

**BUTTS COUNTY BOARD
OF EDUCATION**

ANNUAL FINANCIAL REPORT

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

**Prepared by:
Finance Department**

**181 N. Mulberry Street
Jackson, Georgia 30233**

BUTTS COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of the
Butts County Board of Education
Jackson, 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 **Butts County Board of Education** (the "School District") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 District as of June 30, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14, the School District implemented Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. This standard changed the accounting for the School District's fiduciary activities and the related disclosures. Our opinions are not modified with respect to this matter.

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 10), the Schedules of Proportionate Share of the Net Pension Liabilities, the Schedules of Pension Contributions, the Schedule of Proportionate Share of the Net Other Post-employment Benefit ("OPEB") Liability, and the Schedule of OPEB Contributions (on pages 52 through 68) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of state revenue; schedule of expenditures of federal awards, 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 the Schedule of Approved Local Option Sales Tax projects, as required by the Official Code of Georgia Annotated ("O.C.G.A.") §48-8-121, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of State Revenue, Schedule of Expenditures of Federal Awards, and Schedule of Approved Local Option Sales Tax Projects (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 will also issue our report dated September 1, 2023, on our consideration of the School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Butts County Board of Education’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
September 1, 2023

BUTTS COUNTY BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The Management's Discussion and Analysis ("MD&A") of the Butts County Board of Education's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this MD&A is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2021. In total, net position increased \$5.5 million as compared to an \$865 thousand increase in fiscal year 2020. This total increase was due to governmental activities since the School District has no business-type activities.
- ✓ General revenues accounted for \$19.8 million, or 40.4%, of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$29.2 million, or 59.6%, of total revenues. Total revenues were \$49.0 million.
- ✓ The School District had \$43.6 million in expenses related to governmental activities; these expenses were offset by \$29.2 million in program specific charges for services, grants or contributions. General revenues of \$19.8 million was also provided for these programs.
- ✓ Among major funds, the General Fund had \$42.5 million in revenues and \$38.7 million in expenditures. The General Fund's fund balance increased from \$12.1 million to \$15.9 million.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds, if any, presented in total in one column. In the case of the School District, the General Fund is by far the most significant fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2021?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in those assets. This change in net position is important because it tells the reader whether, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, facility conditions, required educational programs and other factors.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Capital Projects Fund and the Debt Service Fund.

Governmental Funds – All of the School District'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 an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2021, compared to fiscal year 2020.

Table 1
Net Position

	2021	2020
Current and other assets	\$ 29,353,950	\$ 21,791,856
Note receivable	73,000	73,000
Capital assets	66,738,541	68,146,878
Total assets	<u>96,165,491</u>	<u>90,011,734</u>
Deferred outflows of resources - pensions and OPEB	<u>16,019,425</u>	11,472,550
Long-term liabilities outstanding	67,516,913	61,677,136
Other liabilities	4,461,773	4,418,599
Total liabilities	<u>71,978,686</u>	<u>66,095,735</u>
Deferred inflows of resources - pensions and OPEB	<u>6,560,154</u>	7,343,086
Net position:		
Net investment in capital assets	63,128,692	65,747,404
Restricted	8,999,445	2,502,108
Unrestricted	(38,482,061)	(40,204,049)
Total net position	<u>\$ 33,646,076</u>	<u>\$ 28,045,463</u>

Table 2 shows the changes in net position for fiscal year 2021 compared to fiscal year 2020. The total net position increased \$5.5 million, for fiscal year 2021, compared to a \$865 thousand increase for fiscal year 2020. The increase in net position was largely due to an influx of funding related to the COVID-19 pandemic, including, but not limited to Elementary and Secondary School Emergency Relief ("ESSER") funds allotted through the Coronavirus Aid Relief, and Economic Security ("CARES") Act.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Changes in Net Position

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues:		
Charges for services	\$ 566,762	\$ 678,006
Operating grants and contributions	26,995,593	23,654,265
Capital grants and contributions	1,643,201	77,220
General revenues:		
Property taxes		
for maintenance and operations	13,124,959	11,999,228
Sales taxes	5,193,336	4,723,526
Other taxes	398,292	233,309
Grant and contributions not restricted to specific programs	746,012	1,192,804
Investment income	87,841	184,935
Miscellaneous	284,971	205,955
Total revenues	<u>49,040,967</u>	<u>42,949,248</u>
Expenses		
Instruction	26,288,479	26,094,800
Support services		
Pupil services	2,706,901	2,189,353
Improvement of instructional services	2,029,736	1,848,106
Educational media services	535,920	514,561
General administration	989,581	825,075
School administration	3,156,550	2,866,861
Business administration	450,566	398,890
Maintenance and operations	2,593,093	2,243,222
Student transportation	2,110,607	2,209,513
Central support services	222,376	202,119
Other support services	125,032	80,764
Operations of noninstructional services		
School nutrition	2,324,487	2,502,477
Enterprise operations	6,969	26,796
Interest on long-term debt	27,411	81,411
Total expenses	<u>43,567,708</u>	<u>42,083,948</u>
Increase in net position	5,473,259	865,300
Net position, beginning of year, as restated	28,172,817	27,180,163
Net position, end of year	<u>\$ 33,646,076</u>	<u>\$ 28,045,463</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Instruction comprises 60.3% of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. Comparative data from fiscal year 2020, is also presented.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2021	2020	2021	2020
Instruction	\$ 26,288,479	\$ 26,094,800	\$ (5,531,876)	\$ (9,243,533)
Support services:				
Pupil services	2,706,901	2,189,353	(1,650,476)	(1,596,208)
Improvement of instructional services	2,029,736	1,848,106	(1,283,533)	(1,172,208)
Educational media services	535,920	514,561	(530,515)	(34,818)
General administration	989,581	825,075	(341,976)	(24,348)
School administration	3,156,550	2,866,861	(3,111,889)	(1,825,537)
Business services	450,566	398,890	(446,242)	(398,890)
Maintenance and operations	2,593,093	2,243,222	(1,009,265)	(1,204,503)
Student transportation	2,110,607	2,209,513	110,571	(1,623,462)
Central support services	222,376	202,119	(216,155)	(195,859)
Other support services	125,032	80,764	(87,911)	(80,324)
School nutrition	2,324,487	2,502,477	(228,505)	(166,560)
Enterprise operations	6,969	26,796	(6,969)	(26,796)
Interest on long-term debt	27,411	81,411	(27,411)	(81,411)
Total expenses	<u>\$ 43,567,708</u>	<u>\$ 42,083,948</u>	<u>\$ (14,362,152)</u>	<u>\$ (17,674,457)</u>

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Over 21.0% of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 33.0%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$51.1 million and expenditures and other financing uses of \$43.6 million. There was an increase in fund balance of approximately \$7.5 million.

General Fund Budgeting Highlights

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

The School District uses function-based budgeting. The budgeting systems are designed to tightly control total function budgets, but provide flexibility for site management.

For the General Fund, budgeted revenues increased from \$35.6 million to \$48.0 million, while budgeted expenditures increased from \$39.4 million to \$51.7 million. The final budgeted amounts for both revenues and expenditures increased by a similar amount due to an influx of federal funds that were provided by various grants related to the COVID-19 pandemic. Local revenues and expenditures were budgeted conservatively, in part, due to the uncertainty around the COVID-19 pandemic. Additionally, Enterprise Operations (school activity accounts) were not budgeted.

Capital Assets

At the end of fiscal year 2021, the School District had \$66.7 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2021. Capital asset comparisons to fiscal year 2020 are also included.

Table 4
Capital Assets (Net of Depreciation)

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
Land	\$ 1,972,342	\$ 1,972,342
Construction in progress	112,767	2,817,352
Land improvements	5,154,645	58,713
Buildings and improvements	57,229,129	61,321,544
Equipment	2,269,658	1,976,927
Total	<u>\$ 66,738,541</u>	<u>\$ 68,146,878</u>

Capital assets decreased due to several assets being deleted during the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

Long-Term Liabilities

At fiscal year ended June 30, 2021, the School District had \$67.5 million in long-term liabilities outstanding. Table 5 summarizes the School District's liabilities as compared to the prior fiscal year.

Table 5
Long-term Liabilities

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Governmental activities:					
General Obligation					
Bonds	\$ 5,260,000	\$ -	\$ (1,815,000)	\$ 3,445,000	\$ 1,920,000
Bond Premium	259,706	-	(119,864)	139,842	119,864
Net Pension Liability	32,437,950	8,284,083	(4,588,876)	36,133,157	-
Net OPEB Liability	23,719,480	5,856,540	(1,777,106)	27,798,914	-
Governmental Activities					
Long-term Liabilities	<u>\$ 61,677,136</u>	<u>\$ 14,140,623</u>	<u>\$ (8,300,846)</u>	<u>\$ 67,516,913</u>	<u>\$ 2,039,864</u>

Current Issues

The School District's current operating millage rate is 15.96 mills. Management and the Board of Education hope to hold this level or reduce as acceptable in the next year as to not place a hardship on the property owners in Butts County.

SPLOST revenues will be used to service debt for the 2017 bonds.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Joshua Thomas
Director of Finance
181 N. Mulberry Street
Jackson, Georgia, 30233

You may also email your questions to joshua.thomas@bcssk12.org.

BASIC FINANCIAL STATEMENTS

BUTTS COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION JUNE 30, 2021

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 21,678,753
Investments	5,886
Receivables:	
Taxes	1,838,247
Intergovernmental:	
State	2,495,113
Federal	3,275,810
Other	8,775
Inventory	42,531
Prepaid items	8,835
Note receivable	73,000
Capital assets (nondepreciable)	2,085,109
Capital assets (net of accumulated depreciation)	64,653,432
Total assets	<u>96,165,491</u>
 DEFERRED OUTFLOWS	
Related to pension plans	10,112,244
Related to OPEB plan	5,907,181
Total deferred outflows	<u>16,019,425</u>
 LIABILITIES	
Accounts payable	511,650
Salaries and benefits payable	3,897,155
Contracts payable	5,201
Due to other governments	1,448
Accrued interest payable	45,933
Unearned revenue	386
Bonds payable due within one year	2,039,864
Bonds payable due in more than one year	1,544,978
Net pension liability due in more than one year	36,133,157
Net OPEB liability due in more than one year	27,798,914
Total liabilities	<u>71,978,686</u>
 DEFERRED INFLOWS	
Related to pension plans	363,964
Related to OPEB plan	6,196,190
Total deferred inflows	<u>6,560,154</u>
 NET POSITION	
Net investment in capital assets	63,128,692
Restricted for:	
Continuation of federal programs	787,294
Capital projects	6,269,184
Debt service	1,942,967
Unrestricted	(38,482,061)
Total net position	<u>\$ 33,646,076</u>

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

BUTTS COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 26,288,479	\$ 374,902	\$ 19,190,613	\$ 1,191,088	\$ (5,531,876)
Support services:					
Pupil services	2,706,901	155,646	900,779	-	(1,650,476)
Improvement of instructional services	2,029,736	-	746,203	-	(1,283,533)
Educational media services	535,920	-	5,405	-	(530,515)
General administration	989,581	-	620,254	27,351	(341,976)
School administration	3,156,550	-	39,993	4,668	(3,111,889)
Business administration	450,566	-	4,324	-	(446,242)
Maintenance and operation of plant	2,593,093	-	1,401,987	181,841	(1,009,265)
Student transportation services	2,110,607	-	2,048,270	172,908	110,571
Central support services	222,376	-	6,221	-	(216,155)
Other support services	125,032	-	37,121	-	(87,911)
Enterprise operations	6,969	-	-	-	(6,969)
Food service operations	2,324,487	36,214	1,994,423	65,345	(228,505)
Interest on long-term debt	27,411	-	-	-	(27,411)
Total governmental activities	<u>\$ 43,567,708</u>	<u>\$ 566,762</u>	<u>\$ 26,995,593</u>	<u>\$ 1,643,201</u>	<u>\$ (14,362,152)</u>
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations					13,124,959
Sales taxes, levied for capital projects					5,193,336
Intangible taxes					283,340
Transfer taxes					92,765
Railroad equipment tax					22,187
Grants and contributions not restricted to specific programs					746,012
Unrestricted investment earnings					87,841
Miscellaneous					284,971
Total general revenues					<u>19,835,411</u>
Change in net position					<u>5,473,259</u>
Net position, beginning of year, as restated					<u>28,172,817</u>
Net position, end of year					<u>\$ 33,646,076</u>

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

BUTTS COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2021

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,909,107	\$ 7,769,646	\$ -	\$ 21,678,753
Investments	5,886	-	-	5,886
Receivables:				
Taxes	1,324,802	513,445	-	1,838,247
Intergovernmental:				
State	2,495,113	-	-	2,495,113
Federal	3,275,810	-	-	3,275,810
Other	8,775	-	-	8,775
Prepaid items	8,835	-	-	8,835
Inventory	42,531	-	-	42,531
Total assets	<u>\$ 21,070,859</u>	<u>\$ 8,283,091</u>	<u>\$ -</u>	<u>\$ 29,353,950</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 491,844	\$ 19,806	\$ -	\$ 511,650
Salaries and benefits payable	3,897,155	-	-	3,897,155
Contracts payable	-	5,201	-	5,201
Due to other governments	1,448	-	-	1,448
Unearned revenue	386	-	-	386
Total liabilities	<u>4,390,833</u>	<u>25,007</u>	<u>-</u>	<u>4,415,840</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	513,035	-	-	513,035
Unavailable revenue - grants	226,204	-	-	226,204
Total deferred inflows	<u>739,239</u>	<u>-</u>	<u>-</u>	<u>739,239</u>
FUND BALANCES				
Nonspendable:				
Inventory	42,531	-	-	42,531
Prepaid items	8,835	-	-	8,835
Restricted for:				
Federal programs	518,559	-	-	518,559
Debt service	-	1,988,900	-	1,988,900
Capital projects	-	6,269,184	-	6,269,184
Assigned for:				
Student activities	426,098	-	-	426,098
Subsequent year's budget	5,281	-	-	5,281
Unassigned	14,939,483	-	-	14,939,483
Total fund balances	<u>15,940,787</u>	<u>8,258,084</u>	<u>-</u>	<u>24,198,871</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,070,859</u>	<u>\$ 8,283,091</u>	<u>\$ -</u>	<u>\$ 29,353,950</u>

BUTTS COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2021

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

Total fund balances - government funds	\$	24,198,871
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Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Cost	\$	97,973,827	
Less accumulated depreciation		<u>(31,235,286)</u>	66,738,541

Other long-term assets are not available to pay for current period expenditures and are not deferred in the funds.

Property taxes	\$	513,035	
Grants		<u>226,204</u>	739,239

Note receivable recorded in governmental activities are not financial resources and, therefore, are not reported in the funds.		73,000
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds	\$	(3,445,000)	
Bond premium		(139,842)	
Accrued interest		(45,933)	
Pensions - deferred outflows of resources		10,112,244	
Pension - deferred inflows of resources		(363,964)	
Net pension liability		(36,133,157)	
OPEB - deferred outflows of resources		5,907,181	
OPEB - deferred inflows of resources		(6,196,190)	
Net OPEB liability		<u>(27,798,914)</u>	(58,103,575)
Net position of governmental activities	\$		<u>33,646,076</u>

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

BUTTS COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 13,442,100	\$ -	\$ -	\$ 13,442,100
Sales taxes	376,105	5,193,336	-	5,569,441
Other taxes	22,187	-	-	22,187
State funds	19,745,092	1,415,981	-	21,161,073
Federal funds	7,998,016	-	-	7,998,016
Charges for services	562,667	-	-	562,667
Investment earnings	87,233	608	-	87,841
Miscellaneous	280,464	8,602	-	289,066
Total revenues	42,513,864	6,618,527	-	49,132,391
EXPENDITURES				
Current:				
Instruction	22,750,962	404,813	-	23,155,775
Support services:				
Pupil services	2,552,883	39,826	-	2,592,709
Improvement of instructional services	1,835,077	76,731	-	1,911,808
Educational media services	497,187	-	-	497,187
General administration	878,569	21,746	-	900,315
School administration	2,919,028	-	-	2,919,028
Business administration	392,892	30,588	-	423,480
Maintenance and operation of plant	2,212,725	162,542	-	2,375,267
Student transportation services	2,113,060	44,321	-	2,157,381
Central support services	222,480	3,964	-	226,444
Other support services	125,033	-	-	125,033
Enterprise operations	6,969	-	-	6,969
Food services operations	2,185,809	-	-	2,185,809
Capital outlay	-	210,408	-	210,408
Debt service:				
Principal retirement	-	-	1,815,000	1,815,000
Interest and fees	-	-	165,425	165,425
Total expenditures	38,692,674	994,939	1,980,425	41,668,038
Excess (deficiency) of revenues over (under) expenditures	3,821,190	5,623,588	(1,980,425)	7,464,353
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,980,425	1,980,425
Transfers out	-	(1,980,425)	-	(1,980,425)
Total other financing sources (uses)	-	(1,980,425)	1,980,425	-
Net change in fund balances	3,821,190	3,643,163	-	7,464,353
FUND BALANCE, beginning of year, as restated	12,119,597	4,614,921	-	16,734,518
FUND BALANCE, end of year	\$ 15,940,787	\$ 8,258,084	\$ -	\$ 24,198,871

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

BUTTS 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, 2021

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

Net change in fund balances - total governmental funds	\$	7,464,353
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which depreciation exceeded capital outlay is to decrease net position.

Capital outlay	\$	1,035,613	
Depreciation expense		<u>(2,443,950)</u>	(1,408,337)

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

Property taxes	(317,141)
Grants	226,204

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

Principal payments - bonds	\$	1,815,000	
Bond premium amortization		119,864	
Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts		(487)	
Change in net pension liability and deferred inflows and outflows related to pension activity		(2,059,900)	
Change in net OPEB pension liability and deferred inflows and outflows related to OPEB activity		<u>(384,447)</u>	(509,970)

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

Change in accrued interest		<u>18,150</u>
	\$	<u>5,473,259</u>

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

BUTTS COUNTY BOARD OF EDUCATION

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 12,600,000	\$ 12,600,000	\$ 13,442,100	\$ 842,100
Sales taxes	200,000	200,000	376,105	176,105
Other taxes	-	-	22,187	22,187
State funds	17,398,722	17,665,833	19,745,092	2,079,259
Federal funds	5,347,987	17,338,383	7,998,016	(9,340,367)
Charges for services	37,932	37,932	562,667	524,735
Investment earnings	1,000	1,000	87,233	86,233
Miscellaneous	-	158,147	280,464	122,317
Total revenues	<u>35,585,641</u>	<u>48,001,295</u>	<u>42,513,864</u>	<u>(5,487,431)</u>
EXPENDITURES				
Current:				
Instruction	22,609,194	28,342,191	22,750,962	5,591,229
Support services:				
Pupil services	2,141,421	3,719,693	2,552,883	1,166,810
Improvement of instructional services	1,998,961	2,895,570	1,835,077	1,060,493
Educational media services	497,463	502,158	497,187	4,971
General administration	926,478	1,015,088	878,569	136,519
School administration	2,855,396	2,983,350	2,919,028	64,322
Business administration	386,259	396,626	392,892	3,734
Maintenance and operation of plant	2,393,130	3,798,473	2,212,725	1,585,748
Student transportation services	2,867,551	5,112,903	2,113,060	2,999,843
Central support services	232,132	235,315	222,480	12,835
Other support services	58,145	95,585	125,033	(29,448)
Enterprise operations	-	-	6,969	(6,969)
Food services operations	2,437,785	2,652,204	2,185,809	466,395
Total expenditures	<u>39,403,914</u>	<u>51,749,156</u>	<u>38,692,674</u>	<u>13,056,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,818,273)</u>	<u>(3,747,861)</u>	<u>3,821,190</u>	<u>7,569,051</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	210,229	239,279	-	(239,279)
Transfers out	(210,229)	(239,279)	-	239,279
Total other financing (sources) uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(3,818,273)	(3,747,861)	3,821,190	7,569,051
FUND BALANCE, beginning of year, as restated	<u>12,119,597</u>	<u>12,119,597</u>	<u>12,119,597</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 8,301,324</u>	<u>\$ 8,371,736</u>	<u>\$ 15,940,787</u>	<u>\$ 7,569,051</u>

NOTE TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

(1) Original and Final Budget amounts do not include budgeted revenues (\$487,389) or expenditures (\$436,298) of the various school activity accounts.

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

BUTTS COUNTY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1. DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Statements

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Statements (Continued)

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

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

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

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

Fund Financial Statements

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

The School District reports the following major governmental funds:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

- The *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

Basis of Accounting

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

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

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases, if any, are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted resources available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education ("QBE") Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (July 1 – June 30) and paid over a 12-month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School District over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in GASB Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

Cash and Cash Equivalents

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

Investments

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

The School District does not have a formal policy regarding investment policies that address credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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

Receivables

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

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

Inventories

Food Inventories – On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their federally assigned value and purchased foods inventories are reported at cost (first-in/first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

Prepaid Items

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

Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g., Qualified Zone Academy Bond sinking funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Construction in Progress	All	N/A
Land Improvements	\$ 5,000	20 Years
Buildings and Improvements	5,000	25 – 70 Years
Equipment	5,000	8 – 15 Years
Computers and Software	100,000	5 Years
Intangible Assets	5,000	10 – 20 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Liabilities and Bond Discounts/Premiums

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

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

Pensions

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

Post-employment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees' Post-employment Benefit Fund (the "School OPEB Fund") and additions to/deductions from School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by 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.

Fund Balances

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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

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

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

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

Assigned consists of resources constrained by the School District's intent to be used for specific purposes but are neither restricted nor committed. The intent should be expressed by: 1) the Board, or 2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Property Taxes

The Butts County Board of Commissioners adopted the property tax levy for the 2020 tax digest year (calendar year) on July 1, 2020 (levy date), based on property values as of January 1, 2020. Taxes were due on December 7, 2020 (lien date) and could be paid in two installments on October 14, 2020 and December 7, 2020. Taxes collected within the current fiscal year or within 60 days after year-end on the 2020 tax digest are reported as revenue in the governmental funds for fiscal year 2021. The Butts County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District.

Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2021, for maintenance and operations amounted to \$11,861,480.

The tax millage rate levied for the 2020 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>15.960</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$1,580,620 during the fiscal year ended June 30, 2021.

Sales Taxes

ESPLOST, at the fund reporting level, during the year amounted to \$5,193,336 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be reauthorized at least every five years.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund and function. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with GAAP.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

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

NOTE 4. DEPOSITS AND INVESTMENTS

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2021, the School District had deposits with a carrying amount of \$21,684,639 which includes \$5,886 in a Certificate of Deposit that is reported as investments and bank balances of \$23,313,141. As of June 30, 2021, all of the School District's deposits were properly collateralized in accordance with state law and applicable GASB pronouncements.

The School District's deposits by custodial credit risk category at June 30, 2021, are as follows:

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

Statement of Net Position:

Cash and cash equivalents	\$ 21,678,753
Add: Deposits with an original maturity of three months or more reported as an investment	5,886
Total carrying value of deposits - June 30, 2021	<u>\$ 21,684,639</u>

Categorization of Investments – At June 30, 2021, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of deposit	July 27, 2022	<u>\$ 5,886</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value of Investments

The School District measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

At June 30, 2021, \$5,886 of the School District's applicable investments were held by the investment's counterparty, not in the School District's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed O.C.G.A. §36-83-4. The School District does not have a formal policy that would further limit its investment choices or one that addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture ("USDA") for school breakfast and lunch programs. These commodities are recorded at their federally assigned value. **See Note 2 – Inventories.**

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Transfers	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,972,342	\$ -	\$ -	\$ 1,972,342
Construction in progress	2,817,352	176,518	(2,881,103)	112,767
Total	<u>4,789,694</u>	<u>176,518</u>	<u>(2,881,103)</u>	<u>2,085,109</u>
Capital assets, being depreciated:				
Buildings and improvements	83,460,464	21,750	(2,542,634)	80,939,580
Equipment	7,288,965	837,345	-	8,126,310
Land improvements	1,399,091	-	5,423,737	6,822,828
Total	<u>92,148,520</u>	<u>859,095</u>	<u>2,881,103</u>	<u>95,888,718</u>
Less accumulated depreciation for:				
Buildings and improvements	(22,138,920)	(1,571,531)	-	(23,710,451)
Equipment	(5,312,038)	(544,614)	-	(5,856,652)
Land improvements	(1,340,378)	(327,805)	-	(1,668,183)
Total	<u>(28,791,336)</u>	<u>(2,443,950)</u>	<u>-</u>	<u>(31,235,286)</u>
Total capital assets, being depreciated, net	<u>63,357,184</u>	<u>(1,584,855)</u>	<u>2,881,103</u>	<u>64,653,432</u>
Governmental activities capital assets, net	<u>\$ 68,146,878</u>	<u>\$ (1,408,337)</u>	<u>\$ -</u>	<u>\$ 66,738,541</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 2,049,472
Support Services:	
General Administration	\$ 49,092
School Administration	11,152
Maintenance and Operations	214,442
Student Transportation	<u>6,554</u>
Food Services	<u>281,240</u>
	<u>113,238</u>
Total Depreciation Expense	<u>\$ 2,443,950</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. NOTE RECEIVABLE

During the fiscal year ended June 30, 2020, the Henderson School Alumni Association executed a promissory note with the Butts County Board of Education in the amount of \$73,000, in relation to the purchase of North Mulberry Academy. Principal payments are expected to begin on November 1, 2021 and will be payable in annual installments of \$7,300 for ten consecutive years. The maturity date on the note is November 1, 2030. As of June 30, 2021, the note receivable balance is \$73,000.

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021, consisted of the following:

	<u>Transfers From</u> <u>Capital</u> <u>Projects</u>
<u>Transfers To</u>	
Debt Service Fund	\$ 1,980,425

Transfers are used to move sales tax revenues collected by the Capital Projects Fund to the Debt Service Fund for payment of bonds.

NOTE 9. RISK MANAGEMENT

Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. The School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District participates in the Georgia School Boards Association Risk and Insurance Management System (the "System"), a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the System. The School District pays an annual premium to the System for its general insurance coverage. Additional coverage is provided through agreements by the System with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the System varies by line of coverage.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RISK MANAGEMENT

Unemployment Compensation

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

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2020	\$ -	\$ 118	\$ (118)	\$ -
2021	\$ -	\$ 22,535	\$ (22,535)	\$ -

Georgia School Boards Association Workers' Compensation Fund

The School District participates in the Georgia School Boards Association Workers' Compensation Fund (the "Fund"), a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2.0 million. In addition to the \$550,000 per occurrence retention, the Fund also retains an additional \$200,000 per year corridor retention.

Surety Bond

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 100,000

NOTES TO FINANCIAL STATEMENTS

NOTE 10. LONG-TERM LIABILITIES

The changes in long-term debt during the fiscal year ended June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 5,260,000	\$ -	\$ (1,815,000)	\$ 3,445,000	\$ 1,920,000
Bond Premiums Amortized	259,706	-	(119,864)	139,842	119,864
Net Pension Liability	32,437,950	8,284,083	(4,588,876)	36,133,157	-
Net OPEB Liability	23,719,480	5,856,540	(1,777,106)	27,798,914	-
Total	<u>\$ 61,677,136</u>	<u>\$ 14,140,623</u>	<u>\$ (8,300,846)</u>	<u>\$ 67,516,913</u>	<u>\$ 2,039,864</u>

General Obligation Bonds

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

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Government - Series 2017	3.0% - 4.0%	June 22, 2017	September 1, 2022	\$ 8,500,000	\$ 3,445,000

Scheduled Maturities of Long-Term Liabilities

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

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2022	\$ 1,920,000	\$ 99,400	\$ 119,864
2023	1,525,000	30,500	19,978
Total Principal and Interest	<u>\$ 3,445,000</u>	<u>\$ 129,900</u>	<u>\$ 139,842</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11. SIGNIFICANT CONTINGENT LIABILITIES

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

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

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)

Georgia School Personnel Post-employment Health Benefit Fund

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

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

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$696,314 for the year ended June 30, 2021. Active employees are not required to contribute to the School OPEB Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, the School District reported a liability of \$27,798,914 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total OPEB liability as of June 30, 2020, was determined using standard roll-forward techniques. The School District’s proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2020. At June 30, 2020, the School District’s proportion was 0.189267%, which was a decrease of 0.004012% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$1,080,761. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,034,778
Changes of assumptions	4,597,323	2,473,505
Net difference between projected and actual earnings on pension plan investments	72,455	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	541,089	687,907
School District contributions subsequent to the measurement date	696,314	-
Total	<u>\$ 5,907,181</u>	<u>\$ 6,196,190</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued): Board contributions subsequent to the measurement date of \$696,314 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	OPEB
2022	\$ (575,992)
2023	(577,936)
2024	(392,481)
2025	50,891
2026	371,552
2027	138,643

Actuarial assumptions: The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 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, 2020:

OPEB:

Inflation	2.50%
Salary increases	3.00% – 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	7.00%
Medicare Eligible	5.25%
Ultimate trend rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2029
Medicare Eligible	2023

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

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

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

- For TRS members: The Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree Mortality Table projected generationally with the MP-2019 Projection scale (set forward one year and adjusted 106%) is used for death after service retirement and beneficiaries. The Pub-2010 Teachers Mortality Table for Disabled Retirees projected generationally with the MP-2019 Projection scale (set forward one year and adjusted 106%) is used for death prior to retirement. For both, rates of improvement were reduced 20% for all years prior to the ultimate rate.
- 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) was 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) was used for the period 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. There is a margin for future mortality improvement in the tables used by the plan.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ended June 30, 2018, with the exception of the assumed annual rate of inflation which was changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

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

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed income	30.00%	(0.53)%
Equities	70.00%	9.20%
Total	<u>100.00%</u>	

*Net of Inflation

Discount rate: In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 2.22% was used as the discount rate, as compared with last year's rate of 3.58%. 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 (2.21% per the Municipal Bond Index Rate). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

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

Sensitivity of the School District’s proportionate share of the net OPEB liability to changes in the discount rate: The following presents the School District’s proportionate share of the net OPEB liability calculated using the discount rate of 2.22%, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.22%) or 1 percentage-point higher (3.22%) than the current discount rate:

	<u>1% Decrease (1.22%)</u>	<u>Current Discount Rate (2.22%)</u>	<u>1% Increase (3.22%)</u>
School District's proportionate share of the collective net OPEB liability	\$ 32,659,138	\$ 27,798,914	\$ 23,912,093

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the collective net OPEB liability	\$ 23,145,391	\$ 27,798,914	\$ 33,823,876

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

NOTE 13. RETIREMENT PLANS

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

Teachers’ Retirement System of Georgia (“TRS”)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2021. The School District's contractually required contribution rate for the year ended June 30, 2021, was 19.06% of annual School District payroll (excluding payroll attributable to those personnel funded on behalf of the School District by the State). For the current fiscal year, employer contributions to the pension plan were \$3,756,511 and \$36,285 from the School District and the State, respectively.

Employees' Retirement System ("ERS")

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

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

Contributions: Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2021 was 24.66% of annual covered payroll for Old and New Plan members and 21.64% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$15,267 for the current fiscal year.

Public School Employees' Retirement System ("PSERS")

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. 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 \$15.50, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

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

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$80,524.

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

At June 30, 2021, the School District reported a liability of \$36,133,157 for its proportionate share of the Net Pension Liability for TRS (\$36,031,619) and ERS (\$101,538).

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

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

School District's proportionate share of the net pension liability	\$ 36,031,619
State of Georgia's proportionate share of the net pension liability associated with the School District	346,160
Total	<u>\$ 36,377,779</u>

The net pension liability for TRS and ERS was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020, was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2020.

At June 30, 2020, the School District's TRS proportion was 0.148744%, which was a decrease of 0.00168% from its proportion measured as of June 30, 2019. At June 30, 2020, the School District's ERS proportion was 0.002409%, which was an increase of 0.000162% from its proportion measured as of June 30, 2019.

At June 30, 2021, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a special funding situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$452,163.

The PSERS net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020, was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2021, the School District recognized pension expense of \$5,857,604 for TRS, (\$108) for ERS, and \$90,991 for PSERS and revenue of \$25,331 for TRS and \$90,991 for PSERS. The revenue is support provided by the State of Georgia. For TRS, the State of Georgia support is provided only for certain support personnel.

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,569,188	\$ -
Changes of assumptions	3,711,298	-
Net difference between projected and actual earnings on pension plan investments	867,828	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	184,921	363,964
School District contributions subsequent to the measurement date	3,756,511	-
Total	<u>\$ 10,089,746</u>	<u>\$ 363,964</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

	<u>ERS</u>
	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 1,237
Net difference between projected and actual earnings on pension plan investments	1,434
Changes in proportion and differences between School District contributions and proportionate share of contributions	4,560
School District contributions subsequent to the measurement date	<u>15,267</u>
Total	<u><u>\$ 22,498</u></u>

School District contributions subsequent to the measurement date of June 30, 2020, for TRS and ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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>Fiscal Year</u> <u>Ending June 30,</u>	<u>TRS</u>	<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>ERS</u>
2022	\$ 1,190,483	2022	\$ 2,232
2023	2,014,046	2023	2,080
2024	1,983,367	2024	1,665
2025	781,375	2025	1,254

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions: The total pension liability as of June 30, 2020, was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System:

Inflation	2.50%
Salary increases	3.25 – 8.75%, average, 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 for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree Mortality Table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee Mortality Table (ages set forward one year and adjusted 106%) used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 Projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

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

Employees' Retirement System:

Inflation	2.75%
Salary increases	3.25% - 7.00%, average, including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions (Continued): 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 Table 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 Board 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, 2019 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.

Public School Employees' Retirement System

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 System. Based on the results of the most recent experience study adopted by the Board 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

Public School Employees' Retirement System (Continued)

The actuarial assumptions used in the June 30, 2019 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 TRS, ERS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS Target allocation	ERS/PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.10)%
Domestic - Large Cap	51.00	46.20	8.90
Domestic - Small Cap	1.50	1.30	13.20
International developed market	12.40	12.40	8.90
International emerging market	5.10	5.10	10.90
Alternative	-	5.00	12.00
Total	<u>100.00%</u>	<u>100.00%</u>	

* Rates shown are net of the assumed rate of inflation

Discount Rate: The discount rate used to measure the total TRS pension liability was 7.25%. The discount rate used to measure the total ERS and PSERS 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 TRS, ERS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

Public School Employees' Retirement System (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.25% and 7.30%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25% and 6.30%) or 1-percentage-point higher (8.25% and 8.30%) than the current rate:

Teachers' Retirement System			
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's proportionate share of the collective net pension liability	\$ 57,137,546	\$ 36,031,619	\$ 18,730,810

Employees' Retirement System			
	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
School District's proportionate share of the collective net pension liability	\$ 142,847	\$ 101,538	\$ 66,287

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

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCE

In fiscal year 2021, the School District adopted GASB Statement of No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: 1) whether a government is controlling the assets of the fiduciary activity, and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The School District restated beginning net position and beginning fund balance for the General Fund for the cumulative effect of this accounting change. These changes are in accordance with generally accepted accounting principles:

Fund balance, General Fund, as previously reported	\$ 11,992,243
Prior Period Adjustment - Implementation of GASB No. 84	127,354
Fund balance, General Fund, as restated	<u>\$ 12,119,597</u>
Net Position, July 1, 2020 as previously reported	\$ 28,045,463
Prior Period Adjustment - Implementation of GASB No. 84	127,354
Net Position, July 1, 2020, as restated	<u>\$ 28,172,817</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUTTS 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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net pension liability	0.148744%	0.150424%	0.150364%
School District's proportionate share of the net pension liability	\$ 36,031,619	\$ 32,345,227	\$ 27,910,779
State of Georgia's proportionate share of the net pension liability associated with the School District	346,160	301,253	238,338
	<u>\$ 36,377,779</u>	<u>\$ 32,646,480</u>	<u>\$ 28,149,117</u>
School District's covered payroll	\$ 19,176,306	\$ 18,528,174	\$ 18,062,236
School District's proportionate share of the net pension liability as a percentage of its covered payroll	187.90%	174.57%	154.53%
Plan fiduciary net position as a percentage of the total pension liability	77.01%	78.56%	80.27%

Note: The measurement date for the year ended June 30, 2021 is June 30, 2020. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

2018	2017	2016	2015
0.147911%	0.150205%	0.154976%	0.156744%
\$ 27,489,715	\$ 30,988,966	\$ 23,593,557	\$ 19,802,537
352,377	485,863	368,421	290,954
<u>\$ 27,842,092</u>	<u>\$ 31,474,829</u>	<u>\$ 23,961,978</u>	<u>\$ 20,093,491</u>
\$ 17,225,029	\$ 16,734,255	\$ 16,358,608	\$ 15,990,961
159.59%	185.18%	144.23%	123.84%
79.33%	76.06%	81.44%	84.03%

BUTTS COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS TEACHERS' RETIREMENT SYSTEM OF GEORGIA FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 3,756,511	\$ 4,053,871	\$ 3,836,659
Contributions in relation to the contractually required contribution	<u>3,756,511</u>	<u>4,053,871</u>	<u>3,836,659</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	19,708,872	19,176,306	18,528,174
Contributions as a percentage of covered payroll	19.06%	21.14%	20.71%

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 3,010,560	\$ 2,426,930	\$ 2,351,111	\$ 2,151,157
<u>3,010,560</u>	<u>2,426,930</u>	<u>2,351,111</u>	<u>2,151,157</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
18,062,236	17,225,029	16,734,255	16,358,608
16.67%	14.09%	14.05%	13.15%

BUTTS COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION TEACHERS' RETIREMENT SYSTEM OF GEORGIA FOR THE YEAR ENDED JUNE 30, 2021

CHANGES OF ASSUMPTIONS

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

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

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

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

BUTTS 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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net pension liability	0.002409%	0.002247%	0.002177%
School District's proportionate share of the net pension liability	\$ 101,538	\$ 92,723	\$ 89,497
School District's covered payroll	60,728	56,651	55,540
School District's proportionate share of the net pension liability as a percentage of its covered payroll	167.20%	163.67%	161.14%
Plan fiduciary net position as a percentage of the total pension liability	76.21%	76.74%	76.68%

Note: The measurement period for the year ended June 30, 2021 is June 30, 2020. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

2018	2017	2016	2015
0.004353%	0.004458%	0.004534%	0.004913%
\$ 176,790	\$ 210,882	\$ 183,690	\$ 184,268
106,767	55,540	103,657	110,628
165.58%	379.69%	177.21%	166.56%
76.33%	72.34%	76.20%	77.99%

BUTTS COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 15,267	\$ 14,976	\$ 14,038
Contributions in relation to the contractually required contribution	15,267	14,976	14,038
Contribution deficiency (excess)	-	-	-
School District's covered payroll	61,912	60,728	56,651
Contributions as a percentage of covered payroll	24.66%	24.66%	24.78%

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

2018	2017	2016	2015
\$ 13,779	\$ 26,489	\$ 25,624	\$ 22,763
13,779	26,489	25,624	22,763
-	-	-	-
55,540	106,767	103,657	103,657
24.81%	24.81%	24.72%	21.96%

BUTTS COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2021

CHANGES OF ASSUMPTIONS

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updated rates of mortality, retirement, disability, 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. The assumed investment rate of return remained at 7.30% for the June 30, 2019 actuarial valuation.

BUTTS 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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the School District	452,163	439,024	420,466
	<u>\$ 452,163</u>	<u>\$ 439,024</u>	<u>\$ 420,466</u>
School District's covered payroll	\$ 1,518,312	\$ 1,544,527	\$ 1,508,102
School District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	84.45%	85.02%	85.26%

Note: The measurement date for the year ended June 30, 2021 is June 30, 2020. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.000000%	0.000000%	0.000000%	0.000000%
\$ -	\$ -	\$ -	\$ -
<u>392,092</u>	<u>513,656</u>	<u>325,961</u>	<u>293,542</u>
<u>\$ 392,092</u>	<u>\$ 513,656</u>	<u>\$ 325,961</u>	<u>\$ 293,542</u>
\$ 1,117,533	\$ 904,987	\$ 979,201	\$ 969,014
0.00%	0.00%	0.00%	0.00%
85.69%	81.00%	87.00%	88.29%

BUTTS COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2021

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 System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with Projection scale BB (set forward 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 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, 2019 measurement date.

BUTTS COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net OPEB Liability	0.189267%	0.193279%	0.191422%	0.187178%
School District's proportionate share of the net OPEB liability	<u>\$ 27,798,914</u>	<u>\$ 23,719,480</u>	<u>\$ 24,329,149</u>	<u>\$ 26,298,434</u>
	<u>\$ 27,798,914</u>	<u>\$ 23,719,480</u>	<u>\$ 24,329,149</u>	<u>\$ 26,298,434</u>
School District's covered employee payroll	\$ 17,036,412	\$ 16,443,936	\$ 16,325,800	\$ 15,424,337
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	163.17%	144.24%	149.02%	170.50%
Plan fiduciary net position as a percentage of the total OPEB liability	3.99%	4.63%	2.93%	1.61%

Note: The measurement date for the year ended June 30, 2021 is June 30, 2020. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

BUTTS COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF OPEB CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 696,314	\$ 640,057	\$ 1,040,940
Contributions in relation to the contractually required contribution	696,314	640,057	1,040,940
Contribution deficiency (excess)	-	-	-
School District's covered employee payroll	17,582,130	17,036,412	16,443,936
Contributions as a percentage of covered employee payroll	3.96%	3.76%	6.33%

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

2018		2017	
\$	992,125	\$	975,958
	992,125		975,958
	-		-
	16,325,800		15,424,337
	6.08%		6.33%

BUTTS COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHOOL OPEB FUND FOR THE YEAR ENDED JUNE 30, 2021

CHANGES OF BENEFIT TERMS

There have been no changes in benefit terms.

CHANGES IN ASSUMPTIONS

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

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

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

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

SUPPLEMENTARY INFORMATION

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Agency/Funding	Governmental Fund Types		Total
	General Fund	Capital Projects Fund	
Grants			
Bright from the Start:			
Georgia Department of Early Care and Learning:			
Pre-Kindergarten Program	\$ 746,426	\$ -	\$ 746,426
Education, Georgia Department of			
Quality Basic Education:			
Direct Instructional Cost:			
Kindergarten Program	1,106,107	-	1,106,107
Kindergarten Program - Early Intervention Program	148,610	-	148,610
Primary Grades (1-3) Program	2,610,646	-	2,610,646
Primary Grades - Early Intervention (1-3) Program	380,430	-	380,430
Upper Elementary Grades (4-5) Program	1,237,612	-	1,237,612
Upper Elementary Grades - Early Intervention (4-5) Program	268,499	-	268,499
Middle School (6-8) Program	2,253,197	-	2,253,197
High School General Education (9-12) Program	2,056,455	-	2,056,455
Career Technical and Agricultural Education Program 9-12	755,865	-	755,865
Students with Disabilities	2,271,197	-	2,271,197
Program for Intellectually Gifted Students - Category VI	753,078	-	753,078
Remedial Education Program	315,326	-	315,326
Alternative Education Program	170,905	-	170,905
English Speakers of Other Languages ("ESOL")	26,466	-	26,466
Media Center Program	391,831	-	391,831
20 Days Additional Instruction	124,428	-	124,428
Staff and Professional Development	65,956	-	65,956
Principal Staff and Professional Development	1,405	-	1,405
Indirect Cost			
Central Administration	529,993	-	529,993
School Administration	827,257	-	827,257
Facility Maintenance and Operations	824,405	-	824,405
Categorical Grants:			
Pupil Transportation:			
Pupil Transportation	412,503	-	412,503
Bus Replacement	231,660	-	231,660
State Bonds	77,220	-	77,220

(Continued)

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Agency/Funding	Governmental Fund Types		Total
	General Fund	Capital Projects Fund	
Grants (Continued)			
Categorical Grants (Continued):			
Nursing Services	\$ 71,267	-	71,267
Mid-Term Hold Harmless	370,628	-	370,628
Vocational Supervisors	13,649	-	13,649
Education Equalization Funding Grant	746,012	-	746,012
Food Services	62,202	-	62,202
Vocational Education	47,249	-	47,249
Amended Formula Adjustment	(567,990)	-	(567,990)
Other State Programs:			
CS4GA Computer Science Capacity Grant	8,841	-	8,841
Math and Science Supplements	16,941	-	16,941
School Security Grant - 2019-2020	150,000	-	150,000
Hygiene Products in Georgia Schools	2,434	-	2,434
Preschool Handicapped Program	81,192	-	81,192
Teachers Retirement	36,285	-	36,285
Georgia Emergency Management Agency:			
Donations to LEA for COVID-19	38,381	-	38,381
Office of the State Treasurer:			
Public School Employees Retirement	80,524	-	80,524
C& Misc	-	1,415,981	1,415,981
	<u>\$ 19,745,092</u>	<u>\$ 1,415,981</u>	<u>\$ 21,161,073</u>

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS - SPLOST V FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Project	Original Estimated Cost (1)	Current Estimated Costs (2)	Expended In Current Year (3)(5)	Expended In Prior Years (3)(5)	Total Completion Cost	Estimated Completion Date
Rehabilitating, repairing, renovating, extending and improving Jackson High School.	\$ 12,350,000	\$ 10,350,000	\$ 124,508	\$ 5,046,043	\$ -	2022
Rehabilitating, repairing, renovating, extending and improving Henderson Middle School.	2,500,000	4,500,000	83,899	2,901,496	-	2022
Rehabilitating, repairing, renovating, extending and improving Daughtry Elementary School.	200,000	200,000	12,683	43,400	-	2022
Rehabilitating, repairing, renovating, extending and improving Jackson Elementary School.	200,000	200,000	17,533	59,811	-	2022
Rehabilitating, repairing, renovating, extending and improving Stark Elementary School.	200,000	200,000	19,389	15,968	-	2022
Acquisition of school buses, vehicles and transportation and maintenance equipment.	550,000	550,000	34,721	182,006	-	2022
Renovating or adding to existing administrative facilities.	300,000	300,000	62,598	219,987	-	2022
Additional classrooms, physical education and athletic facilities, roof replacements and repairs, mechanical system repairs and replacements, and wiring and infrastructure modifications; additional parking and paving at School District facilities; acquiring and installing system-wide instructional and administrative technology, software, safety and security equipment; acquisition of music, vocational and physical education/athletic equipment; acquiring textbooks; acquiring any necessary property, both real and personal; and paying costs incident to	5,000,000	5,000,000	639,608	4,252,847	-	2022
	<u>\$ 21,300,000</u>	<u>\$ 21,300,000</u>	<u>\$ 994,939</u>	<u>\$ 12,721,558</u>	<u>\$ -</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax approved by the voters of Butts County (\$25M), is different from the amount reported above (\$21.3M). The Board has budgeted less, based on historical collection.
- (2) The School District's current estimate of total costs for the projects. Includes all costs from project inception to completion.
- (3) The voters of Butts County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the project.
- (4) As of June 30, 2021, there were no excess proceeds which were not yet expended.
- (5) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows

Prior Years	\$ 685,453
Current Year	165,025
	<u>\$ 850,478</u>



MAULDIN & JENKINS

CPAs & ADVISORS

BUTTS COUNTY BOARD OF EDUCATION

SINGLE AUDIT REPORT

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

BUTTS COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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**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
Butts County Board of Education
Jackson, Georgia**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Butts County Board of Education (the "School District") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 1, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Butts County Board of Education's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
September 1, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**To the Superintendent and Members of the
Butts County Board of Education
Jackson, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the Butts County Board of Education's (the "School District") 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 District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District'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; 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 District'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 District's compliance.

Basis for Qualified Opinion on the Special Education Cluster

As described in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding Assistance Listing Numbers 84.027 and 84.173, Special Education Cluster as described in finding number 2021-002 for Procurement. Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

Qualified Opinion on the Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2021.

Other Matters

The School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of the School District 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 District'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 District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002, that we consider to be a material weakness.

The School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures described in the audit of compliance, and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the School District as of and for the year ended June 30, 2021, and the related notes to the financial statements and the budgetary comparison for the General Fund, which collectively comprise the School District's basic financial statements. We issued our report thereon dated September 1, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia

February 22, 2024, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is September 1, 2023.

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Funding Agency Program/Grant	Assistance Listing Number	Pass- Through Entity ID Number	Expenditures In Period
Agriculture, U.S. Department of			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
Food Services			
School Breakfast Program	10.553	215GA324N1199	\$ 445,982
National School Lunch Program	10.555	215GA324N1199	1,319,360
Total Child Nutrition Cluster			<u>1,765,342</u>
Other programs			
Fresh Fruits and Vegetables	10.582	215GA324L1603	<u>66,862</u>
State Administrative Expenses for Child Nutrition	10.560	215GA904N2533	<u>2,189</u>
Total U.S. Department of Agriculture			<u>1,834,393</u>
Education, U.S. Department of			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Grants to States	84.027	H027A190073	201,045
Grants to States	84.027	H027A200073	610,906
COVID-19 Grants to States	84.027	H027X200073	5,969
Preschool Grants	84.173	H173A190081	654
Preschool Grants	84.173	H173A200081	22,896
Total Special Education Cluster			<u>841,470</u>
Education Stabilization Fund			
COVID-19 Elementary and Secondary School			
Emergency Relief	84.425D	S425D200012	787,911
COVID-19 Elementary and Secondary School			
Emergency Relief	84.425D	S425D210012	2,115,928
COVID-19- ARP - Elementary and Secondary School			
Emergency Relief	84.425U	S425U210012	380,549
Total Education Stabilization Fund			<u>3,284,388</u>
Other Programs			
Title I, Grants to Local Educational Agencies	84.010	S010A190010	160,489
Title I, Grants to Local Educational Agencies	84.010	S010A200010-20A	1,138,997
Supporting Effective Instruction State Grants	84.367	S367A190001	21,635
Supporting Effective Instruction State Grants	84.367	S367A200001	1,300
Comprehensive Literacy Development	84.371	S371C190016-19A	664,104
Career and Technical Education -			
Basic Grants to States	84.048	V048A200010	46,630
Rural Education	84.358	S358B190010	15,893
Rural Education	84.358	S358B200010	<u>56,907</u>
Total U. S. Department of Education			<u>6,231,813</u>

(Continued)

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Funding Agency Program/Grant	Assistance Listing Number	Pass- Through Entity ID Number	Expenditures In Period
Health and Human Services, U. S. Department of Passed through from Georgia Department of Early Care and Learning: CCDF Cluster:			
COVID-19 - Child Care and Development Block Grant	93.575	N/A	<u>14,203</u>
Total U. S. Department of Health and Human Services			<u>14,203</u>
Defense, U.S. Department of Direct			
Department of the Air Force R.O.T.C. Program	12.unknown	N/A	<u>135,356</u>
Total U. S. Department of Defense			<u>135,356</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,215,765</u></u>

N/A = Not Available

BUTTS COUNTY BOARD OF EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1. BASIS OF PRESENTATION

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

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

NOTE 2. DONATED COMMODITIES

The Child Nutrition Cluster includes \$261,007 of non-cash expenditures in the form of donated food commodities.

NOTE 3. DE MINIMIS COST RATE

The School District elected not to use the 10% de minimis cost rate for the year ended June 30, 2021.

NOTE 4. SUBRECIPIENTS

The School District did not pass through any funds to subrecipients for the year ended June 30, 2021.

NOTE 5. TRANSFERS

During the year ended June 30, 2021, \$239,279 was transferred to the Title I, Grants to Local Educational Agencies program from the Supporting Effective Instruction State Grants (\$164,432) and the Student Support and Academic Enrichment Grant (\$74,847). Expenditures of transfers are reflected within the receiving program.

NOTE 6. NON-CASH AWARDS - UNAUDITED

In response to the COVID-19 pandemic, the Federal Emergency Management Agency (FEMA) donated Personal Protective Equipment (PPE) with an estimated fair market value of \$8,455 to the School District. This amount is not included in the Schedule of Expenditures of Federal Awards and is not subject to audit.

BUTTS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

☒ Yes ☐ No

Significant deficiencies identified not considered to be material weaknesses?

☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal Control over major programs:

Material weaknesses identified?

☒ Yes ☐ No

Significant deficiencies identified not considered to be material weaknesses?

☐ Yes ☒ None Reported

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

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☒ Yes ☐ No

BUTTS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I
SUMMARY OF AUDIT RESULTS (CONTINUED)

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u> <u>Pass-Through from Georgia Department of</u> <u>Education:</u>
84.010	Title I Grants to Local Educational Agencies
84.027	<u>Special Education Cluster</u> Special Education – Grants to States
84.027	COVID-19 Special Education – Grants to States
84.173	Special Education – Preschool Grants
84.425D	<u>Education Stabilization Fund:</u> COVID-19 Elementary and Secondary School Emergency Relief
84.425U	COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief

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

\$750,000

Auditee qualified as low-risk auditee?

____ Yes X No

BUTTS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II
FINANCIAL STATEMENTS FINDINGS

2021-001. Accounts Receivable and Revenue Recognition

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. As a part of these processes, the School District should review all revenue transactions to determine reporting in the proper period.

Condition: During fiscal year 2021, the School District did not properly record revenue, accounts receivable, and unavailable revenue related to grants and SPLOST revenues.

Context: During our testing of SPLOST and grant revenues, we noted amounts were not properly stated. Audit adjustments in the General Fund and Capital Projects Fund were required to properly reflect balances.

Cause: Management oversight.

Effect: Audit adjustments were required to properly state accounts receivable, revenues, and unavailable revenue as follows:

- Audit adjustments to increase accounts receivable in the total amounts of \$1,143,730, revenues in the amount of \$917,526 and unavailable revenue in the amount of \$226,204 were required in the General Fund.
- An audit adjustment to increase taxes receivable and revenues in the amount of \$79,608 was required in the Capital Projects Fund.

Recommendation: We recommend the School District establish procedures to review all revenue transactions after year-end to determine reporting in the proper period.

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to review revenue transactions after year-end to determine reporting in the proper period.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2021-002 Special Education Cluster – Assistance Listing Numbers 84.027 and 84.173 - Procurement

Criteria: The Uniform Guidance requires purchases over certain thresholds to be obtained through competitive bidding or quotes as stated in the Uniform Guidance or as stated in the recipient's purchasing policy, whichever is more restrictive.

Condition: During fiscal year 2021, the School District did not comply with the procurement requirements of the Uniform Guidance.

BUTTS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

2021-002 Special Education Cluster – Assistance Listing Numbers 84.027 and 84.173 – Procurement

Context: During our testing of the Special Education Cluster, we noted 3 out of 5 purchases tested whereby no formal procurement process was performed in advance of the purchase.

Cause: Management oversight.

Effect: The School District did not comply with the procurement requirements of the Uniform Guidance.

Recommendation: We recommend the School District establish procedures to ensure compliance with the procurement requirements of the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to ensure compliance with the procurement requirements of the Uniform Guidance.

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

None reported.



**MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

2021-001 Accounts Receivable and Revenue Recognition.

Name of Contact Person Responsible for Corrective Action Plan: Josh Thomas, Director of Finance

Corrective Action Plan: Management will implement a process to ensure revenues and receivables are properly recorded.

Anticipated Completion Date: Fiscal year 2024

2021-002 Special Education Cluster – Assistance Listing Numbers 84.027 and 84.173 - Procurement

Name of Contact Person Responsible for Corrective Action Plan: Josh Thomas, Director of Finance

Corrective Action Plan: Management will implement a process to ensure compliance with the procurement requirements of the Uniform Guidance.

Anticipated Completion Date: Fiscal year 2024