255,374,545</u>
Change in net position					<u>22,858,032</u>
Net position, beginning of year					<u>88,569,184</u>
Net position, end of year					<u>\$ 111,427,216</u>

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

HENRY COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

ASSETS	General	Debt Service	Special Revenue	Capital Projects	Total Governmental Funds
Cash	\$ 25,538,017	\$ 387,842	\$ 6,600,734	\$ 960,455	\$ 33,487,048
Investments	53,556,399	88,081,091	-	53,019,698	194,657,188
					-
Taxes receivable	6,509,699	-	-	-	6,509,699
Due from other governments	33,306,363	7,148,682	4,450,811	-	44,905,856
Due from other funds	650,433	-	230,488	130,279	1,011,200
Inventories	-	-	402,535	-	402,535
Total assets	<u>\$ 119,560,911</u>	<u>\$ 95,617,615</u>	<u>\$ 11,684,568</u>	<u>\$ 54,110,432</u>	<u>\$ 280,973,526</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 10,732,548	\$ -	\$ 370,221	\$ 1,156,185	\$ 12,258,954
Contracts payable	-	-	-	6,338,389	6,338,389
Retainage payable	-	-	-	88,834	88,834
Due to other funds	230,488	-	780,712	-	1,011,200
Accrued payroll and payroll withholdings	46,261,816	-	2,822,410	-	49,084,226
Total liabilities	<u>57,224,852</u>	<u>-</u>	<u>3,973,343</u>	<u>7,583,408</u>	<u>68,781,603</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	3,975,220	755,919	-	-	4,731,139
Unavailable revenue - grants	2,041,844	-	405,650	-	2,447,494
Unavailable revenue - sales taxes	-	2,451,602	-	-	2,451,602
Total deferred inflows of resources	<u>6,017,064</u>	<u>3,207,521</u>	<u>405,650</u>	<u>-</u>	<u>9,630,235</u>
FUND BALANCES					
Fund balances:					
Nonspendable for inventories	-	-	402,535	-	402,535
Restricted for:					
Program activities	-	-	3,720,132	-	3,720,132
Debt service	-	92,410,094	-	-	92,410,094
Capital projects	-	-	-	46,527,024	46,527,024
Committed to school activity funds	-	-	2,842,727	-	2,842,727
Assigned:					
For subsequent year's budget	24,916,950	-	-	-	24,916,950
Program activities	-	-	340,181	-	340,181
Unassigned	31,402,045	-	-	-	31,402,045
Total fund balances	<u>56,318,995</u>	<u>92,410,094</u>	<u>7,305,575</u>	<u>46,527,024</u>	<u>202,561,688</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 119,560,911</u>	<u>\$ 95,617,615</u>	<u>\$ 11,684,568</u>	<u>\$ 54,110,432</u>	<u>\$ 280,973,526</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, 2020

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	\$ 202,561,688
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Capital assets:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost of the assets	1,208,301,730
Accumulated depreciation	(296,865,220)

Revenues:

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.

Property taxes	4,731,139
Sales taxes	2,451,602
Grants	2,447,494

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:

Bonds payable	(361,788,000)
Accrued interest payable	(6,690,780)
Unamortized premium	(34,424,116)
Unamortized deferred charge on refunding	346,625
Compensated absences	(1,890,180)
Workers' compensation claims payable	(3,050,215)
Net pension liability	(398,450,811)
Deferred outflows of resources - pensions	120,378,598
Deferred inflows of resources - pensions	(18,928,535)
Net OPEB liability	(258,075,856)
Deferred outflows of resources - OPEB	21,046,100
Deferred inflows of resources - OPEB	(70,674,047)

Net position - governmental activities	<u>\$ 111,427,216</u>
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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, 2020

	General	Debt Service	Special Revenue	Capital Projects	Total Governmental Funds
REVENUES					
Local sources	\$ 163,479,295	\$ 67,550,122	\$ 13,412,645	\$ -	\$ 244,442,062
State sources	246,502,945	-	1,461,047	2,107,298	250,071,290
Federal sources	2,320,819	-	27,382,119	-	29,702,938
Interest income	746,435	823,927	179	1,266,181	2,836,722
Total revenues	<u>413,049,494</u>	<u>68,374,049</u>	<u>42,255,990</u>	<u>3,373,479</u>	<u>527,053,012</u>
EXPENDITURES					
Current:					
Instruction	272,483,218	-	15,444,915	-	287,928,133
Pupil services	15,946,973	-	2,438,043	-	18,385,016
Improvement of instructional services	10,600,142	-	2,414,685	-	13,014,827
Instructional staff training	357,663	-	3,686,025	-	4,043,688
Educational media services	6,208,694	-	-	-	6,208,694
General administration	3,553,339	-	214,410	-	3,767,749
School administration	29,628,603	-	-	-	29,628,603
Business services	1,456,598	1,880	-	-	1,458,478
Maintenance and operations	36,780,350	-	13,486	-	36,793,836
Student transportation	18,615,720	-	55,987	-	18,671,707
Central support services	3,322,061	-	7,652	-	3,329,713
Other support services	2,315,998	-	68,267	-	2,384,265
School nutrition	109,923	-	15,690,298	-	15,800,221
Community service	-	-	2,885,351	-	2,885,351
Capital outlay	-	-	-	52,494,270	52,494,270
Debt service:					
Principal retirement	-	33,046,000	-	-	33,046,000
Interest and fiscal charges	-	17,614,993	-	-	17,614,993
Total expenditures	<u>401,379,282</u>	<u>50,662,873</u>	<u>42,919,119</u>	<u>52,494,270</u>	<u>547,455,544</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,670,212</u>	<u>17,711,176</u>	<u>(663,129)</u>	<u>(49,120,791)</u>	<u>(20,402,532)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	195,778	-	195,778
Transfers out	(195,778)	-	-	-	(195,778)
Total other financing sources (uses)	<u>(195,778)</u>	<u>-</u>	<u>195,778</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11,474,434	17,711,176	(467,351)	(49,120,791)	(20,402,532)
FUND BALANCE, beginning of year	<u>44,844,561</u>	<u>74,698,918</u>	<u>7,772,926</u>	<u>95,647,815</u>	<u>222,964,220</u>
FUND BALANCE, end of year	<u>\$ 56,318,995</u>	<u>\$ 92,410,094</u>	<u>\$ 7,305,575</u>	<u>\$ 46,527,024</u>	<u>\$ 202,561,688</u>

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, 2020

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

Net change in fund balances - total governmental funds.	\$ (20,402,532)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Total capital outlay	45,266,044
Total depreciation	(27,424,544)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.	(100,789)
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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.	4,547,635
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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:

Principal repayments on general obligation bonds	33,046,000
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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	28,652
Change in accrued interest on general obligation bonds	1,297,600
Change in workers' compensation claim liability	(607,986)
Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts	(126,448)
Change in net pension liability and deferred inflows and outflows related to pension activity	(19,767,711)
Change in net OPEB liability and deferred inflows and outflows related to OPEB activity	1,028,149
Amortization of premium on general obligation bonds	6,152,639
Amortization of deferred loss on refunding	(78,677)

Change in net position - governmental activities.	<u>\$ 22,858,032</u>
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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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Local sources	\$ 157,214,889	\$ 157,214,889	\$ 163,479,295	\$ 6,264,406
State sources	247,237,349	247,237,349	245,558,404	(1,678,945)
Federal sources	1,860,000	1,860,000	2,320,819	460,819
Interest income	840,000	840,000	746,435	(93,565)
Total revenues	407,152,238	407,152,238	412,104,953	4,952,715
EXPENDITURES				
Current:				
Instruction	278,087,014	278,087,014	271,509,448	6,577,566
Pupil services	16,488,959	16,488,959	15,889,984	598,975
Improvement of instructional services	9,588,986	9,588,986	10,600,142	(1,011,156)
Instructional staff training	553,600	553,600	357,663	195,937
Educational media services	6,273,582	6,273,582	6,186,506	87,076
General administration	3,471,371	3,471,371	3,548,730	(77,359)
School administration	29,797,595	29,797,595	29,522,720	274,875
Business services	1,799,469	1,799,469	1,446,555	352,914
Maintenance and operations	34,787,724	34,787,724	36,617,579	(1,829,855)
Student transportation	19,424,718	19,424,718	18,279,790	1,144,928
Central support services	2,448,399	2,448,399	3,306,202	(857,803)
Other support services	1,912,932	1,912,932	2,306,344	(393,412)
Total expenditures	404,634,349	404,634,349	399,571,663	5,062,686
Excess of revenues				
over expenditures	2,517,889	2,517,889	12,533,290	10,015,401
OTHER FINANCING (USES)				
Transfers out	-	-	(195,778)	(195,778)
Total other financing (uses)	-	-	(195,778)	(195,778)
Net change in fund balances	\$ 2,517,889	\$ 2,517,889	\$ 12,337,512	\$ 9,819,623

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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Local sources	\$ 63,360,000	\$ 63,360,000	\$ 67,550,122	\$ 4,190,122
Interest income	420,000	420,000	823,927	403,927
Total revenues	<u>63,780,000</u>	<u>63,780,000</u>	<u>68,374,049</u>	<u>4,594,049</u>
EXPENDITURES				
Current:				
Business services	-	-	1,880	(1,880)
Debt service:				
Principal retirement	33,046,000	33,046,000	33,046,000	-
Interest and fiscal charges	<u>17,614,993</u>	<u>17,614,993</u>	<u>17,614,993</u>	<u>-</u>
Total expenditures	<u>50,660,993</u>	<u>50,660,993</u>	<u>50,662,873</u>	<u>(1,880)</u>
Net change in fund balances	<u>\$ 13,119,007</u>	<u>\$ 13,119,007</u>	<u>\$ 17,711,176</u>	<u>\$ 4,592,169</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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 19,231,500	\$ 19,231,500	\$ 13,412,645	\$ (5,818,855)
State sources	1,742,577	1,742,577	1,461,047	(281,530)
Federal sources	31,284,650	31,284,650	27,382,119	(3,902,531)
Interest income	-	-	179	179
Total revenues	<u>52,258,727</u>	<u>52,258,727</u>	<u>42,255,990</u>	<u>(10,002,737)</u>
EXPENDITURES				
Current:				
Instruction	20,899,244	20,899,244	15,493,481	5,405,763
Pupil services	2,609,843	2,609,843	2,445,709	164,134
Improvement of instructional services	2,334,515	2,334,515	2,422,278	(87,763)
Instructional staff training	4,236,776	4,236,776	3,686,025	550,751
General administration	274,462	274,462	214,410	60,052
Maintenance and operations	-	-	13,486	(13,486)
Student transportation	117,987	117,987	55,987	62,000
Central support services	137,400	137,400	7,652	129,748
Other support services	-	-	68,267	(68,267)
School nutrition	18,108,000	18,108,000	15,739,636	2,368,364
Community service	<u>3,540,500</u>	<u>3,540,500</u>	<u>2,885,351</u>	<u>655,149</u>
Total expenditures	<u>52,258,727</u>	<u>52,258,727</u>	<u>43,032,282</u>	<u>9,226,445</u>
(Deficiency) of revenues				
(under) expenditures	<u>-</u>	<u>-</u>	<u>(776,292)</u>	<u>(776,292)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>195,778</u>	<u>195,778</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>195,778</u>	<u>195,778</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (580,514)</u>	<u>\$ (580,514)</u>

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

HENRY COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUND JUNE 30, 2020

	<u>Agency Fund</u> <u>Student</u> <u>Activities</u>
ASSETS	
Cash	\$ 595,952
LIABILITIES	
Due to others	\$ 595,952

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

HENRY COUNTY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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*. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize receivables and payables. 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.

Additionally, the School System reports the following fund type:

The **Agency Fund** is used to account for student club and class accounts.

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, banker's 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, 2020, was \$582,262.

G. Inventories

Inventories are stated at cost using the first-in/first-out method ("FIFO"). 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 \$1,067,429 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 so 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 the items related to the changes in the net pension liability and the net OPEB liability, the School System has one other item that qualifies for reporting in this category. That item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees Post-Employment Benefit Fund (the "School OPEB Fund") and additions to/deductions from the School OPEB Fund'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".

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

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:

Nonspendable: 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).

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

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.

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.

Q. Tax Abatement Agreements

During the year ended June 30, 2017, the School System implemented GASB Statement No. 77, Tax Abatement Disclosures. This statement requires the School System to disclose information for any tax abatement agreements, either entered into by the School System, or agreements entered into by other governments that reduce the School System's tax revenues. As of June 30, 2020, the School System did not have any such agreements, either entered into by the School System or by other governments that exceeded the quantitative threshold for disclosure.

NOTES TO FINANCIAL STATEMENTS

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.

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	\$ 11,474,434
Adjustments for:	
State QBE revenue	(362,279)
Salaries and employee benefits	1,225,357
State paid employee benefit revenue	(582,262)
State paid employee benefit expenditures	<u>582,262</u>
Budget basis net change in fund balance	<u>\$ 12,337,512</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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	\$ (467,351)
Adjustments for salaries and employee benefits	<u>(113,163)</u>
Budget basis net change in fund balance	<u>\$ (580,514)</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.

At June 30, 2020, the School System had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	38-day weighted average	\$ 194,657,188

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.

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.

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 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020, all of the School System's deposits were properly collateralized in accordance with state law and applicable GASB pronouncements.

NOTE 4. RECEIVABLES

Receivables at June 30, 2020, for the School System's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Due from other governments	\$ 40,353,266	\$ 7,250,067	\$ 4,450,811	\$ 52,054,144
Less allowance for uncollectible	<u>(537,204)</u>	<u>(101,385)</u>	<u>-</u>	<u>(638,589)</u>
Net total receivable	<u>\$ 39,816,062</u>	<u>\$ 7,148,682</u>	<u>\$ 4,450,811</u>	<u>\$ 51,415,555</u>

Due from other governments consists of grant reimbursements due primarily from the Georgia Department of Education, sales taxes which are collected by the state on the School System's behalf, and 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PROPERTY TAXES (CONTINUED)

Real property taxes were levied on August 1, 2019, billed on August 21, 2019, and payable on or before November 16, 2019. 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, 2020, 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.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 43,256,086	\$ -	\$ -	\$ -	\$ 43,256,086
Construction in progress	177,527,230	40,917,920	-	(78,395,441)	140,049,709
Total	<u>220,783,316</u>	<u>40,917,920</u>	<u>-</u>	<u>(78,395,441)</u>	<u>183,305,795</u>
Capital assets, being depreciated:					
Buildings and improvements	847,109,746	-	-	78,395,441	925,505,187
Land improvements	36,084,125	-	-	-	36,084,125
Infrastructure	3,484,220	-	-	-	3,484,220
Machinery and equipment	58,727,507	4,348,124	(3,153,228)	-	59,922,403
Total	<u>945,405,598</u>	<u>4,348,124</u>	<u>(3,153,228)</u>	<u>78,395,441</u>	<u>1,024,995,935</u>
Less accumulated depreciation for:					
Buildings and improvements	(219,085,479)	(19,396,207)	-	-	(238,481,686)
Land improvements	(18,309,088)	(1,469,653)	-	-	(19,778,741)
Infrastructure	(1,042,732)	(87,454)	-	-	(1,130,186)
Machinery and equipment	(34,055,816)	(6,471,230)	3,052,439	-	(37,474,607)
Total	<u>(272,493,115)</u>	<u>(27,424,544)</u>	<u>3,052,439</u>	<u>-</u>	<u>(296,865,220)</u>
Total capital assets, being depreciated, net	<u>672,912,483</u>	<u>(23,076,420)</u>	<u>(100,789)</u>	<u>78,395,441</u>	<u>728,130,715</u>
Governmental activities capital assets, net	<u>\$ 893,695,799</u>	<u>\$ 17,841,500</u>	<u>\$ (100,789)</u>	<u>\$ -</u>	<u>\$ 911,436,510</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

Instruction	\$ 25,214,972
Educational media services	1,004
School administration	192,955
Maintenance and operations	115,768
Student transportation	1,774,795
School nutrition	125,050
	<u>125,050</u>
Total depreciation expense - governmental activities	<u><u>\$ 27,424,544</u></u>

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, 2020, consisted of the following:

<u>Series</u>	<u>Coupon Rate</u>	<u>Maturities</u>	<u>Balance</u>
2011	2.00% – 5.00%	2013 – 2024	\$ 45,860,000
2015	2.34%	2017 – 2025	13,603,000
2016	3.00% – 5.00%	2024 – 2034	214,255,000
2018	5.00%	2020 – 2034	88,070,000
			<u><u>\$ 361,788,000</u></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>
2021	\$ 33,814,000	\$ 15,221,656	\$ 49,035,656
2022	34,731,000	13,536,999	48,267,999
2023	35,713,000	11,819,820	47,532,820
2024	36,776,000	10,044,251	46,820,251
2025	19,399,000	8,869,261	28,268,261
2026 – 2030	105,455,000	30,869,000	136,324,000
2031 – 2034	95,900,000	7,846,550	103,746,550
	<u>95,900,000</u>	<u>7,846,550</u>	<u>103,746,550</u>
Total	<u><u>\$ 361,788,000</u></u>	<u><u>\$ 98,207,537</u></u>	<u><u>\$ 459,995,537</u></u>

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, 2020, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 394,834,000	\$ -	\$ (33,046,000)	\$ 361,788,000	\$ 33,814,000
Plus unamortized premium	40,576,755	-	(6,152,639)	34,424,116	5,188,728
Bonds payable, net	435,410,755	-	(39,198,639)	396,212,116	39,002,728
Workers' compensation					
claims payable	2,442,229	2,232,137	(1,624,151)	3,050,215	1,596,868
Compensated absences	1,918,832	1,420,357	(1,449,009)	1,890,180	1,072,107
Net pension liability	356,254,292	103,216,190	(61,019,671)	398,450,811	-
Net OPEB liability	273,451,335	25,111,600	(40,487,079)	258,075,856	-
Governmental activities					
long-term liabilities	<u>\$ 1,069,477,443</u>	<u>\$ 131,980,284</u>	<u>\$ (143,778,549)</u>	<u>\$ 1,057,679,178</u>	<u>\$ 41,671,703</u>

Restricted fund balance of \$92,410,094 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. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020, is as follows:

Due to/from other funds:

Due To	Due From		Total
	Special Revenue Fund	General Fund	
General Fund	\$ 650,433	\$ -	\$ 650,433
Special Revenue Fund	-	230,488	230,488
Capital Projects Fund	130,279	-	130,279
	<u>\$ 780,712</u>	<u>\$ 230,488</u>	<u>\$ 1,011,200</u>

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>
	<u>General Fund</u>
Special Revenue Fund	\$ 195,778

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, 2) move receipts restricted to debt service from the funds collecting the receipts to the Capital Projects Fund once annual debt service payments are made, and 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS

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

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2020.

The School System's contractually required contribution rate for the year ended June 30, 2020 was 21.14% of annual School System payroll. School System contributions to TRS were \$50,152,680 for the year ended June 30, 2020.

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

At June 30, 2020, 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	\$ 398,129,230
State of Georgia's proportionate share of the net pension liability associated with the School System	<u>729,802</u>
Total	<u>\$ 398,859,032</u>

The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 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, 2019. At June 30, 2019, the School System's proportion was 1.851531%, which was a decrease of 0.066192% from its proportion measured as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. 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, 2020, the School System recognized pension expense of \$70,032,096 and revenue of (\$372,711) for support provided by the State of Georgia for certain support personnel. At June 30, 2020, 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	\$ 22,440,593	\$ 118,035
Changes of assumptions	38,205,694	-
Net difference between projected and actual earnings on pension plan investments	-	9,480,672
Changes in proportion and differences between School System contributions and proportionate share of contributions	9,484,784	9,319,298
School System contributions subsequent to the measurement date	<u>50,152,680</u>	<u>-</u>
Total	<u>\$ 120,283,751</u>	<u>\$ 18,918,005</u>

School System contributions subsequent to the measurement date of \$50,152,680 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, 2021. 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>	
2021	\$ 23,951,992
2022	4,735,934
2023	11,650,044
2024	10,875,096

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions

The total pension liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018 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	7.25%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

Post-retirement mortality rates were based on 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) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the long-term assumed rate of return.

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 9. 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:

<u>Asset class</u>	<u>Target allocation (%)</u>	<u>Long-term expected rate of return (%)*</u>
Fixed income	30.00%	(0.10)%
Domestic large equities	51.00%	8.90%
Domestic small equities	1.50%	13.20%
International developed market equities	12.40%	8.90%
International emerging market equities	5.10%	10.90%
Total	<u>100.00%</u>	

* Rates shown are net of inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 9. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System ("TRS") (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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
School System's proportionate share of the net pension liability	\$ 646,280,265	\$ 398,129,230	\$ 194,060,908

Pension Plan Fiduciary Net Position

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

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

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 \$15.25, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS.

Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions

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

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

Pension Liabilities and Pension Expense

At June 30, 2020, the School System did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. 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

\$ 2,686,635

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

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

Pension Liabilities and Pension Expense (Continued)

For the year ended June 30, 2020, the School System recognized pension expense and revenue of \$828,525 for support provided by the State of Georgia.

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	N/A
Investment rate of return	7.30%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward five years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the School System. Based on the results of the most recent experience study adopted by the School System on December 17, 2015, the numbers of expected future deaths are 9 – 11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9 – 11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the assumed rate of return.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions (Continued)

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:

<u>Asset class</u>	<u>Target allocation (%)</u>	<u>Long-term expected real rate of return (%)*</u>
Fixed income	30.00%	(0.10)%
Domestic large equities	46.20%	8.90%
Domestic small equities	1.30%	13.20%
International developed market equities	12.40%	8.90%
International emerging market equities	5.10%	10.90%
Alternatives	5.00%	12.00%
Total	<u>100.00%</u>	

* Rates shown are net of inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

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.

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 ERS.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

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

Contributions

Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The School System's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2020, was 24.66% of annual covered payroll for Old and New Plan members and 21.64% for GSEPS members. The School System's contributions to ERS totaled \$57,228 for the year ended June 30, 2020. 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.

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

At June 30, 2020, the School System reported a liability for its proportionate share of the net pension liability in the amount of \$321,581. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019, 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, 2019. At June 30, 2019, the employer's proportion was 0.007793%, which was an increase of 0.000889% from its proportion measured as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. 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, 2020, the School System recognized pension expense of \$71,971. At June 30, 2020, 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 experience	\$ 10,710	\$ -
Changes of assumptions	5,660	-
Net difference between projected and actual earnings on pension plan investments	-	10,010
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,249	520
School System contributions subsequent to the measurement date	57,228	-
Total	<u>\$ 94,847</u>	<u>\$ 10,530</u>

School System contributions subsequent to the measurement date of \$57,228 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, 2021. 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,

2021	\$ 27,914
2022	(180)
2023	(1,972)
2024	1,327

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions

The total pension liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25% – 7.00%, including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward two years for both males and females) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set back seven years for males and set forward three years for females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the School System on December 17, 2015, the numbers of expected future deaths are 9 – 12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 with the exception of the assumed investment rate of return.

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 9. 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%	(0.10)%
Domestic large equities	46.20%	8.90%
Domestic small equities	1.30%	13.20%
International developed market equities	12.40%	8.90%
International emerging market equities	5.10%	10.90%
Alternatives	5.00%	12.00%
Total	100.00%	

* Rates shown are net of inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. 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 9. 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 7.30%, 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 (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

	1.00% Decrease (6.30%)	Current Discount Rate (7.30%)	1.00% Increase (8.30%)
School System's proportionate share of net pension liability	\$ 456,996	\$ 321,581	\$ 206,142

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

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

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. The School OPEB Fund is included in the State of Georgia Comprehensive Annual Financial Report which is publicly available and can be obtained at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (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 \$7,041,823 for the year ended June 30, 2020. 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, 2020, the School System reported a liability of \$258,075,856 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2019 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, 2019. At June 30 2019, the School System's proportion was 2.102940%, which was a decrease of 0.048578% from its proportion measured as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (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, 2020, the School System recognized OPEB expense of \$6,013,674. At June 30, 2020, 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 experience	\$ -	\$ 28,075,967
Changes of assumptions	8,962,470	36,380,546
Net difference between projected and actual earnings on OPEB plan investments	562,010	-
Changes in proportion and differences between School System contributions and proportionate share of contributions	4,479,797	6,217,534
School System contributions subsequent to the measurement date	<u>7,041,823</u>	<u>-</u>
Total	<u>\$ 21,046,100</u>	<u>\$ 70,674,047</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (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)

School System contributions subsequent to the measurement date of \$7,041,823 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, 2021. 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>	
2021	\$ (12,452,948)
2022	(12,452,949)
2023	(12,474,553)
2024	(10,971,332)
2025	(6,535,425)
2026	(1,782,563)

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, 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, 2019:

Inflation	2.75%
Salary increases	3.25 – 8.75%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate:	
Pre-Medicare Eligible	7.250%
Medicare Eligible	5.375%
Ultimate trend rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate trend rate:	
Pre-Medicare Eligible	2028
Medicare Eligible	2022

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial Assumptions (Continued)

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

- For TRS Members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward one year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.
- For PSERS Members: The RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward five years for both males and females) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ended June 30, 2014, and adopted by the pension Board on December 17, 2015. The next experience study for TRS will be for the period ending June 30, 2018.

The remaining actuarial assumptions (e.g., initial per capital costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 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 10. OTHER POST-EMPLOYMENT BENEFITS (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. During the fiscal year 2018, the School OPEB fund updated their investment strategy to a more long-term approach. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation (%)	Long-term expected real rate of return (%)*
Fixed income	30.00%	(0.10)%
Domestic large equities	46.20%	8.90%
Domestic small equities	1.30%	13.20%
International developed market equities	12.40%	8.90%
International emerging market equities	5.10%	10.90%
Alternatives	5.00%	12.00%
Total	100.00%	

* Rates shown are net of inflation.

Discount rate

The discount rate has changed since the prior measurement date, from 3.87% to 3.58%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.50% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Discount rate (Continued)

Projected future benefit payments for all current plan members were projected through 2119. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2026. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 3.58%, 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 (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
School System's proportionate share of the net OPEB liability	\$ 299,969,325	\$ 258,075,856	\$ 223,997,399

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (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 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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
School System's proportionate share of the net OPEB liability	\$ 217,401,566	\$ 258,075,856	\$ 309,735,291

NOTE 11. 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 four 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

Changes in the balances of claims liabilities for the years ended June 30, 2019 and June 30, 2020 for which the School System is self-insured are as follows:

<u>Workers' Compensation</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Unpaid claims, beginning of fiscal year	\$ 2,442,229	\$ 2,302,600
Incurred claims (including IBNRs)	2,232,137	1,491,482
Claim payments and changes in estimates	<u>(1,624,151)</u>	<u>(1,351,853)</u>
Unpaid claims, end of fiscal year	<u>\$ 3,050,215</u>	<u>\$ 2,442,229</u>
<u>Unemployment Compensation</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	(24,068)	(23,932)
Claim payments and changes in estimates	24,068	23,932
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

NOTE 12. COMMITMENTS AND CONTINGENCIES

In addition to the liabilities enumerated in the balance, at June 30, 2020, the School System has contractual commitments on uncompleted contracts of approximately \$12,958,699.

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, 2020, 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.

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,

	2020	2019	2018	2017	2016	2015
School System's proportion of the net pension liability	1.851531%	1.917723%	1.884172%	1.824504%	1.782816%	1.777907%
School System's proportionate share of the net pension liability	\$ 398,129,230	\$ 355,970,466	\$ 350,179,169	\$ 376,415,518	\$ 271,416,033	\$ 224,615,099
State of Georgia's proportionate share of the net pension liability associated with the School System	729,802	657,842	1,689,404	2,663,064	2,226,359	2,054,616
Total	<u>\$ 398,859,032</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>
School System's covered payroll	\$ 226,378,191	\$ 228,406,692	\$ 217,402,172	\$ 201,773,455	\$ 188,247,437	\$ 181,381,743
School System's proportionate share of the net pension liability as a percentage of its covered payroll	175.87%	155.85%	161.07%	186.55%	144.18%	123.84%
Plan fiduciary net position as a percentage of the total pension liability	78.56%	80.27%	79.33%	76.06%	81.44%	84.03%

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

HENRY COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 50,152,680	\$ 47,313,042	\$ 38,395,165	\$ 31,023,290	\$ 28,793,072	\$ 24,754,538
Contributions in relation to the contractually required contribution	<u>50,152,680</u>	<u>47,313,042</u>	<u>38,395,165</u>	<u>31,023,290</u>	<u>28,793,072</u>	<u>24,754,538</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered payroll	\$ 237,240,681	\$ 226,378,191	\$ 228,406,692	\$ 217,402,172	\$ 201,773,455	\$ 188,247,437
Contributions as a percentage of covered payroll	21.14%	20.90%	16.81%	14.27%	14.27%	13.15%

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

HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2020

Changes of assumptions

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

On November 18, 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 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%.

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	0.00%	0.00%	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>2,686,635</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>
Total	<u>\$ 2,686,635</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>
School System's covered payroll	\$ 9,800,472	\$ 9,443,354	\$ 9,265,258	\$ 8,366,835	\$ 7,608,424	\$ 7,272,459
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	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	85.02%	85.26%	85.69%	81.00%	87.00%	88.29%

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

HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2020

Changes of assumptions

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

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 and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward three years for males and two years for females).

On March 15, 2018, the Board adopted a new funding policy. 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. In addition, based on the School System's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date.

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,

	2020	2019	2018	2017	2016	2015
School System's proportion of the net pension liability	0.007793%	0.006904%	0.006960%	0.007129%	0.009524%	0.011874%
School System's proportionate share of the net pension liability	<u>\$ 321,581</u>	<u>\$ 283,826</u>	<u>\$ 282,669</u>	<u>\$ 337,232</u>	<u>\$ 385,855</u>	<u>\$ 445,348</u>
School System's covered payroll	\$ 196,437	\$ 176,946	\$ 162,649	\$ 165,761	\$ 233,297	\$ 267,378
School System's proportionate share of the net pension liability as a percentage of its covered payroll	163.71%	160.40%	173.79%	203.45%	165.39%	166.56%
Plan fiduciary net position as a percentage of the total pension liability	76.64%	76.68%	76.33%	72.34%	76.20%	77.99%

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

HENRY COUNTY BOARD OF EDUCATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 57,228	\$ 48,677	\$ 43,688	\$ 40,158	\$ 40,976	\$ 51,232
Contributions in relation to the contractually required contribution	<u>57,228</u>	<u>48,677</u>	<u>43,688</u>	<u>40,158</u>	<u>40,976</u>	<u>51,232</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered payroll	\$ 232,068	\$ 196,437	\$ 176,946	\$ 162,649	\$ 165,761	\$ 233,297
Contributions as a percentage of covered payroll	24.66%	24.78%	24.69%	24.69%	24.72%	21.96%

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

HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2020

Changes of assumptions

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions used by the School System. Primary among the changes were the updates to the rates of mortality, retirement, withdrawal, and salary increases.

On March 15, 2018, the Board adopted a new funding policy. 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. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date.

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>2020</u>	<u>2019</u>	<u>2018</u>
School System's proportion of the net OPEB liability	2.102940%	2.151518%	2.124464%
School System's proportionate share of the net OPEB liability	<u>\$ 258,075,856</u>	<u>\$ 273,451,335</u>	<u>\$ 298,486,337</u>
School System's covered-employee payroll	\$ 194,074,030	\$ 192,254,828	\$ 181,077,474
School System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	132.98%	142.23%	164.84%
Plan fiduciary net position as a percentage of the total OPEB liability	4.63%	2.93%	1.61%

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

HENRY COUNTY BOARD OF EDUCATION

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

	2020	2019	2018	2017
Contractually required contribution	\$ 7,041,823	\$ 11,325,788	\$ 11,151,110	\$ 11,077,122
Contributions in relation to the contractually required contribution	7,041,823	11,325,788	11,151,110	11,077,122
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School System's covered-employee payroll	\$ 201,835,822	\$ 194,074,030	\$ 192,254,828	\$ 181,077,474
Contributions as a percentage of covered-employee payroll	3.49%	5.84%	5.80%	6.12%

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

HENRY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHOOL OPEB FUND
FOR THE YEAR ENDED JUNE 30, 2020

Changes of Benefit Terms

There have been no changes in benefit terms.

Changes of Assumptions

The June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB fund based on their last employer payroll location, irrespective of retirement affiliation.

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, and back to 3.58% as of June 30, 2019.

HENRY COUNTY BOARD OF EDUCATION

SUPPLEMENTARY INFORMATION SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2011 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Estimated Cost	Current Estimated Cost	Prior Years ¹	Current Year	Total
Acquisition, construction and equipping of a new Hampton High School; acquiring school buses and related transportation equipment and acquiring instructional and administrative technology improvements; adding to, renovating, replacing, repairing, improving, and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith; and acquiring any necessary property, therefor, both real and personal, and to the extent funds are available, acquiring, constructing, and equipping one new elementary school and one replacement middle school and acquiring any necessary property, therefor, both real and personal; all at a maximum cost of \$225,000,000.	\$ 225,000,000	\$ 225,000,000	\$ 191,424,098	\$ 806,809	\$ 192,230,907
Retirement of a portion of the Series 2007A Bonds by paying or making provision for the payment of principal of and interest on such bonds coming due April 1, 2012, in the maximum amount of \$14,000,000.	14,000,000	14,000,000	14,000,000	-	14,000,000
	<u>\$ 239,000,000</u>	<u>\$ 239,000,000</u>	<u>\$ 205,424,098</u>	<u>\$ 806,809</u>	<u>\$ 206,230,907</u>

1 Included in the expenditures shown above are expenditures which were funded by grant funds in the amount of \$8,119,794 in 2015, \$3,925,503 in 2016 and \$2,150,809 in 2017.

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2016 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The cost of acquiring, constructing and equipping a new McDonough High School, a new McDonough Middle School, a new multipurpose 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	\$ 380,891,381	\$ 300,382,242	\$ 51,687,461	\$ 352,069,703
<u>\$ 325,000,000</u>	<u>\$ 380,891,381</u>	<u>\$ 300,382,242</u>	<u>\$ 51,687,461</u>	<u>\$ 352,069,703</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, and \$2,107,298 in 2020.

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.

Total expenditures, 2011 Issue	\$ 806,809
Total expenditures, 2016 Issue	51,687,461
Total expenditures Capital Projects Fund	<u>\$ 52,494,270</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, each major fund and the aggregate remaining fund information of the Henry County Board of Education (the "School System") as of and for the year ended June 30, 2020, 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 March 16, 2021.

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

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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the ampersand being a simple cross-like symbol.

Macon, Georgia
March 16, 2021



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

We have audited the Henry County Board of Education's (the "School System") compliance with the types of compliance requirements described 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the School System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control over compliance.

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

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

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

Mauldin & Jenkins, LLC

Macon, Georgia
March 16, 2021

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA 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	205GA324N1099	\$ 2,628,993
National School Lunch Program	10.555	205GA324N1099	8,649,169
Total Child Nutrition Cluster			<u>11,278,162</u>
Total U.S. Department of Agriculture			<u>11,278,162</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Federal Award:			
Junior ROTC	12.unknown	N/A	<u>686,202</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Georgia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A180010	992,406
Title I Grants to Local Educational Agencies	84.010	S010A190010	5,737,339
Total Title I Grants to Local Educational Agencies			<u>6,729,745</u>
Title II, Part A - Supporting Effective Instruction State Grants	84.367	S367A180001	56,531
Title II, Part A - Supporting Effective Instruction State Grants	84.367	S367A190001	835,421
Total Title II, Part A - Supporting Effective Instruction State Grants			<u>891,952</u>
Title III - Limited English Proficient	84.365	S365A180010	27,093
Title III - Limited English Proficient	84.365	S365A190010	103,118
Title III - Language Instruction to Immigrant Students	84.365	S365A190010	5,300
Total Title III Cluster			<u>135,511</u>
Special Education Cluster:			
High Cost Fund Pool	84.027	H027A190073	82,065
IDEA Flowthrough	84.027	H027A180073	637,342
IDEA Flowthrough	84.027	H027A190073	6,231,484
Parent Mentor	84.027	H027A190073	19,901
IDEA Preschool	84.173	H173A180081	6,491
IDEA Preschool	84.173	H173A190081	120,455
Total Special Education Cluster			<u>7,097,738</u>
Vocational Education - Basic Grants to States	84.048	V048A180010	16,129
Vocational Education - Basic Grants to States	84.048	V048A190010	319,012
			<u>335,141</u>
Education for Homeless Children and Youth Cluster	84.196	S196A180011	6,598
Education for Homeless Children and Youth Cluster	84.196	S196A190011	20,500
Total Education for Homeless Children and Youth Cluster			<u>27,098</u>
Title IV - Student Support and Academic Enrichment	84.424	S424A180011	191,764
Title IV - Student Support and Academic Enrichment	84.424	S424A190011	340,262
Total Title IV - Student Support and Academic Enrichment			<u>532,026</u>
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200012	<u>760,396</u>
Total U.S. Department of Education			<u>16,509,607</u>
Total Expenditures of Federal Awards			<u><u>\$ 28,473,971</u></u>

HENRY COUNTY BOARD OF EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020.

NOTE 3. NON-CASH AWARDS

The School System received non-cash awards under the National School Lunch Program, CFDA 10.555, in the amount of \$1,067,429 for the year ended June 30, 2020.

NOTE 4. SUBRECIPIENTS

The School System did not pass through any funds to subrecipients for the year ended June 30, 2020.

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

___ Yes X None Reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal Control over major programs:

Material weaknesses identified?

___ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

___ Yes X None Reported

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

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform Guidance?

___ Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

10.553

10.555

U.S. Department of Education:

School Nutrition Cluster:

School Breakfast Program

National School Lunch Program

84.027

84.027

84.027

84.173

Special Education Cluster:

IDEA Flow Through

High Cost Fund Pool

Parent Mentor

IDEA Preschool

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDIT RESULTS (CONTINUED)

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

\$854,219

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

B. FINDINGS: FINANCIAL STATEMENT AUDIT

None reported.

C. FINDINGS: FEDERAL PROGRAMS AUDIT

None reported.

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

No prior year findings.