

**BUTTS COUNTY BOARD
OF EDUCATION**

ANNUAL FINANCIAL REPORT

**FOR THE
FISCAL YEAR ENDED JUNE 30, 2022**

**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, 2022

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BUTTS COUNTY BOARD OF EDUCATION

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying 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, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School District as of June 30, 2022, 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 ("GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis (on pages 5 through 11), 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 53 through 70) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of 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, (collectively, the "supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
October 24, 2024

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, 2022. 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 2022 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2022. In total, net position increased \$13.5 million which represents a decrease from fiscal year 2021. This total increase was largely due to the influx of funds related to the CARES Act along with reductions in overall expenditures.
- ✓ General revenues accounted for \$22.0 million or 39.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$33.6 million or 60.4% of total revenues. Total revenues were \$55.6 million. The School District had \$42.1 million in expenses related to governmental activities.
- ✓ Among major funds, the General Fund had \$47.9 million in revenues and \$43.3 million in expenditures. The General Fund's fund balance increased from \$15.9 million to \$20.5 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 2022?" 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 2022, compared to fiscal year 2021.

**Table 1
Net Position**

	2022	2021
Current and other assets	\$ 66,000,905	\$ 29,353,950
Note receivable	-	73,000
Capital assets	75,214,194	66,738,541
Total assets	141,215,099	96,165,491
Deferred outflows of resources - pensions and OPEB	15,067,982	16,019,425
Long-term liabilities outstanding	70,363,988	67,516,913
Other liabilities	7,239,315	4,461,773
Total liabilities	77,603,303	71,978,686
Deferred inflows of resources - pensions and OPEB	31,569,498	6,560,154
Net position:		
Net investment in capital assets	70,356,074	63,128,692
Restricted	5,629,521	8,999,445
Unrestricted	(28,875,315)	(38,482,061)
Total net position	\$ 47,110,280	\$ 33,646,076

Table 2 shows the changes in net position for fiscal year 2022 compared to fiscal year 2021. The total net position increased \$13,464,204 for fiscal year 2022, compared to a \$5,473,259 increase for fiscal year 2021. The increase in net position was due to, in large part, a continued influx of CARES Act funding. Additionally, conservatively budgeted expenditures led to an increase in net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Changes in Net Position

	2022	2021
Revenues		
Program revenues:		
Charges for services	\$ 1,162,545	\$ 566,762
Operating grants and contributions	32,411,298	26,995,593
Capital grants and contributions	-	1,643,201
General revenues:		
Property taxes:		
For maintenance and operations	13,713,636	13,124,959
Sales taxes	6,520,577	5,193,336
Other taxes	459,987	398,292
Grant and contributions not restricted to specific programs	880,375	746,012
Investment income	57,069	87,841
Miscellaneous	413,875	284,971
Total revenues	55,619,362	49,040,967
Expenses		
Instruction	24,251,002	26,288,479
Support services:		
Pupil services	2,807,416	2,706,901
Improvement of instructional services	1,870,068	2,029,736
Educational media services	424,091	535,920
General administration	886,507	989,581
School administration	2,651,962	3,156,550
Business administration	391,549	450,566
Maintenance and operations	2,548,311	2,593,093
Student transportation	2,374,496	2,110,607
Central support services	230,639	222,376
Other support services	142,429	125,032
Operations of noninstructional services:		
School nutrition	2,619,870	2,324,487
Enterprise operations	21,866	6,969
Interest on long-term debt	934,952	27,411
Total expenses	42,155,158	43,567,708
Increase in net position	13,464,204	5,473,259
Net position, beginning of year, as restated	33,646,076	28,172,817
Net position, end of year	\$ 47,110,280	\$ 33,646,076

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Instruction comprises 57.5% 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 2021, is also presented.

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Instruction	\$ 24,251,002	\$ 26,288,479	\$ (1,033,906)	\$ (5,531,876)
Support services:				
Pupil services	2,807,416	2,706,901	(1,487,709)	(1,650,476)
Improvement of instructional services	1,870,068	2,029,736	(1,000,915)	(1,283,533)
Educational media services	424,091	535,920	(421,580)	(530,515)
General administration	886,507	989,581	(338,174)	(341,976)
School administration	2,651,962	3,156,550	(2,585,074)	(3,111,889)
Business services	391,549	450,566	(323,723)	(446,242)
Maintenance and operations	2,548,311	2,593,093	(763,200)	(1,009,265)
Student transportation	2,374,496	2,110,607	(218,954)	110,571
Central support services	230,639	222,376	(224,884)	(216,155)
Other support services	142,429	125,032	(103,962)	(87,911)
School nutrition	2,619,870	2,324,487	(21,866)	(228,505)
Enterprise operations	21,866	6,969	877,584	(6,969)
Interest on long-term debt	934,952	27,411	(934,952)	(27,411)
Total expenses	\$ 42,155,158	\$ 43,567,708	\$ (8,581,315)	\$ (14,362,152)

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Over 4.3% of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 20.4%.

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 \$92.75 million and expenditures and other financing uses of \$59.5 million. There was an increase in fund balance of approximately \$28.4 million in the Capital Projects Fund due to a General Obligation Bond issuance related to a new Special Purpose Local Option Sales Tax ("SPLOST") referendum occurring during the fiscal year.

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.

Comparing fiscal year 2022 to fiscal year 2021, for the General Fund, final budgeted revenues increased from \$48.0 million to \$51.7 million. Final budgeted expenditures also increased from \$51.7 million to \$52.2 million. Budgeted revenues increased due to the tenacious tax collecting efforts of the Butts County Tax Commissioner. Other local revenue was budgeted conservatively. Budgeted revenues, although a slight increase, remained relatively stable. Additionally, Enterprise Operations (school activity accounts) were not budgeted.

Capital Assets

At the end of fiscal year 2022, the School District had \$75.2 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2022. Capital asset comparisons to fiscal year 2021, are also included.

Table 4
Capital Assets (Net of Depreciation)

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Land	\$ 1,972,342	\$ 1,972,342
Construction in progress	9,952,739	112,767
Land improvements	4,851,351	5,154,645
Buildings and improvements	55,707,484	57,229,129
Equipment	2,730,278	2,269,658
Total	<u>\$ 75,214,194</u>	<u>\$ 66,738,541</u>

Capital assets increased due to ongoing capital projects as part of SPLOST referendums.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

Long-Term Liabilities

At fiscal year ended June 30, 2022, the School District had \$70.4 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, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental activities:					
General Obligation					
Bonds	\$ 3,445,000	\$ 28,500,000	\$ (1,920,000)	\$ 30,025,000	\$ 1,525,000
Bond Premium	139,842	6,996,005	(528,895)	6,606,952	1,094,802
Net Pension Liability	36,133,157	2,921,332	(25,596,679)	13,457,810	-
Net OPEB Liability	27,798,914	302,675	(7,827,363)	20,274,226	-
Governmental activities					
Long-term liabilities	<u>\$ 67,516,913</u>	<u>\$ 38,720,012</u>	<u>\$ (35,872,937)</u>	<u>\$ 70,363,988</u>	<u>\$ 2,619,802</u>

Current Issues

The School District's current operating millage rate is 15.088 mills. Management and the Board of Education hope to hold this level of taxation as to not place a hardship on the property owners in Butts County.

SPLOST revenues will be used to service debt for the 2017 and 2021 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, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 58,749,666
Investments	5,886
Receivables:	
Taxes	2,164,613
Intergovernmental:	
State	2,577,107
Federal	2,413,157
Other	53,860
Inventory	26,511
Prepaid items	10,105
Capital assets (nondepreciable)	11,925,081
Capital assets (net of accumulated depreciation)	63,289,113
Total assets	141,215,099
DEFERRED OUTFLOWS	
Related to pension plans	10,265,238
Related to OPEB plan	4,802,744
Total deferred outflows	15,067,982
LIABILITIES	
Accounts payable	1,752,881
Salaries and benefits payable	3,972,656
Accrued interest payable	495,333
Retainage payable	639,102
Unearned revenue	379,343
Bonds payable due within one year	2,619,802
Bonds payable due in more than one year	34,012,150
Net pension liability due in more than one year	13,457,810
Net OPEB liability due in more than one year	20,274,226
Total liabilities	77,603,303
DEFERRED INFLOWS	
Related to pension plans	19,841,132
Related to OPEB plan	11,728,366
Total deferred inflows	31,569,498
NET POSITION	
Net investment in capital assets	70,356,074
Restricted for:	
Continuation of federal programs	1,191,343
Capital projects	2,665,511
Debt service	1,772,667
Unrestricted	(28,875,315)
Total net position	\$ 47,110,280

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, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 24,251,002	\$ 893,034	\$ 22,324,062	\$ (1,033,906)
Support services:				
Pupil services	2,807,416	209,016	1,110,691	(1,487,709)
Improvement of instructional services	1,870,068	-	869,153	(1,000,915)
Educational media services	424,091	-	2,511	(421,580)
General administration	886,507	-	548,333	(338,174)
School administration	2,651,962	-	66,888	(2,585,074)
Business administration	391,549	-	67,826	(323,723)
Maintenance and operation of plant	2,548,311	-	1,785,111	(763,200)
Student transportation services	2,374,496	-	2,155,542	(218,954)
Central support services	230,639	-	5,755	(224,884)
Other support services	142,429	-	38,467	(103,962)
Enterprise operations	21,866	-	-	(21,866)
Food service operations	2,619,870	60,495	3,436,959	877,584
Interest on long-term debt	934,952	-	-	(934,952)
Total governmental activities	<u>\$ 42,155,158</u>	<u>\$ 1,162,545</u>	<u>\$ 32,411,298</u>	<u>(8,581,315)</u>
General revenues:				
Taxes:				
Property taxes, levied for maintenance and operations				13,713,636
Sales taxes, levied for capital projects				6,520,577
Intangible taxes				298,397
Transfer taxes				161,590
Grants and contributions not restricted to specific programs				880,375
Unrestricted investment earnings				57,069
Miscellaneous				413,875
Total general revenues				<u>22,045,519</u>
Change in net position				13,464,204
Net position, beginning of year				33,646,076
Net position, end of year				<u>\$ 47,110,280</u>

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

BUTTS COUNTY BOARD OF EDUCATION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 20,541,075	\$ 38,208,591	\$ -	\$ 58,749,666
Investments	5,886	-	-	5,886
Receivables:				
Taxes	1,543,859	620,754	-	2,164,613
Intergovernmental:				
State	2,577,107	-	-	2,577,107
Federal	2,413,157	-	-	2,413,157
Other	53,860	-	-	53,860
Prepaid items	10,105	-	-	10,105
Inventory	26,511	-	-	26,511
Total assets	<u>\$ 27,171,560</u>	<u>\$ 38,829,345</u>	<u>\$ -</u>	<u>\$ 66,000,905</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 269,981	\$ 1,482,900	\$ -	\$ 1,752,881
Salaries and benefits payable	3,972,656	-	-	3,972,656
Retainage payable	-	639,102	-	639,102
Unearned revenue	379,343	-	-	379,343
Total liabilities	<u>4,621,980</u>	<u>2,122,002</u>	<u>-</u>	<u>6,743,982</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	1,155,110	-	-	1,155,110
Unavailable revenue - grants	922,225	-	-	922,225
Total deferred inflows of resources	<u>2,077,335</u>	<u>-</u>	<u>-</u>	<u>2,077,335</u>
FUND BALANCES				
Nonspendable:				
Inventory	26,511	-	-	26,511
Prepaid items	10,105	-	-	10,105
Restricted for:				
Federal programs	468,811	-	-	468,811
Debt service	-	2,268,000	-	2,268,000
Capital projects	-	34,439,343	-	34,439,343
Assigned for:				
Student activities	581,235	-	-	581,235
Subsequent year's budget	1,740,571	-	-	1,740,571
Unassigned	17,645,012	-	-	17,645,012
Total fund balances	<u>20,472,245</u>	<u>36,707,343</u>	<u>-</u>	<u>57,179,588</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 27,171,560</u>	<u>\$ 38,829,345</u>	<u>\$ -</u>	

(Continued)

BUTTS COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2022

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

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

Cost	\$ 108,415,841	
Less accumulated depreciation	(33,201,647)	\$ 75,214,194

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

Property taxes	\$ 1,155,110	
Grants	922,225	2,077,335

Long-term liabilities are not due and payable in the current period and, therefore, are reporting in the funds.

Bonds	\$ (30,025,000)	
Bond premium	(6,606,952)	
Accrued interest	(495,333)	
Pensions - deferred outflows of resources	10,265,238	
Pension - deferred inflows of resources	(19,841,132)	
Net pension liability	(13,457,810)	
OPEB - deferred outflows of resources	4,802,744	
OPEB - deferred inflows of resources	(11,728,366)	
Net OPEB liability	(20,274,226)	(87,360,837)
Net position of governmental activities		\$ 47,110,280

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, 2022**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 13,071,561	\$ -	\$ -	\$ 13,071,561
Sales taxes	459,987	6,520,577	-	6,980,564
State funds	20,854,016	-	-	20,854,016
Federal funds	11,877,096	-	-	11,877,096
Charges for services	1,162,545	-	-	1,162,545
Investment earnings	28,605	28,464	-	57,069
Miscellaneous	413,875	-	-	413,875
Total revenues	<u>47,867,685</u>	<u>6,549,041</u>	<u>-</u>	<u>54,416,726</u>
EXPENDITURES				
Current:				
Instruction	25,502,722	163,350	-	25,666,072
Support services:				
Pupil services	2,962,282	52,214	-	3,014,496
Improvement of instructional services	1,916,218	142,627	-	2,058,845
Educational media services	491,821	-	-	491,821
General administration	929,090	2,462	-	931,552
School administration	3,052,664	-	-	3,052,664
Business administration	406,447	32,118	-	438,565
Maintenance and operation of plant	2,369,751	246,218	-	2,615,969
Student transportation services	2,565,444	71,078	-	2,636,522
Central support services	241,867	4,156	-	246,023
Other support services	142,429	-	-	142,429
Enterprise operations	21,866	-	-	21,866
Food services operations	2,733,626	-	-	2,733,626
Capital outlay	-	9,947,117	-	9,947,117
Debt service:				
Principal retirement	-	-	1,920,000	1,920,000
Interest and fees	-	-	642,092	642,092
Bond issuance cost	-	372,355	-	372,355
Total expenditures	<u>43,336,227</u>	<u>11,033,695</u>	<u>2,562,092</u>	<u>56,932,014</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,531,458</u>	<u>(4,484,654)</u>	<u>(2,562,092)</u>	<u>(2,515,288)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,562,092	2,562,092
Transfers out	-	(2,562,092)	-	(2,562,092)
Bonds issued	-	28,500,000	-	28,500,000
Premium on bonds sold	-	6,996,005	-	6,996,005
Total other financing sources (uses) net	<u>-</u>	<u>32,933,913</u>	<u>2,562,092</u>	<u>35,496,005</u>
Net change in fund balances	4,531,458	28,449,259	-	32,980,717
FUND BALANCE, beginning of year	<u>15,940,787</u>	<u>8,258,084</u>	<u>-</u>	<u>24,198,871</u>
FUND BALANCE, end of year	<u>\$ 20,472,245</u>	<u>\$ 36,707,343</u>	<u>\$ -</u>	<u>\$ 57,179,588</u>

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, 2022**

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

Net change in fund balances - total governmental funds \$ 32,980,717

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which capital outlay exceeded depreciation is to increase net position.

Capital outlay	\$ 10,992,605	
Depreciation expense	<u>(2,516,952)</u>	8,475,653

Net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net position.

Note receivable		(73,000)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 642,075	
Grants	<u>696,021</u>	1,338,096

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	\$ 1,920,000	
Proceeds from issuance of bonds	(28,500,000)	
Premium on bonds issued	(6,996,005)	
Bond premium amortization	528,895	
Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts	(135,460)	
Change in net pension liability and deferred inflows and outflows related to pension activity	3,486,633	
Change in net OPEB pension liability and deferred inflows and outflows related to OPEB activity	<u>888,075</u>	(28,807,862)

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>(449,400)</u>
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		<u><u>\$ 13,464,204</u></u>
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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, 2022

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 12,200,000	\$ 12,200,000	\$ 13,071,561	\$ 871,561
Sales taxes	200,000	200,000	459,987	259,987
State funds	18,023,335	19,769,309	20,854,016	1,084,707
Federal funds	17,339,335	19,303,793	11,877,096	(7,426,697)
Charges for services	37,932	37,932	1,162,545	1,124,613
Investment earnings	1,000	1,000	28,605	27,605
Miscellaneous	-	196,689	413,875	217,186
Total revenues	47,801,602	51,708,723	47,867,685	(3,841,038)
EXPENDITURES				
Current:				
Instruction	28,612,878	29,928,967	25,502,722	4,426,245
Support services:				
Pupil services	3,952,163	4,446,795	2,962,282	1,484,513
Improvement of instructional services	2,558,264	2,836,191	1,916,218	919,973
Educational media services	503,674	512,142	491,821	20,321
General administration	1,010,123	1,027,973	929,090	98,883
School administration	2,982,337	2,982,243	3,052,664	(70,421)
Business administration	393,433	393,433	406,447	(13,014)
Maintenance and operation of plant	3,005,739	3,005,739	2,369,751	635,988
Student transportation services	3,873,683	4,198,272	2,565,444	1,632,828
Central support services	248,904	248,904	241,867	7,037
Other support services	58,624	58,624	142,429	(83,805)
Enterprise operations	-	-	21,866	(21,866)
Food services operations	2,589,066	2,589,066	2,733,626	(144,560)
Total expenditures	49,788,888	52,228,349	43,336,227	8,892,122
Excess (deficiency) of revenues over (under) expenditures	(1,987,286)	(519,626)	4,531,458	5,051,084
OTHER FINANCING SOURCES (USES)				
Other sources	18,243	-	-	-
Transfers in	182,122	182,122	-	(182,122)
Transfers out	(182,122)	(182,122)	-	182,122
Total other financing sources (uses) net	18,243	-	-	-
Net change in fund balance	(1,969,043)	(519,626)	4,531,458	5,051,084
FUND BALANCE, beginning of year	15,940,787	15,940,787	15,940,787	-
FUND BALANCE, end of year	\$ 13,971,744	\$ 15,421,161	\$ 20,472,245	\$ 5,051,084

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 (\$1,103,543) or expenditures (\$896,890) 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.

NOTES TO FINANCIAL STATEMENTS

BUTTS COUNTY BOARD OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

The School District reports the following major governmental funds:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

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

New Accounting Pronouncements

In fiscal year 2022, the School District adopted GASB Statement No. 87, Leases. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The adoption of this statement did not have an impact on the School District's financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Composition of Deposits – Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (“Georgia Fund 1”) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. 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.

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

Receivables

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

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.

Capital Assets

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

	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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Post-employment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees' Post-employment Benefit Fund (the "School OPEB Fund") and additions to/deductions from 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 balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

Nonspendable consists of resources that cannot be spent either because they are in a nonspendable 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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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.

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 2021 tax digest year (calendar year) on June 24, 2021 (levy date), based on property values as of January 1, 2021. Taxes were due on December 7, 2021 (lien date) and could be paid in two installments on September 15, 2021 and December 7, 2021. Taxes collected within the current fiscal year or within 60 days after year-end on the 2021 tax digest are reported as revenue in the governmental funds for fiscal year 2022. 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, 2022, for maintenance and operations amounted to \$11,192,178.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

The tax millage rate levied for the 2021 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>15.088</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$1,879,383 during the fiscal year ended June 30, 2022.

Sales Taxes

Education Special Purpose Local Option Sales Tax ("ESPLOST"), at the fund reporting level, during the year amounted to \$6,520,577 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.

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 to Actual for a detail of any over/under expenditures during the fiscal year under review.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

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

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

- (1) Surety 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, 2022, the School District had deposits with a carrying amount of \$58,755,552 which includes \$5,886 in a Certificate of Deposit that is reported as investments and bank balances of \$60,357,667. As of June 30, 2022, all of the School District's deposits were properly collateralized in accordance with state law and applicable GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk (Continued) – The School District's deposits by custodial credit risk category at June 30, 2022, are as follows:

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

Statement of Net Position:

Cash and cash equivalents	\$ 58,749,666
Add: Deposits with an original maturity of three months or more reported as an investment	5,886
Total carrying value of deposits - June 30, 2022	<u>\$ 58,755,552</u>

Categorization of Investments – At June 30, 2022, 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>

Fair Value of Investments

The School District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. 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.

The School District had no investments that were subject to the fair value hierarchy as of June 30, 2022.

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, 2022, \$5,886 of the School District's applicable investments were held by the investment's counterparty, not in the School District's name.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

NOTE 5. NON-MONETARY TRANSACTIONS

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,972,342	\$ -	\$ -	\$ 1,972,342
Construction in progress	112,767	9,839,972	-	9,952,739
Total	2,085,109	9,839,972	-	11,925,081
Capital assets, being depreciated:				
Buildings and improvements	80,939,580	107,145	-	81,046,725
Equipment	8,126,310	1,045,488	(550,591)	8,621,207
Land improvements	6,822,828	-	-	6,822,828
Total	95,888,718	1,152,633	(550,591)	96,490,760
Less accumulated depreciation for:				
Buildings and improvements	(23,710,451)	(1,628,790)	-	(25,339,241)
Equipment	(5,856,652)	(584,868)	550,591	(5,890,929)
Land improvements	(1,668,183)	(303,294)	-	(1,971,477)
Total	(31,235,286)	(2,516,952)	550,591	(33,201,647)
Total capital assets, being depreciated, net	64,653,432	(1,364,319)	-	63,289,113
Governmental activities capital assets, net	\$ 66,738,541	\$ 8,475,653	\$ -	\$ 75,214,194

Current year depreciation expense by function is as follows:

Instruction		\$ 2,121,444
Support Services:		
General Administration	\$ 46,880	
School Administration	8,089	
Maintenance and Operations	56,180	
Student Transportation	170,210	281,359
Food Services		114,149
Total Depreciation Expense		\$ 2,516,952

NOTE 7. NOTE RECEIVABLE

During the fiscal year ended June 30, 2021, the Henderson School Alumni Association executed a promissory note with the School System in the amount of \$73,000, in relation to the purchase of North Mulberry Academy. During the fiscal year ended June 30, 2022, the School System approved forgiveness of the loan in its entirety and the balance as of June 30, 2022 was \$0.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u> <u>Capital</u> <u>Projects</u>
Debt Service Fund	\$ 2,562,092

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RISK MANAGEMENT (CONTINUED)

Unemployment Compensation (Continued)

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>
2021	\$	-	\$	22,535	\$	(22,535)	\$	-
2022		-		-		-		-

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, 2022, 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	\$ 3,445,000	\$ 28,500,000	\$ (1,920,000)	\$ 30,025,000	\$ 1,525,000
Bond Premiums	139,842	6,996,005	(528,895)	6,606,952	1,094,802
Net Pension Liability	36,133,157	2,921,332	(25,596,679)	13,457,810	-
Net OPEB Liability	<u>27,798,914</u>	<u>302,675</u>	<u>(7,827,363)</u>	<u>20,274,226</u>	<u>-</u>
Total	<u>\$ 67,516,913</u>	<u>\$ 38,720,012</u>	<u>\$ (35,872,937)</u>	<u>\$ 70,363,988</u>	<u>\$ 2,619,802</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.

In October 2021, the School District issued \$28,500,000 of general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The interest rate on the Series 2021 bonds is 5.0%, with final maturity on September 1, 2032. 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	\$ 1,525,000
General Government - Series 2021	5.0%	October 14, 2021	September 1, 2032	\$ 28,500,000	<u>28,500,000</u>
					<u>\$ 30,025,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds (Continued)

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

Fiscal Year Ending June 30,	General Obligation Bonds, 2017 & 2021		
	Principal	Interest	Premium
2023	\$ 1,525,000	\$ 1,455,500	\$ 1,094,802
2024	2,675,000	1,358,125	1,024,383
2025	2,705,000	1,223,625	922,934
2026	2,735,000	1,087,625	820,355
2027	2,770,000	950,000	716,549
2028 - 2032	14,540,000	2,611,750	1,969,945
2033	3,075,000	76,875	57,984
Total Principal and Interest	<u>\$ 30,025,000</u>	<u>\$ 8,763,500</u>	<u>\$ 6,606,952</u>

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 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 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.

NOTES TO FINANCIAL STATEMENTS

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

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

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 \$690,746 for the year ended June 30, 2022. Active employees are not required to contribute to the School OPEB Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2022, the School District reported a liability of \$20,274,226 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2020. An expected total OPEB liability as of June 30, 2021, 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, 2021. At June 30, 2021, the School District’s proportion was 0.187190%, which was a decrease of 0.002077% from its proportion measured as of June 30, 2020.

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): For the year ended June 30, 2022, the School District recognized OPEB expense of (\$197,329). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,257,147
Changes of assumptions	3,712,524	1,654,364
Net difference between projected and actual earnings on pension plan investments	-	32,149
Changes in proportion and differences between School District contributions and proportionate share of contributions	399,474	784,706
School District contributions subsequent to the measurement date	690,746	-
Total	\$ 4,802,744	\$ 11,728,366

School District contributions subsequent to the measurement date of \$690,746 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, 2023. 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
2023	\$ (1,947,397)
2024	(1,763,627)
2025	(1,325,182)
2026	(1,008,858)
2027	(1,218,837)
2028	(352,467)

NOTES TO FINANCIAL STATEMENTS

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

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

Actuarial assumptions: The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020 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, 2021:

OPEB:

Inflation	2.50%
Salary increases	3.00% – 8.75%, including inflation
Long-term expected rate of return	7.00%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	6.750%
Medicare Eligible	5.125%
Ultimate trend rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2029
Medicare Eligible	2023

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Actuarial assumptions (Continued):

- For PSERS members: Pre-retirement mortality rates were based on the Pub-2010 General Employee Mortality Table, with no adjustment, with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for service retirements were based on the Pub-2010 General Healthy Annuitant Mortality Table (ages set forward one year and adjusted 105% for males and 108% for females) with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for disability retirements were based on the Pub-2010 General Disabled Mortality Table (ages set back three years for males and adjusted 103% for males and 106% for females) with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for beneficiaries were based on the Pub-2010 General Contingent Survivor Mortality Table (ages set forward two years and adjusted 106% for males and 158% for females) with the MP-2019 Projection scale applied generationally.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the pension 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, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 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.

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.

NOTES TO FINANCIAL STATEMENTS

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

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

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

Asset class	Target allocation	Long-Term Expected Real Rate of Return*
Fixed income	30.00%	0.14%
Equities	70.00%	9.20%
Total	100.00%	

*Net of Inflation

Discount rate: In order to measure the total OPEB liability for the School OPEB, a single equivalent interest rate of 2.20% was used as the discount rate, as compared with last year’s rate of 2.22%. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation bonds with an average rating of AA or higher (2.16% per the Municipal Bond Index Rate). The projection of cashflows used to determine the discount rate assumed that contributions from members and from the employers will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2145.

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate: The following presents the School District’s proportionate share of the net OPEB liability calculated using the discount rate of 2.20%, 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 (1.20%) or 1 percentage-point higher (3.20%) than the current discount rate:

	1% Decrease (1.20%)	Current Discount Rate (2.20%)	1% Increase (3.20%)
School District’s proportionate share of the collective net OPEB liability	\$ 23,177,987	\$ 20,274,226	\$ 17,843,503

NOTES TO FINANCIAL STATEMENTS

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

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the collective net OPEB liability	\$ 17,203,466	\$ 20,274,226	\$ 24,112,916

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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2022. The School District's contractually required contribution rate for the year ended June 30, 2022, was 19.81% of annual School District payroll (excluding payroll attributable to those personnel funded on behalf of the District by the State). For the current fiscal year, employer contributions to the pension plan were \$3,920,377 and \$28,007 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Continued): 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, 2022 was 21.57% of annual covered payroll for Old and New Plan members and 24.63% 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 \$0 for the current fiscal year.

Public School Employees' Retirement System ("PSERS")

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

Benefits Provided: A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

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 \$81,743.

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

At June 30, 2022, the School District reported a liability of \$13,457,810 for its proportionate share of the Net Pension Liability for TRS (\$13,397,396) and ERS (\$60,414).

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	\$ 13,397,396
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>127,535</u>
Total	<u>\$ 13,524,931</u>

The net pension liability for TRS and ERS was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021, 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, 2021.

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)

At June 30, 2021, the School District's TRS proportion was 0.151480%, which was an increase of 0.002736% from its proportion measured as of June 30, 2020. At June 30, 2021, the School District's ERS proportion was 0.002583%, which was an increase of 0.000174% from its proportion measured as of June 30, 2020.

At June 30, 2022, 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 \$64,618.

The PSERS Net Pension Liability was measured as of June 30, 2021. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021, 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, 2021.

For the year ended June 30, 2022, the School District recognized pension expense of \$529,908 for TRS, \$12,907 for ERS, and \$679 for PSERS and revenue of \$(26,389) for TRS and \$679 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.

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)

At June 30, 2022, 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	\$ 3,197,044	\$ -
Changes of assumptions	2,593,023	-
Net difference between projected and actual earnings on pension plan investments	-	19,596,606
Changes in proportion and differences between School District contributions and proportionate share of contributions	530,490	188,689
School District contributions subsequent to the measurement date	3,920,377	-
Total	\$ 10,240,934	\$ 19,785,295

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)

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,430	\$ -
Changes of assumptions	17,397	-
Net difference between projected and actual earnings on pension plan investments	-	55,837
Changes in proportion and differences between School District contributions and proportionate share of contributions	5,477	-
School District contributions subsequent to the measurement date	12,314	-
Total	\$ 36,618	\$ 55,837

School District contributions subsequent to the measurement date of June 30, 2021, 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	TRS	ERS
2023	\$ (2,476,888)	\$ 3,549
2024	(2,506,867)	(6,597)
2025	(3,731,143)	(13,570)
2026	(4,749,840)	(14,915)

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, 2021, was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System:

Inflation	2.75%
Salary increases	3.00 – 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 with ages set forward one year and adjusted 106% as used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions (Continued):

Employees' Retirement System:

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

Mortality rates are as follows:

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

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

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

Public School Employees' Retirement System

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

- The Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2019 scale is used for both males and females while in active service.

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):

- The Pub-2010 Family of Tables projected generationally with the MP-2019 Scale and with further adjustments are used for post-retirement mortality assumptions as follows:

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

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

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 tables:

<u>Asset class</u>	<u>ERS/PSERS Target allocation</u>	<u>Long-term expected real rate of return*</u>	<u>TRS Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(1.50)%	30.00%	(.80)%
Domestic - Large Cap	46.40	9.20	46.30	9.30
Domestic - Small Cap	1.10	13.40	1.20	13.30
International developed market	11.70	9.20	11.50	9.30
International emerging market	5.80	10.40	6.00	11.30
Alternative	5.00	10.60	5.00	10.60
Total	<u>100.00%</u>		<u>100.00%</u>	

* Rates shown are net of the 2.75% assumed rate of 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)

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

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 7.00%, 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 6.00%) or 1-percentage-point higher (8.25% and 8.00%) 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 (asset)	\$ 36,089,034	\$ 13,397,396	\$ (5,196,836)
Employees' Retirement System			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the collective net pension liability	\$ 110,707	\$ 60,414	\$ 17,880

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

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, 2022

	2022	2021	2020
School District's proportion of the net pension liability	0.151480%	0.148744%	0.150424%
School District's proportionate share of the net pension liability	\$ 13,397,396	\$ 36,031,619	\$ 32,345,227
State of Georgia's proportionate share of the net pension liability associated with the School District	127,535	346,160	301,253
	<u>\$ 13,524,931</u>	<u>\$ 36,377,779</u>	<u>\$ 32,646,480</u>
School District's covered payroll	\$ 19,708,872	\$ 19,176,306	\$ 18,528,174
School District's proportionate share of the net pension liability as a percentage of its covered payroll	67.98%	187.90%	174.57%
Plan fiduciary net position as a percentage of the total pension liability	92.03%	77.01%	78.56%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.150364%	0.147911%	0.150205%	0.154976%	0.156744%
\$ 27,910,779	\$ 27,489,715	\$ 30,988,966	\$ 23,593,557	\$ 19,802,537
<u>238,338</u>	<u>352,377</u>	<u>485,863</u>	<u>368,421</u>	<u>290,954</u>
<u>\$ 28,149,117</u>	<u>\$ 27,842,092</u>	<u>\$ 31,474,829</u>	<u>\$ 23,961,978</u>	<u>\$ 20,093,491</u>
\$ 18,062,236	\$ 17,225,029	\$ 16,734,255	\$ 16,358,608	\$ 15,990,961
154.53%	159.59%	185.18%	144.23%	123.84%
80.27%	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, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 3,920,377	\$ 3,756,511	\$ 4,053,871
Contributions in relation to the contractually required contribution	3,920,377	3,756,511	4,053,871
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	19,789,889	19,708,872	19,176,306
Contributions as a percentage of covered payroll	19.81%	19.06%	21.14%

2019	2018	2017	2016	2015
\$ 3,836,659	\$ 3,010,560	\$ 2,426,930	\$ 2,351,111	\$ 2,151,157
3,836,659	3,010,560	2,426,930	2,351,111	2,151,157
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
18,528,174	18,062,236	17,225,029	16,734,255	16,358,608
20.71%	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, 2022

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 Teachers' Retirement 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 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021	2020
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	64,618	452,163	439,024
	\$ 64,618	\$ 452,163	\$ 439,024
School District's covered payroll	\$ 1,494,941	\$ 1,518,312	\$ 1,544,527
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	98.00%	84.45%	85.02%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
\$ -	\$ -	\$ -	\$ -	\$ -
<u>420,466</u>	<u>392,092</u>	<u>513,656</u>	<u>325,961</u>	<u>293,542</u>
<u>\$ 420,466</u>	<u>\$ 392,092</u>	<u>\$ 513,656</u>	<u>\$ 325,961</u>	<u>\$ 293,542</u>
\$ 1,508,102	\$ 1,117,533	\$ 904,987	\$ 979,201	\$ 969,014
0.00%	0.00%	0.00%	0.00%	0.00%
85.26%	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, 2022

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 Public School Employees' Retirement System. Primary among the changes were the updates to the rates of mortality, retirement, and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table with future mortality improvement projected to 2025 with the projection scale BB (set forward three years for males and two years for females).

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

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

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, 2022

	2022	2021	2020
School District's proportion of the net pension liability	0.002583%	0.002409%	0.002247%
School District's proportionate share of the net pension liability	\$ 60,414	\$ 101,538	\$ 92,723
School District's covered payroll	61,912	60,728	56,651
School District's proportionate share of the net pension liability as a percentage of its covered payroll	97.58%	167.20%	163.67%
Plan fiduciary net position as a percentage of the total pension liability	87.62%	76.21%	76.74%

Note: The measurement period for the year ended June 30, 2022 is June 30, 2021. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become

2019	2018	2017	2016	2015
0.002177%	0.004353%	0.004458%	0.004534%	0.004913%
\$ 89,497	\$ 176,790	\$ 210,882	\$ 183,690	\$ 184,268
55,540	106,767	55,540	103,657	110,628
161.14%	165.58%	379.69%	177.21%	166.56%
76.68%	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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 12,314	\$ 15,267	\$ 14,976
Contributions in relation to the contractually required contribution	12,314	15,267	14,976
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	49,997	61,912	60,728
Contributions as a percentage of covered payroll	24.63%	24.66%	24.66%

2019	2018	2017	2016	2015
\$ 14,038	\$ 13,779	\$ 26,489	\$ 25,624	\$ 22,763
14,038	13,779	26,489	25,624	22,763
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
56,651	55,540	106,767	103,657	103,657
24.78%	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, 2022

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 reflect actual experience more closely. In 2010, assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the Employees' Retirement 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 the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB (set forward two years for both males and females).

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

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

BUTTS COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY FOR THE YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>
School District's proportion of the net OPEB Liability	0.187190%	0.189267%	0.193279%
School District's proportionate share of the net pension liability	\$ 20,274,226	\$ 27,798,914	\$ 23,719,480
	<u>20,274,226</u>	<u>27,798,914</u>	<u>23,719,480</u>
School District's covered-employee payroll	\$ 17,582,130	\$ 17,036,412	\$ 16,443,936
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	115.31%	163.17%	144.24%
Plan fiduciary net position as a percentage of the total pension liability	6.14%	3.99%	4.63%

Note: The measurement date for the year ended June 30, 2022 is June 30, 2021. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

<hr/>	
<u>2019</u>	<u>2018</u>
0.191422%	0.187178%
<u>\$ 24,329,149</u>	<u>\$ 26,298,434</u>
<u>24,329,149</u>	<u>26,298,434</u>
\$ 16,325,800	\$ 15,424,337
149.02%	170.50%
2.93%	1.61%

BUTTS COUNTY BOARD OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF OPEB CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021	2020
Contractually required contribution	\$ 690,746	\$ 696,314	\$ 640,057
Contributions in relation to the contractually required contribution	690,746	696,314	640,057
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
School District's covered-employee payroll	\$ 18,872,191	\$ 17,582,130	\$ 17,036,412
Contributions as a percentage of covered-employee payroll	3.66%	3.96%	3.76%

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

2019	2018	2017
\$ 1,040,940	\$ 992,125	\$ 975,958
1,040,940	992,125	975,958
\$ -	\$ -	\$ -
\$ 16,443,936	\$ 16,325,800	\$ 15,424,337
6.33%	6.08%	6.33%

BUTTS COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHOOL OPEB FUND FOR THE YEAR ENDED JUNE 30, 2022

CHANGES OF BENEFIT TERMS

There have been no changes in benefit terms.

CHANGES IN ASSUMPTIONS

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

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

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

The discount rate was updated from 3.87% as of June 30, 2018, back to 3.58% as of June 30, 2019, to 2.22% as of June 30, 2020, and to 2.20% as of June 30, 2022.

SUPPLEMENTARY INFORMATION

BUTTS COUNTY BOARD OF EDUCATION

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>
	<u>General Fund</u>
Grants:	
Bright from the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 758,582
Education, Georgia Department of	
Quality Basic Education:	
Direct Instructional Cost:	
Kindergarten Program	1,184,195
Kindergarten Program - Early Intervention Program	73,743
Primary Grades (1-3) Program	2,549,632
Primary Grades - Early Intervention (1-3) Program	507,611
Upper Elementary Grades (4-5) Program	1,257,872
Upper Elementary Grades - Early Intervention (4-5) Program	312,640
Middle School (6-8) Program	2,359,666
High School General Education (9-12) Program	2,176,736
Career Technical and Agricultural Education Program 9-12	754,368
Students with Disabilities	2,369,661
Program for Intellectually Gifted Students - Category VI	683,334
Remedial Education Program	247,215
Alternative Education Program	177,490
English Speakers of Other Languages (ESOL)	27,387
Media Center Program	399,568
20 Days Additional Instruction	127,661
Staff and Professional Development	67,582
Principal Staff and Professional Development	1,394
Indirect Cost:	
Central Administration	528,040
School Administration	832,988
Facility Maintenance and Operations	845,576
Categorical Grants:	
Pupil Transportation:	
Pupil Transportation	503,556
Nursing Services	69,643
Vocational Supervisors	11,670
Education Equalization Funding Grant	880,375
Food Services	73,980
Vocational Education	54,003
Amended Formula Adjustment	111,541
One Time QBE Adjustment	700,163
Other State Programs:	
Math and Science Supplements	19,950

(Continued)

BUTTS COUNTY BOARD OF EDUCATION

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Governmental Fund Types</u>
<u>Agency/Funding</u>	<u>General Fund</u>
Grants (Continued):	
Education, Georgia Department of Quality Education (Continued):	
Other State Programs (Continued):	
Hygiene Products in Georgia Schools	\$ 2,317
Preschool Handicapped Program	74,127
Teachers Retirement	28,007
Office of the State Treasurer	
Public School Employees Retirement	<u>81,743</u>
	<u>\$ 20,854,016</u>

BUTTS COUNTY BOARD OF EDUCATION

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

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3)(5)</u>	<u>Expended In Prior Years (3)(5)</u>	<u>Total Completion Cost</u>	<u>Estimated Completion Date</u>
Rehabilitating, repairing, renovating, extending and improving Jackson High School.	\$ 11,300,000	\$ 11,300,000	\$ 6,125,751	\$ 5,170,551	\$ 11,296,302	2022
Rehabilitating, repairing, renovating, extending and improving Henderson Middle School.	4,100,000	4,100,000	958,970	2,985,395	3,944,365	2022
Rehabilitating, repairing, renovating, extending improving Daughtry Elementary School.	754,000	754,000	697,040	56,083	753,123	2022
Rehabilitating, repairing, renovating, extending and improving Jackson Elementary School.	107,000	107,000	28,683	77,344	106,027	2022
Rehabilitating, repairing, renovating, extending and improving Stark Elementary School.	70,000	70,000	31,933	35,357	67,290	2022
Acquisition of school buses, vehicles and transportation and maintenance equipment.	291,000	291,000	74,169	216,727	290,896	2022
Renovating or adding to existing administrative facilities.	614,000	614,000	331,407	282,585	613,992	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 accomplishing and foregoing.	5,300,000	5,300,000	331,995	4,892,455	5,224,450	2022
	<u>\$ 22,536,000</u>	<u>\$ 22,536,000</u>	<u>\$ 8,579,948</u>	<u>\$ 13,716,497</u>	<u>\$ 22,296,445</u>	

SPLOST Expenditures per above	\$ 8,579,948
Capital Projects Fund Non-SPLOST Expenditures	2,081,392
Bond Issuance Costs	372,355
Capital Projects SPLOST Expenditures	<u>\$ 11,033,695</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 (\$22.5M). The Board has budgeted less, based on historical collections.
- (2) The School District's current estimate of total cost for the projects. Includes all cost 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, 2022, 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	\$ 850,478
Current Year	641,692
	<u>\$ 1,492,170</u>

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**To the Superintendent and Members of the
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, 2022 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 October 24, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Butts County Board of Education's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School Districts' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. School Districts' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
October 24, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE 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

Qualified and Unmodified Opinions

We have audited the **Butts County School District's** (the "School District's") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2022. 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.

Qualified Opinion on Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its 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, 2022.

Basis for Qualified and Unmodified Opinions

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

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

Matter Giving Rise to 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, the Special Education Cluster, as described in finding number 2022-003 for Procurement. Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied 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.

Mauldin & Jenkins, LLC

Macon, Georgia
October 24, 2024

BUTTS COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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	225GA324N1199	\$ 678,260
National School Lunch Program	10.555	225GA324N1199	2,102,469
Fresh Fruit and Vegetable Program	10.582	225GA324L1603	84,890
COVID-19 Supply Chain Assistance Grant	10.555	225GA324N1099	77,560
COVID-19 Emergency Operational Costs Reimbursement	10.555	225GA324N1099	184,734
Total Child Nutrition Cluster			<u>3,127,913</u>
Other programs			
State Administrative Expenses for Child Nutrition	10.560	225GA904N2533	12,123
Total U.S. Department of Agriculture			<u>3,140,036</u>
Education, U.S. Department of			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Grants to States	84.027	H027A200073	99,168
Grants to States	84.027	H027A210073	738,849
COVID-19 American Rescue Plan (ARP) - Grants to State and LEAs	84.027	H027X210073	47,056
COVID-19 American Rescue Plan (ARP) - Ages 3-5 Grants	84.173	H173X210081	6,230
Preschool Grants	84.173	H173A200081	1,470
Preschool Grants	84.173	H173A210081	24,142
Total Special Education Cluster			<u>916,915</u>
Other Programs			
Title I, Grants to Local Educational Agencies	84.010	S010A200010	251,463
Title I, Grants to Local Educational Agencies	84.010	S010A210010-21A	828,139
Supporting Effective Instruction State Grants	84.367	S367A200001	18,301
Supporting Effective Instruction State Grants	84.367	S367A210001	11,917
Comprehensive Literacy Development	84.371	S371C190016-19A	817,730
Career and Technical Education -			
Basic Grants to States	84.048	V048A200010	4,763
Career and Technical Education -			
Basic Grants to States	84.048	V048A210010	34,126
COVID-19 - Elementary and Secondary School			
Emergency Relief Fund	84.425D	S425D200012	30,977
COVID-19 - Elementary and Secondary School			
Emergency Relief Fund	84.425D	S425D210012	2,185,349
COVID-19 - American Rescue Plan Elementary and			
Secondary School Emergency Relief Fund	84.425U	S425U210012	3,491,574
Rural Education	84.358	S358B200010	10,661
Rural Education	84.358	S358B210010	127,154
Total U. S. Department of Education			<u>8,729,069</u>
Communications Commission, U.S. Federal			
Direct			
COVID-19 Emergency Connectivity Fund Program	32.009	N/A	<u>558,528</u>
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>28,406</u>
Total U. S. Department of Health and Human Services			<u>28,406</u>
Defense, U.S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.unknown	N/A	117,078
Total Expenditures of Federal Awards			<u>\$ 12,573,117</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, 2022

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 \$213,765 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, 2022.

NOTE 4. SUBRECIPIENTS

The School District did not pass through any funds to subrecipients for the year ended June 30, 2022.

NOTE 5. TRANSFERS

During the year ended June 30, 2022, \$87,577 was transferred from the Title IV – Part A Student Support and Academic Enrichment program, to the Title V, Rural Education program . Additionally, \$94,545 was transferred from the Supporting Effective Instruction State Grants program to the Title I, Grants to Local Educational Agencies program. Expenditures of transfers are reflected within the receiving program.

BUTTS COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Identification of major program:

Assistance Listing Number

Name of Federal Program or Cluster

U.S. Department of Education:

Special Education Cluster:

Special Education – Grants to States

Special Education – Preschool Grants

Education Stabilization Fund

Comprehensive Literacy State Development

84.027

84.173

84.425

84.371

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

BUTTS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II
FINANCIAL STATEMENTS FINDINGS

2022-001. 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 2022, 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 \$952,514, to decrease revenues in the amount of \$158,076, and to increase unavailable revenue in the amount of \$1,110,590 were required in the General Fund.
- An audit adjustment to increase taxes receivable and to increase revenues in the amount of \$107,309 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.

2022-002 Cash Reconciliations

Criteria: Generally accepted accounting principles ("GAAP") require cash to be monitored and reconciled in a timely manner.

Condition: Internal controls over cash reconciliations were not sufficient to identify adjustment in the Capital Projects Fund and Debt Service Fund.

Context: During our testing of cash, we noted an error in the reconciliation of one cash account.

Cause: Management oversight

BUTTS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II
FINANCIAL STATEMENTS FINDINGS (CONTINUED)

2022-002 Cash Reconciliations (Continued)

Effect: An audit adjustment to decrease cash by \$541,668, to increase interest income of \$624, and to increase transfers out by \$542,292 was required in the Capital Projects Fund. Additionally, an entry to record interest expenditures and transfers in the amount of \$542,292 was required in the Debt Service Fund.

Recommendation: We recommend that the School District strengthen internal controls to ensure proper monitoring and reconciliation of cash.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen controls to ensure accurate reporting of cash accounts.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2022-003 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 2022, the School District did not comply with the procurement requirements of the Uniform Guidance.

Context: During our testing of the Special Education Cluster, we noted 6 out of 12 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, 2022

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.

Auditee Response/Status: Unresolved. See current year finding number 2022-001.

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.

Auditee Response/Status: Unresolved. See current year finding number 2022-003.



**MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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. A written procedure will be established to ensure receivables are reviewed and recorded at fiscal year-end, at a minimum.

Anticipated Completion Date: Fiscal year 2025

2021-002 Cash Reconciliations

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

Corrective Action Plan: Management will implement a process to ensure cash is appropriately monitored and reconciled. Reconciliations will be completed within thirty (30) days of the prior month end.

Anticipated Completion Date: Fiscal year 2025

**2021-003 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. Trainings on procurement will be given on at least an annual basis.

Anticipated Completion Date: Fiscal year 2025