

HARRIS COUNTY BOARD OF EDUCATION



ANNUAL FINANCIAL REPORT

**HAMILTON, GEORGIA
FOR THE FISCAL YEAR
ENDING JUNE 30, 2020**

INCLUDING INDEPENDENT AUDITOR'S REPORT

HARRIS COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

INDEPENDENT AUDITOR'S REPORT

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Harris County Board of Education

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Harris County Board of Education (School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

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procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with a horizontal line extending from the end.

Greg S. Griffin
State Auditor

November 9, 2021

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HARRIS COUNTY BOARD OF EDUCATION

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HARRIS COUNTY BOARD OF EDUCATION

EXHIBIT "A"

**STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 41,879,760
Receivables:	
Taxes	1,475,868
Intergovernmental:	
State	3,941,693
Federal	164,858
Other	742
Inventory	97,682
Prepaid items	232,500
Capital assets (nondepreciable)	4,778,398
Capital assets (depreciable, net of accumulated depreciation)	50,566,603
Total assets	<u>103,138,104</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Related to pension plans	14,712,218
Related to OPEB plan	3,188,671
Total deferred outflows of resources	<u>17,900,889</u>
 LIABILITIES	
Accounts payable	1,225,626
Salaries and benefits payable	6,692,042
Contracts payable	110,242
Retainage payable	177,466
Due to other governments	13,756
Accrued interest payable	300,377
Unearned revenue	39,745
Bonds payable due in more than one year	27,739,254
Financed purchases, due within one year	468,027
Financed purchases, due in more than one year	3,361,926
Net pension liability	51,111,282
Net OPEB liability	38,278,662
Total liabilities	<u>129,518,405</u>
 DEFERRED INFLOWS OF RESOURCES	
Related to pension plans	1,423,966
Related to OPEB plan	9,730,632
Total deferred inflows of resources	<u>11,154,598</u>
 NET POSITION	
Net investment in capital assets	48,973,347
Restricted for:	
Continuation of federal programs	1,411,471
Capital projects	1,331,925
Debt service	51,344
Unrestricted (deficit)	(71,402,097)
Total net position (deficit)	<u>\$ (19,634,010)</u>

HARRIS COUNTY BOARD OF EDUCATION

EXHIBIT "B"

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<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>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 40,429,424	\$ 677,256	\$ 24,978,687	\$ -	\$ (14,773,481)
Support services:					
Pupil services	3,025,173	12,673	445,582	-	(2,566,918)
Improvement of instructional services	1,275,100	-	320,865	-	(954,235)
Educational media services	1,023,466	-	766,016	-	(257,450)
General administration	805,131	-	1,275,818	-	470,687
School administration	4,274,556	-	1,521,811	-	(2,752,745)
Business administration	1,490,371	-	1,638	-	(1,488,733)
Maintenance and operation of plant	5,013,987	-	1,807,439	-	(3,206,548)
Student transportation services	4,698,006	-	656,114	308,880	(3,733,012)
Central support services	799,457	-	1,288	-	(798,169)
Other support services	125,929	-	52,272	-	(73,657)
Enterprise operations	412,110	-	-	-	(412,110)
Food service operations	2,202,528	764,204	1,515,637	-	77,313
Community service operation	398,083	-	658	-	(397,425)
Interest on long-term debt	405,030	-	-	-	(405,030)
Total governmental activities	<u>\$ 66,378,351</u>	<u>\$ 1,454,133</u>	<u>\$ 33,343,825</u>	<u>\$ 308,880</u>	<u>(31,271,513)</u>
General revenues					
Taxes:					
Property taxes, levied for maintenance and operations					24,411,722
Property taxes, levied for debt service					10,279
Sales taxes, for capital projects					2,937,279
Intangible taxes					626,962
Transfer taxes					173,948
Railroad equipment tax					24,389
Unrestricted investment earnings					11,662
Miscellaneous					<u>1,124,640</u>
Total general revenues					<u>29,320,881</u>
Change in net position					<u>(1,950,632)</u>
Net position (deficit), beginning of year					<u>(17,683,378)</u>
Net position (deficit), end of year					<u>\$ (19,634,010)</u>

HARRIS COUNTY BOARD OF EDUCATION

EXHIBIT "C"

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 14,317,495	\$ 27,213,529	\$ 348,736	\$ 41,879,760
Receivables:				
Taxes	1,201,501	271,382	2,985	1,475,868
Intergovernmental:				
State	3,941,693	-	-	3,941,693
Federal	164,858	-	-	164,858
Other	742	-	-	742
Prepaid items	232,500	-	-	232,500
Inventory	97,682	-	-	97,682
Total assets	<u>\$ 19,956,471</u>	<u>\$ 27,484,911</u>	<u>\$ 351,721</u>	<u>\$ 47,793,103</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 557,901	\$ 667,725	\$ -	\$ 1,225,626
Intergovernmental accounts payable	13,756	-	-	13,756
Salaries and benefits payable	6,692,042	-	-	6,692,042
Contracts payable	-	110,242	-	110,242
Retainage payable	-	177,466	-	177,466
Unearned revenue	39,745	-	-	39,745
Total liabilities	<u>7,303,444</u>	<u>955,433</u>	<u>-</u>	<u>8,258,877</u>
DEFERRED INFLOWS				
Unavailable revenue - property taxes	<u>114,482</u>	<u>-</u>	<u>1,810</u>	<u>116,292</u>
FUND BALANCES				
Nonspendable:				
Inventory	97,682	-	-	97,682
Prepaid items	232,500	-	-	232,500
Restricted for:				
Continuation of federal programs	1,313,789	-	-	1,313,789
Debt service	-	-	349,911	349,911
Capital projects	-	26,529,478	-	26,529,478
Assigned for:				
Assigned for student activities	284,474	-	-	284,474
Subsequent year's budget	3,204,393	-	-	3,204,393
Unassigned	<u>7,405,707</u>	<u>-</u>	<u>-</u>	<u>7,405,707</u>
Total fund balances	<u>12,538,545</u>	<u>26,529,478</u>	<u>349,911</u>	<u>39,417,934</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 19,956,471</u>	<u>\$ 27,484,911</u>	<u>\$ 351,721</u>	<u>\$ 47,793,103</u>

HARRIS COUNTY BOARD OF EDUCATION

EXHIBIT "D"

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2020

Total fund balances - governmental funds (Exhibit "C")		\$	39,417,934
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, therefore, are not reported in the funds.			
	Cost	\$	95,649,816
	Less accumulated depreciation		<u>(40,304,815)</u>
			55,345,001
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.			
	Property taxes		116,292
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds payable	\$	(23,495,000)
	Bond premium		(4,244,254)
	Financed purchases		(3,829,953)
	Net pension liability		(51,111,282)
	Net OPEB liability		(38,278,662)
	Deferred outflows - pensions		14,712,218
	Deferred inflows - pensions		(1,423,966)
	Deferred outflows - OPEB		3,188,671
	Deferred inflows - OPEB		(9,730,632)
	Accrued interest		<u>(300,377)</u>
			<u>(114,513,237)</u>
Net position of governmental activities (Exhibit "A")		\$	<u><u>(19,634,010)</u></u>

HARRIS COUNTY BOARD OF EDUCATION

EXHIBIT "E"

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 24,532,093	\$ -	\$ 18,002	\$ 24,550,095
Sales taxes	785,431	2,937,279	15,479	3,738,189
Other taxes	24,389	-	-	24,389
State funds	30,652,641	-	-	30,652,641
Federal funds	3,025,208	-	-	3,025,208
Charges for services	1,454,133	-	-	1,454,133
Investment earnings	-	11,662	-	11,662
Miscellaneous	1,124,640	-	-	1,124,640
Total revenues	<u>61,598,535</u>	<u>2,948,941</u>	<u>33,481</u>	<u>64,580,957</u>
EXPENDITURES				
Current:				
Instruction	37,186,890	-	-	37,186,890
Support Services:				
Pupil services	2,911,904	-	-	2,911,904
Improvement of instructional services	1,239,283	-	-	1,239,283
Educational media services	952,138	-	-	952,138
General administration	774,804	-	-	774,804
School administration	4,084,540	-	-	4,084,540
Business administration	1,088,750	380,177	-	1,468,927
Maintenance and operation of plant	3,827,288	1,358,580	-	5,185,868
Student transportation services	4,425,248	1,108,775	-	5,534,023
Central support services	777,455	-	-	777,455
Other support services	123,034	-	-	123,034
Enterprise operations	412,110	-	-	412,110
Food service operation	2,090,564	-	-	2,090,564
Community service operation	398,083	-	-	398,083
Capital outlay	32,000	2,627,106	-	2,659,106
Debt service:				
Principal retirement	46,668	400,395	-	447,063
Interest and fees	-	109,876	240	110,116
Total expenditures	<u>60,370,759</u>	<u>5,984,909</u>	<u>240</u>	<u>66,355,908</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,227,776</u>	<u>(3,035,968)</u>	<u>33,241</u>	<u>(1,774,951)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	133,624	-	-	133,624
Proceeds from sale of capital assets	13,601	-	-	13,601
Issuance of bonds	-	23,495,000	-	23,495,000
Premium on bonds sold	-	4,244,254	-	4,244,254
Total other financing sources (uses)	<u>147,225</u>	<u>27,739,254</u>	<u>-</u>	<u>27,886,479</u>
Net change in fund balances	1,375,001	24,703,286	33,241	26,111,528
FUND BALANCE, beginning of year	<u>11,163,544</u>	<u>1,826,192</u>	<u>316,670</u>	<u>13,306,406</u>
FUND BALANCE, end of year	<u>\$ 12,538,545</u>	<u>\$ 26,529,478</u>	<u>\$ 349,911</u>	<u>\$ 39,417,934</u>

HARRIS COUNTY BOARD OF EDUCATION

EXHIBIT "F"

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds (Exhibit "E") \$ 26,111,528

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

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

Capital outlay	\$ 4,648,084	
expense	<u>(2,730,735)</u>	1,917,349

Net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net position. (15,819)

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

Property taxes	(128,094)
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Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Pension expense	\$ (2,075,080)	
OPEB expense	(39,787)	
Financed purchase	(133,624)	
Bond premium	(4,244,254)	
Issuance of general obligation debt	(23,495,000)	
Payment on financed purchases	<u>447,063</u>	(29,540,682)

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>(294,914)</u>
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Change in net position of governmental activities (Exhibit "B") \$ (1,950,632)

HARRIS COUNTY BOARD OF EDUCATION

EXHIBIT "G"

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

		Agency Funds
	ASSETS	
Cash		\$ <u>288,184</u>
	LIABILITIES	
Funds held for others		\$ <u>288,184</u>

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HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Harris County Board of Education (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 School District 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 Harris County Board of Education. 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, deferred outflows of resources, deferred inflows of resources 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.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT "H"

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Statements (Continued)

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

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

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

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

Fund Financial Statements

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

The School District reports the following major governmental funds:

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

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

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 (property and sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- The *Agency Funds* are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The School District’s government-wide and fiduciary fund 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, and grants. 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 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 tax revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. All other revenues are considered to be available if collected within 120 days after year-end. Property taxes, sales taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under financed purchases are reported as other financing sources.

HARRIS COUNTY BOARD OF EDUCATION EXHIBIT “H”
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 net positions 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 Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

New Accounting Pronouncements

In fiscal year 2020, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in statements and Implementation Guides that first became effective or are scheduled to become effective for the period beginning after June 15, 2018, and later.

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.) Section 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.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

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

Inventories

Food Inventories – On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their federally assigned value and purchased foods inventories are reported at cost (first-in, first-out basis). 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.

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.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 10,000	15 to 80 Years
Buildings and Improvements	\$ 10,000	Up to 50 Years
Intangible Assets	\$ 500,000	5 to 80 Years
Equipment	\$ 5,000	5 to 50 Years

Deferred Outflows/Inflows of Resources

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

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 generally accepted accounting principles, 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.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Liabilities and Bond Discounts/Premiums (Continued)

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 business administration expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, 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 (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees’ Post-employment Benefit Fund (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 the School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 – Amounts that are not in spendable form (e.g., inventory and prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

Restricted – Constraints placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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

Assigned – Amounts that are 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 of Education, or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned – Amounts within the general fund not meeting the definition of any aforementioned category. The general fund is the only fund that reports positive unassigned fund balance. 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 accounting principles generally accepted in the United States 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.

HARRIS COUNTY BOARD OF EDUCATION EXHIBIT “H”
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

The Harris County Board of Commissioners set the property tax levy for the 2019 tax digest year (calendar year) on August 8, 2019 (levy date) based on property values as of January 1, 2019. Taxes were due on December 20, 2019 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2019 tax digest are reported as revenue in the governmental funds for fiscal year 2020. The Harris 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, 2020, for maintenance and operations and debt service amounted to \$22,420,591 and \$18,002, respectively.

The tax millage rate levied for the 2019 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>17.26</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, during fiscal year ended June 30, 2020, for maintenance and operations amounted to \$2,111,502.

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$2,937,279 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 re-authorized 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 fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts and the after school program, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 3: BUDGETARY DATA (CONTINUED)

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. Section 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 in the Supplementary Information section for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: DEPOSITS AND CASH EQUIVALENTS

Collateralization of Deposits

The O.C.G.A. Section 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 and 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. Section 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.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 4: DEPOSITS AND CASH EQUIVALENTS (CONTINUED)

Collateralization of Deposits (Continued)

The School District participates in the State’s Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral levels specifying percentages of eligible securities to secure covered deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased in an amount of up to 125% if economic or financial conditions warrant. The program lists the types of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository’s collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

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, 2020, the School District had deposits with a carrying amount of \$40,593,067 (excluding cash equivalents) and a bank balance of \$42,917,144. The bank balances insured by Federal depository insurance were \$250,000. The remaining balance of \$42,667,144, was included in the SDP.

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

Statement of Net Position	
Cash and cash equivalents	\$ 41,879,760
Statement of Fiduciary Net Position	
Cash and cash equivalents	<u>288,184</u>
Total cash and cash equivalents	42,167,944
Less: Investment pool reported as cash and cash equivalents:	
Georgia Fund 1	<u>(1,574,877)</u>
Total carrying value of deposits - June 30, 2020	<u>\$ 40,593,067</u>

**HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

EXHIBIT “H”

NOTE 4: DEPOSITS AND CASH EQUIVALENTS (CONTINUED)

Categorization of Cash Equivalents

The School District reported cash equivalents of \$1,574,877 in a local government investment pool (Georgia Fund 1), which is included in the cash balances above. Georgia Fund 1 is not registered with the U.S. Securities and Exchange Commission (SEC) as an investment company and does not operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool’s share price, \$1 per share, which approximates fair value. The pool is an AAAs rated investment pool by Standard and Poor’s. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2020 was 38 days.

The Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report, which is publicly available at <https://www.sao.georgia.gov/comprehensive-annual-financial-reports>.

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**

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 6: CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>Governmental activities</u>					
Capital assets, not being depreciated:					
Land	\$ 2,315,664	\$ -	\$ -	\$ -	\$ 2,315,664
Construction in progress	10,864	2,657,061	-	(205,191)	2,462,734
Total	<u>2,326,528</u>	<u>2,657,061</u>	<u>-</u>	<u>(205,191)</u>	<u>4,778,398</u>
Capital assets, being depreciated:					
Buildings and improvements	72,901,687	118,444	-	205,191	73,225,322
Equipment	11,822,182	1,586,744	(588,612)	-	12,820,314
Land improvements	4,539,947	285,835	-	-	4,825,782
Total	<u>89,263,816</u>	<u>1,991,023</u>	<u>(588,612)</u>	<u>205,191</u>	<u>90,871,418</u>
Less accumulated depreciation for:					
Buildings and improvements	(26,485,710)	(1,714,736)	-	-	(28,200,446)
Equipment	(8,624,024)	(867,048)	572,793	-	(8,918,279)
Land improvements	(3,037,139)	(148,951)	-	-	(3,186,090)
Total	<u>(38,146,873)</u>	<u>(2,730,735)</u>	<u>572,793</u>	<u>-</u>	<u>(40,304,815)</u>
Total capital assets, being depreciated, net	<u>51,116,943</u>	<u>(739,712)</u>	<u>(15,819)</u>	<u>205,191</u>	<u>50,566,603</u>
Governmental activities capital assets, net	<u>\$ 53,443,471</u>	<u>\$ 1,917,349</u>	<u>\$ (15,819)</u>	<u>\$ -</u>	<u>\$ 55,345,001</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 1,946,602
Support services:	
Educational media services	\$ 28,804
General administration	1,000
School administration	34,387
Maintenance and operations	25,941
Student transportation	<u>595,676</u>
Food services	<u>685,808</u>
	<u>98,325</u>
Total depreciation expense	<u>\$ 2,730,735</u>

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT "H"

NOTE 7: RISK MANAGEMENT

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

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

		<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2019	\$	<u>-</u>	<u>\$ 567</u>	<u>\$ 567</u>	<u>\$ -</u>
2020	\$	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 50,000

**HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

EXHIBIT “H”

NOTE 8: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The changes in long-term debt during the fiscal year ended June 30, 2020, for governmental activities, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Energy leases	\$ 3,974,552	\$ -	\$ (317,975)	\$ 3,656,577	\$ 339,159
Technology leases	168,840	133,624	(129,088)	173,376	128,868
General obligation bonds	-	23,495,000	-	23,495,000	-
Unamortized premiums	-	4,244,254	-	4,244,254	-
Net pension liability	43,937,889	13,266,246	(6,092,853)	51,111,282	-
Net OPEB liability	39,812,478	3,777,911	(5,311,727)	38,278,662	-
Total	<u>\$ 87,893,759</u>	<u>\$ 44,917,035</u>	<u>\$ (11,851,643)</u>	<u>\$ 120,959,151</u>	<u>\$ 468,027</u>

Voters have authorized \$3,000,000 in general obligation debt for completion of SPLOST V projects, which was not issued as of June 30, 2020.

General Obligation Debt Outstanding

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

The School District had no unused line of credit or outstanding notes from direct borrowings and direct placements related to governmental activities as of June 30, 2020. In the event the entity is unable to make the principal and interest payments using proceeds from the Education Special Purpose Local Option Sales Tax (ESPLOST), the debt will be satisfied from a direct annual ad valorem tax levied upon all taxable property within the School District. Additional security is provided by the State of Georgia Intercept Program which allows for state appropriations entitled to the School District to be transferred to the Debt Service Account Custodian for the payment of debt.

During fiscal year 2020, the School District issued general obligation bonds totaling \$23,495,000 to finance various construction projects and other capital purchases.

**HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

EXHIBIT "H"

NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

General Obligation Debt Outstanding (Continued)

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Government - Series 2020	1.25% - 5.00%	2020	2037	\$ 23,495,000	\$ 23,495,000
					<u>4,244,254</u>
					\$ <u>27,739,254</u>

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

<u>Fiscal Year Ending June 30</u>	<u>General Obligation Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2021	\$ -	\$ 932,627	\$ 414,223
2022	-	904,975	401,941
2023	1,175,000	904,975	401,941
2024	1,225,000	857,975	381,067
2025	1,270,000	808,975	359,303
2026 - 2030	7,010,000	3,398,950	1,509,631
2031 - 2035	8,835,000	1,567,500	696,199
2036 - 2037	<u>3,980,000</u>	<u>180,000</u>	<u>79,949</u>
	\$ <u>23,495,000</u>	\$ <u>9,555,977</u>	\$ <u>4,244,254</u>

Obligations under Financed Purchases

Energy Lease

An energy efficiency lease agreement dated June 28, 2013, was executed by and between the School District, the lessee, and Bank of America Public Capital Corp, the lessor. The agreement authorized the borrowing of \$5,399,010 for the purchase of energy efficiency equipment and building modifications. Payments under the lease shall be made from the School District's capital projects fund.

The School District's outstanding energy efficiency lease related to governmental activities of \$3,656,577 contains a provision that in the event of default, the lessor may take any of the following remedial steps: declare all rental payments payable; take possession of or require the School District to return the equipment; terminate the lease agreement; take legal action to enforce the rights under the lease agreement.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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EXHIBIT “H”

NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

Energy Lease (Continued)

The following assets were acquired through the energy efficiency lease and are reflected in the capital asset note at fiscal year-end:

	<u>Governmental Activities</u>
Buildings and Improvement	\$ 5,399,010
Less: Accumulated depreciation	<u>(2,339,571)</u>
	<u>\$ 3,059,439</u>

The energy lease currently outstanding is as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Energy upgrade	2.64%	2013	2029	\$ <u>5,399,010</u>	\$ <u>3,656,577</u>

The following is a schedule of total energy lease payments:

<u>Fiscal Year Ending June 30</u>	<u>Energy Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 339,159	\$ 93,088
2022	361,287	83,927
2023	384,398	74,173
2024	408,530	63,799
2025	433,720	52,778
2026 - 2029	<u>1,729,483</u>	<u>87,944</u>
Total Principal and Interest	<u>\$ 3,656,577</u>	<u>\$ 455,709</u>

Technology Leases

Two technology lease agreements, one dated November 1, 2018 and one dated January 1, 2020, were executed by and between the School District, the lessee, and Dell Financial Services, the lessor. The agreement authorized the borrowing of \$259,455 and \$133,624, respectively, for the purchases of technology equipment. Payments under the technology lease agreements shall be made from the School District’s capital projects fund and general fund.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

Technology Leases (Continued)

The following assets were acquired through the technology lease agreements and are reflected in the capital asset note at fiscal year-end:

	<u>Governmental Activities</u>
Equipment	\$ 393,079
Less: Accumulated depreciation	<u>(142,038)</u>
	<u>\$ 251,041</u>

The technology leases outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Technology equipment 2019	4.85%	2019	2021	\$ 259,455	\$ 86,420
Technology equipment 2020	4.85%	2020	2022	<u>133,624</u>	<u>86,956</u>
				<u>\$ 393,079</u>	<u>\$ 173,376</u>

The following is a schedule of total technology lease payments:

<u>Fiscal Year Ending June 30</u>	<u>Technology Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 128,868	\$ 8,415
2022	<u>44,508</u>	<u>2,160</u>
Total Principal and Interest	<u>\$ 173,376</u>	<u>\$ 10,575</u>

**HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

EXHIBIT “H”

NOTE 9: SIGNIFICANT COMMITMENTS

Commitments under Construction Contracts

The following is an analysis of significant outstanding construction commitments executed by the School District as of June 30, 2020:

<u>Project</u>	<u>Unearned Executed Contracts (1)</u>	<u>Payments through June 30, 2020 (2)</u>	<u>Funding Available from State (1)</u>
New Middle School	\$ 27,814,348	\$ 2,308,706	\$ 9,099,057
Creekside Addition	<u>1,183,657</u>	<u>158,807</u>	<u>331,888</u>
	<u>\$ 28,998,005</u>	<u>\$ 2,467,513</u>	<u>\$ 9,430,945</u>

(1) The amounts described are not reflected in the basic financial statements.

(2) Payments include contracts and retainage payable at year-end.

Operating Leases

The School District leases copiers under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$109,425 for governmental activities for the year ended June 30, 2020. The following future minimum lease payments were required under operating leases at June 30, 2020:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2021	\$ 64,956
2022	62,423
2023	62,423
2024	53,859
2025	10,978
2026	<u>1,382</u>
	<u>\$ 256,021</u>

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-Employment Health Benefit Fund

Plan Description. Certified teachers and non-certified public school employees of the School District as defined in Section 20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit post-employment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (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.

**HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

EXHIBIT “H”

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (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 the Employees’ Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions. As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$1,030,945 for the year ended June 30, 2020. 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, 2020, the School District reported a liability of \$38,278,662 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2019, was determined using standard roll-forward techniques. The School District’s proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2019. At June 30, 2019, the School District’s proportion was 0.311915%, which was a decrease of 0.001330% from its proportion measured as of June 30, 2018.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (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, 2020, the School District recognized OPEB expense of \$1,070,732. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,164,320
Changes in assumptions	1,329,343	5,396,083
Net difference between projected and actual earnings on OPEB plan investments	83,359	-
Changes in Proportion and differences between School District contributions and proportionate share of contributions	745,024	170,229
School District contributions subsequent to the measurement date	1,030,945	-
Total	\$ 3,188,671	\$ 9,730,632

School District contributions subsequent to the measurement date of \$1,030,945 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30	OPEB
2021	\$ (1,668,299)
2022	\$ (1,668,299)
2023	\$ (1,671,503)
2024	\$ (1,497,346)
2025	\$ (868,926)
2026	\$ (198,533)

**HARRIS COUNTY BOARD OF EDUCATION
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JUNE 30, 2020**

EXHIBIT “H”

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (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)

Actuarial assumptions. The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

OPEB:

Inflation	2.50%
Salary increases	3.00 – 8.75%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.250%
Medicare Eligible	5.375%
Ultimate trend rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2028
Medicare Eligible	2022

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

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

**HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

EXHIBIT “H”

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (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)

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

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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. During the year ended June 30, 2018, the School OPEB fund updated their investment strategy to a more long-term approach. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long - term Expected Rate of Return *</u>
Fixed income	30.00%	(0.10)%
Domestic stocks - Large Cap	46.20%	8.90%
Domestic stocks - Small Cap	1.30%	13.20%
International stocks - Developing Market	12.40%	8.90%
International stocks - Emerging Market	5.10%	10.90%
Alternatives	5.00%	12.00%
Total	<u>100.00%</u>	

*Rate shown is net of inflation

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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EXHIBIT “H”

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (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)

Discount rate. The discount rate has changed since the prior measurement date, from 3.87% to 3.58%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.50% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2119. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2026. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current discount rate:

<i>School OPEB Fund - Discount Rate</i>	<u>1% Decrease (2.85%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
School District's proportionate share of the net OPEB liability	\$ 44,492,440	\$ 38,278,662	\$ 33,224,033

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

<i>School OPEB Fund - Healthcare Cost Trend Rate</i>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$ 32,245,717	\$ 38,278,662	\$ 45,940,960

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report which is publicly available at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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EXHIBIT “H”

NOTE 11: 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. Section 47-3-60 and certain other support personnel as defined by O.C.G.A. Section 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 (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 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 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee’s creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee’s beneficiary had the employee retired on the date of death. Death benefits are based on the employee’s creditable service and compensation up to the date of death.

Contributions. Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. Section 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 2020. The School District’s contractually required contribution rate for the year ended June 30, 2020 was 21.14% of annual School District payroll of which 21.08% of payroll was required from the School District and 0.06% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$6,498,272 and \$18,322 from the School District and the State, respectively.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 11: RETIREMENT PLANS (CONTINUED)

Public School Employees Retirement System (PSERS)

Plan Description. PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administer 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 \$15.25, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions. The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. Section 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 \$114,679.

HARRIS COUNTY BOARD OF EDUCATION
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EXHIBIT "H"

NOTE 11: RETIREMENT PLANS (CONTINUED)

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

At June 30, 2020, the School District reported a liability of \$51,111,282 for its proportionate share of the net pension liability for TRS.

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	\$ 51,111,282
State of Georgia's proportionate share of the Net Pension Liability associated with the School District	<u>161,915</u>
	<u>\$ 51,273,197</u>

The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019, was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2019.

At June 30, 2019, the School District's TRS proportion was 0.237697%, which was an increase of 0.000990% from its proportion measured as of June 30, 2018.

At June 30, 2020, 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 \$606,044.

The PSERS net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019, was determined using standard roll-forward techniques. The 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, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$8,494,313 for TRS and \$186,896 for PSERS and revenue of (\$79,039) for TRS and \$186,896 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.

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 11: RETIREMENT PLANS (CONTINUED)

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

At June 30, 2020, the School District reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	TRS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,880,892	\$ 15,153
Changes in assumptions	4,904,794	-
Net difference between projected and actual earnings on pension plan investments	-	1,217,116
Changes in Proportion and differences between School District contributions and proportionate share of contributions	428,260	191,697
School District contributions subsequent to the measurement date	<u>6,498,272</u>	<u>-</u>
Total	<u><u>\$ 14,712,218</u></u>	<u><u>\$ 1,423,966</u></u>

School District contributions subsequent to the measurement date for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>TRS</u>
2021	\$ 2,767,762
2022	\$ 582,514
2023	\$ 1,718,630
2024	\$ 1,721,074

**HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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EXHIBIT “H”

NOTE 11: 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, 2019, was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	2.50%
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 were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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

Public School Employees Retirement System

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

**HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

EXHIBIT “H”

NOTE 11: RETIREMENT PLANS (CONTINUED)

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

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

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

The long-term expected rate of return on TRS 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 asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS Target allocation	PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.10)%
Domestic large stocks	51.00%	46.20%	8.90%
Domestic small stocks	1.50%	1.30%	13.20%
International developed market stocks	12.40%	12.40%	8.90%
International emerging market stocks	5.10%	5.10%	10.90%
Alternative	-	5.00%	12.00%
Total	100.00%	100.00%	

* Rates shown are net of assumed rate of inflation

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT “H”

NOTE 11: 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 PSERS pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS 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%, 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%) or 1-percentage-point higher (8.25%) than the current rate:

<i>TRS - Discount Rate</i>	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's proportionate share of the net pension liability	\$ 82,968,570	\$ 51,111,282	\$ 24,913,272

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

HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

EXHIBIT "H"

NOTE 11: RETIREMENT PLANS (CONTINUED)

Defined Contribution Plan

On August 1, 2007, the School District began an employer paid 403(b) annuity plan for the group of employees covered under the PSERS. Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The School District selected Lincoln Financial Group as the provider for this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to 3% of the employee's base pay.

The employee becomes vested in the plan with three years of experience. Employees who had already achieved three years of experience at the time the plan was implemented were vested upon enrollment.

Funds accumulated in the employer paid account are only available to the employee upon termination of employment and three years of service to the School District. If an employee terminated employment prior to achieving three years of service, funds paid on behalf of the non-vested employee are credited back to the School District. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>
2020	100%	\$ 786,509
2019	100%	\$ 724,692
2018	100%	\$ 698,527

NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES

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

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

**HARRIS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

EXHIBIT “H”

NOTE 13: TAX ABATEMENTS

Harris County enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to Harris County.

For the fiscal year ended June 30, 2020, Harris County abated property taxes due to the School District that were levied on August 8, 2019, and due on December 20, 2019, totaling \$214,154. Included in that amount abated, the following are individual tax abatement agreements that each exceeded 10% of the total amount abated:

- A 52% property tax abatement to a land conservation area and resort for the purpose of increasing employment and tourism in Harris County. The abatement amounted to \$93,319.
- A 50% property tax abatement to a plastics company for the purpose of increasing employment in Harris County. The abatement amounted to \$62,136.
- A 50% property tax abatement to a logistics company for the purpose of increasing employment in Harris County. The abatement amounted to \$52,153.

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HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "1"

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

	2020	2019	2018	2017	2016	2015
School District's proportion of the net pension liability	0.237697%	0.236707%	0.234995%	0.233521%	0.237518%	0.243346%
School District's proportionate share of the net pension liability	\$ 51,111,282	\$ 43,937,889	\$ 43,674,545	\$ 48,177,986	\$ 36,159,757	\$ 30,743,557
State of Georgia's proportionate share of the net pension liability associated with the School District	161,915	138,102	419,099	763,970	529,339	472,373
Total	\$ 51,273,197	\$ 44,075,991	\$ 44,093,644	\$ 48,941,956	\$ 36,689,096	\$ 31,215,930
School District's covered payroll	\$ 29,168,854	\$ 28,286,318	\$ 27,264,400	\$ 26,025,629	\$ 25,060,528	\$ 25,104,204
School District's proportionate share of the net pension liability as a percentage of its covered payroll	175.23%	155.33%	160.19%	185.12%	144.29%	122.46%
Plan fiduciary net position as a percentage of the total pension liability	78.56%	80.27%	79.33%	76.06%	81.44%	84.03%

HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "2"

**SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 6,498,272	\$ 6,077,084	\$ 4,740,033	\$ 3,853,687	\$ 3,655,256
Contributions in relation to the contractually required	<u>6,498,272</u>	<u>6,077,084</u>	<u>4,740,033</u>	<u>3,853,687</u>	<u>3,655,256</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered payroll	\$ 30,826,471	\$ 29,168,854	\$ 28,286,318	\$ 27,264,400	\$ 26,025,629
Contributions as a percentage of covered payroll	21.08%	20.83%	16.76%	14.13%	14.04%
	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>	<u>2012 (1)</u>	<u>2011 (1)</u>
Contractually required contribution	\$ 3,295,459	\$ 3,082,796	\$ 2,874,146	\$ 2,633,682	\$ 2,672,359
Contributions in relation to the contractually required	<u>3,295,459</u>	<u>3,082,796</u>	<u>2,874,146</u>	<u>2,633,682</u>	<u>2,672,359</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered payroll	\$ 25,060,528	\$ 25,104,204	\$ 25,189,708	\$ 25,619,473	\$ 25,995,712
Contributions as a percentage of covered payroll	13.15%	12.28%	11.41%	10.28%	10.28%

(1) The School District has included on behalf payments within the contributions for fiscal year 2015 and prior.

HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "3"

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>606,044</u>	<u>596,789</u>	<u>567,716</u>	<u>740,746</u>	<u>482,005</u>	<u>410,360</u>
Total	\$ <u><u>606,044</u></u>	\$ <u><u>596,789</u></u>	\$ <u><u>567,716</u></u>	\$ <u><u>740,746</u></u>	\$ <u><u>482,005</u></u>	\$ <u><u>410,360</u></u>
School District's covered payroll	\$ 1,362,269	\$ 1,381,406	\$ 1,418,211	\$ 1,269,546	\$ 1,486,462	\$ 1,304,879
School District's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	85.02%	85.26%	85.69%	81.00%	87.00%	88.29%

HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "4"

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net OPEB liability	0.311915%	0.313245%	0.312230%
School District's proportionate share of the net OPEB liability	\$ 38,278,662	\$ 39,812,478	\$ 43,868,189
State of Georgia's proportionate share of the net OPEB liability associated with the School District	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>38,278,662</u>	\$ <u>39,812,478</u>	\$ <u>43,868,189</u>
School District's covered-employee payroll	25,107,126	24,660,646	23,582,687
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	152.46%	161.44%	186.02%
Plan fiduciary net position as a percentage of the total OPEB liability	4.63%	2.93%	1.61%

HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "5"

**SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Contractually required contribution	\$ 1,030,945	\$	1,679,878	\$	1,623,520	\$	1,627,994
Contributions in relation to the contractually required contribution	<u>1,030,945</u>		<u>1,679,878</u>		<u>1,623,520</u>		<u>1,627,994</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>
School District's covered-employee payroll	\$ 26,419,116	\$	25,107,126	\$	24,660,646	\$	23,582,687
Contributions as a percentage of covered-employee payroll	3.90%		6.69%		6.58%		6.90%

HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "6"

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Teachers Retirement System

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

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

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

Public School Employees Retirement System

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

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

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10%, from 7.40% to 7.30% as of the June 30, 2018 measurement date.

School OPEB Fund

Changes of benefit terms: There have been no changes in benefit terms

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

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

HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "7"

**GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original ⁽¹⁾	Final ⁽¹⁾		
REVENUES				
Property taxes	\$ 26,028,359	\$ 26,028,359	\$ 24,532,093	\$ (1,496,266)
Sales taxes	-	-	785,431	785,431
Other taxes	-	-	24,389	24,389
State funds	27,888,072	27,909,752	30,652,641	2,742,889
Federal funds	1,283,990	2,188,785	3,025,208	836,423
Charges for services	1,625,634	1,625,634	1,454,133	(171,501)
Miscellaneous	200	200	1,124,640	1,124,440
Total revenues	<u>56,826,255</u>	<u>57,752,730</u>	<u>61,598,535</u>	<u>3,845,805</u>
EXPENDITURES				
Current:				
Instruction	37,096,769	39,944,236	37,186,890	2,757,346
Support services:				
Pupil services	3,106,231	3,329,599	2,911,904	417,695
Improvement of instructional services	894,782	1,291,307	1,239,283	52,024
Educational media services	1,022,822	1,022,822	952,138	70,684
General administration	756,005	782,653	774,804	7,849
School administration	3,805,072	3,805,072	4,084,540	(279,468)
Business administration	833,370	833,370	1,088,750	(255,380)
Maintenance and operation of plant	3,810,950	3,810,950	3,827,288	(16,338)
Student transportation services	4,085,400	4,086,650	4,425,248	(338,598)
Central support services	622,200	622,200	777,455	(155,255)
Other support services	19,100	78,589	123,034	(44,445)
Enterprise operations	-	-	412,110	(412,110)
Food service operations	2,659,824	2,657,824	2,090,564	567,260
Community service operation	17,093	17,093	398,083	(380,990)
Capital outlay	-	-	32,000	(32,000)
Debt service:				
Principal retirement	-	-	46,668	(46,668)
Total expenditures	<u>58,729,618</u>	<u>62,282,365</u>	<u>60,370,759</u>	<u>1,911,606</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,903,363)</u>	<u>(4,529,635)</u>	<u>1,227,776</u>	<u>5,757,411</u>
OTHER FINANCING SOURCES				
Financed purchases	-	-	133,624	133,624
Proceeds from sale of capital assets	-	-	13,601	13,601
Total other financing sources	<u>-</u>	<u>-</u>	<u>147,225</u>	<u>147,225</u>
Net change in fund balances	<u>(1,903,363)</u>	<u>(4,529,635)</u>	<u>1,375,001</u>	<u>5,904,636</u>
FUND BALANCE, beginning of year	<u>11,163,544</u>	<u>11,163,544</u>	<u>11,163,544</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 9,260,181</u>	<u>\$ 6,633,909</u>	<u>\$ 12,538,545</u>	<u>\$ 5,904,636</u>

Note to the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

(1) Original and Final Budget amounts do not include the budgeted revenues of the various school activity accounts and the after school program. The actual revenues and expenditures of the school activity accounts were \$1,222,060 and \$1,247,594, respectively. The actual revenues and expenditures of the after school program were \$434,895 and \$400,026, respectively.

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.

HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "8"

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

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
Agriculture, U.S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	205GA324N1099	\$ 369,123
National School Lunch Program	10.555	205GA324N1099	1,603,287
Total U.S. Department of Agriculture			<u>1,972,410</u>
Education, U.S. Department of			
Direct			
Impact Aid			
School and Community Based Programs	84.041	N/A	<u>22,785</u>
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A180073	106,577
Grants to States	84.027	H027A190073	674,122
Preschool Grants	84.173	H173A180081	32
Preschool Grants	84.173	H173A190081	39,613
Total Special Education Cluster			<u>820,344</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Supporting Effective Instruction State Grants	84.367	S367A180001	10,701
Supporting Effective Instruction State Grants	84.367	S367A190001	93,224
Title I Grants to Local Educational Agencies	84.010	S010A180010	52,686
Title I Grants to Local Educational Agencies	84.010	S010A190010	450,093
Student Support and Academic Enrichment	84.424	S424A180011	20,262
Student Support and Academic Enrichment	84.424	S424A190011	9,550
Career and Technical Education - Basic Grants to States	84.048	V048A180010	1,783
Career and Technical Education - Basic Grants to States	84.048	V048A190010	40,405
Total Other Programs			<u>678,704</u>
Total U.S. Department of Education			<u>1,521,833</u>

(Continued)

HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "8"

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

<u>Funding Agency</u> <u>Program/Grant</u>	<u>CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Entity</u> <u>ID</u> <u>Number</u>	<u>Expenditures</u> <u>In Period</u>
Defense, U.S. Department of Direct Department of the Air Force R.O.T.C. Program	12.unknown	N/A	\$ 77,980
Total Expenditures of Federal Awards			\$ 3,572,223

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Harris County Board of Education (the "School District") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "9"

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Agency/Funding</u>	<u>Governmental Fund Type</u>
	<u>General Fund</u>
Grants	
Bright from the Start	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 1,237,874
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Costs	
Kindergarten Program	1,439,740
Kindergarten Program - Early Intervention Program	491,426
Primary Grades (1-3) Program	3,821,006
Primary Grades - Early Intervention (1-3) Program	948,677
Upper Elementary Grades (4-5) Program	2,055,800
Upper Elementary - Early Intervention (4-5) Program	650,257
Middle School (6-8) Program	3,867,635
High School General Education (9-12) Program	3,167,225
Career Technical and Agricultural Education Program 9-12 ("CTAE") (Function 1000 only)	1,449,050
Students with Disabilities	3,849,663
Gifted Students - Category VI	859,368
Remedial Education Program	694,472
Alternative Education Program	282,359
English Speakers of Other Languages ("ESOL")	35,666
Media Center Program	635,080
20 Days Additional Instruction	205,235
Staff and Professional Development	104,340
Principal Staff and Professional Development	1,906
Indirect Cost	
Central Administration	1,025,297
School Administration	1,254,609
Facility Maintenance and Operations	1,315,655
Categorical Grants	
Pupil Transportation - Regular	581,180
Pupil Transportation - State Bonds	308,880
Nursing Services	112,170
Vocational Supervisors	28,280
Food Services	59,624
Career, Technical and Agricultural Education ("CTAE") (Total Pgms 3100 – 3999)	62,543
Amended Formula Adjustment	(436,979)
Other State Programs	
Computer Science Capacity Grant	24,380
Connect Grant Bond Funds	25,121
Hygiene Products in Georgia Schools	255
Preschool Handicapped Program	42,322
Math and Science Supplement	57,676
School Security Grant 2019-2020	210,000
On-Behalf Payments	
Georgia Department of Education	
Paid to the Teachers Retirement System	18,322
Office of State Treasurer	
Paid to the Public School Employees	
Retirement System	114,679
Contract	
Human Resources, Georgia Department of	
Family Connection	51,848
Grand Total	\$ 30,652,641

HARRIS COUNTY BOARD OF EDUCATION

SCHEDULE "10"

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS - SPLOST V
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PROJECT SPLOST V	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COST (2)	EXPENDED IN CURRENT YEAR (3)	EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
A 1% sales and use tax be reimposed in the School District to raise not more than \$14,500,000 for the purposes of providing funds to pay, or to reimburse the School District for the cost of paying, or to be applied toward the cost of:	\$ 14,500,000	\$ 14,500,000	\$ -	\$ -	\$ -	-	
(i) acquiring, constructing, equipping and furnishing new buildings and facilities, including but not limited to transportation facilities and physical education venues,							12/31/2021
Southern A&E - ADA @ HCHS Stadium	-	-	-	1,745	-	-	
Swimming scoreboard	-	-	-	19,200	-	-	
Transportation facility	-	-	-	3,412,536	-	-	
Remodel Building adjacent to HCHS	-	-	-	26,160	-	-	
Purchase Building adjacent to HCHS	-	-	-	316,791	-	-	
(ii) adding to, renovating, improving, equipping and furnishing existing school buildings and facilities and other facilities, including but not limited to roofs and lunchroom at Harris County Carver Middle School, and HVAC at New Mountain Hill Elementary School,							12/31/2021
Southern A&E Transportation Facility	-	-	11,391	1,634	-	-	
Southern A&E Reroofing	-	-	-	7,800	-	-	
Reroofing	-	-	205,500	-	-	-	
Maintenance department supplies	-	-	-	20,170	-	-	
Old gym removal	-	-	-	31,700	-	-	
HVAC Repairs	-	-	119,936	-	-	-	
Intercom System PRES	-	-	-	10,539	-	-	
Gym Floor Refinishing	-	-	-	21,590	-	-	
System-wide repainting	-	-	14,240	246,885	-	-	
System-wide Carpet and Building Repairs	-	-	188,316	631,296	-	-	
System-wide security cameras	-	-	-	155,140	-	-	
System-wide technology improvements	-	-	18,042	568,171	-	-	
Stage Risers PRES	-	-	-	5,825	-	-	
System-wide furniture	-	-	-	152,765	-	-	
System-wide handicap accessible ramp repairs	-	-	-	1,634	-	-	
System-wide energy project - ABM	-	-	419,657	995,024	-	-	
Paving at Central Office	-	-	-	21,075	-	-	
HCHS Auditorium Sound System	-	-	-	46,464	-	-	
HCCMS Speed Bumps	-	-	-	711	-	-	
Main Lift	-	-	-	9,254	-	-	
Gravel for Bus Lots	-	-	-	3,815	-	-	
Baseball Fieldhouse and Sprinkler System	-	-	-	29,193	-	-	
System-wide Paving	-	-	308,503	454,150	-	-	
Laundry Equipment HCHS	-	-	-	15,550	-	-	
(iii) acquiring instructional and administrative information technology equipment, computer software and hardware, physical education equipment, fine arts equipment, safety and security equipment and other school equipment,							12/31/2021
Financial/HR software - SoftDocs	-	-	29,894	31,313	-	-	
System-wide school nutrition POS system	-	-	-	26,450	-	-	
Technology supplies	-	-	-	96,552	-	-	
Technology purchases	-	-	583,265	-	-	-	
Mobile Learning Lab	-	-	-	14,400	-	-	
Mobile Radio Batteries	-	-	-	7,493	-	-	
American Red Cross - ASHA RE - Cert.	-	-	-	113	-	-	
Bus supplies for SPED	-	-	-	1,486	-	-	
(iv) acquiring school buses and other school vehicles, reflooring Buses	-	-	1,108,775	1,203,709	-	-	12/31/2021
	-	-	-	23,240	-	-	
(v) acquiring textbooks, and	-	-	-	595,213	-	-	12/31/2021
(vi) acquiring any capital property necessary or desirable for the foregoing purposes, both real and personal.	-	-	-	-	-	-	12/31/2021
Total SPLOST V	\$ 14,500,000	\$ 14,500,000	\$ 3,007,519	\$ 9,206,786	\$ -	\$ -	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax

(2) The School District's current estimate of total costs for the projects. Includes all costs from project inception to completion.

(3) The voters of Harris County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects include sales tax proceeds plus interest earned on the accounts.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

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

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Harris County Board of Education

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Harris County Board of Education (School District), as of and for the year ended June 30, 2020, 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 November 9, 2021.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District'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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with the first and last names being more prominent.

Greg S. Griffin
State Auditor

November 9, 2021

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

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

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Harris County Board of Education

Report on Compliance for Each Major Federal Program

We have audited the Harris County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item FA 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as item FA 2020-001, that we consider to be a significant deficiency.

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The School District's response to the internal control over compliance finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin", with a stylized flourish at the end.

Greg S. Griffin
State Auditor

November 9, 2021

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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HARRIS COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2019-001	<u>Improve Controls Over Verification</u>
Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	195GA324N1099 – School Breakfast Program 195GA324N1100 – National School Lunch Program
Questioned Costs:	\$2,492.40

Finding Status: Partially Resolved

The Harris County School District Nutrition Program (SNP) has made corrective actions to ensure internal control procedures operate appropriately by implementing processing timeframes and carefully reviewing all applications for accurate information such as verification of all household names, social security numbers, appropriate signatures, etc. All applications will be reviewed and signed off with at least two verifying signatures. SNP will also ensure that all eligibility information entered on the form is also accurately entered into the database.

FA 2018-001	<u>Improve Controls Over Eligibility Determinations and Verification</u>
Compliance Requirement:	Eligibility Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	18185GA324N1099 – School Breakfast Program 18185GA324N1100 – National School Lunch Program
Questioned Costs:	\$3,034.56

Finding Status: Partially Resolved

The Harris County School District Nutrition Program (SNP) has made corrective actions to ensure internal control procedures operate appropriately by implementing processing timeframes and carefully reviewing all applications for accurate information such as verification of all household names, social security numbers, appropriate signatures, etc. All applications will be reviewed and signed off with at least two verifying signatures. SNP will also ensure that all eligibility information entered on the form is also accurately entered into the database.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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HARRIS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:
Governmental Activities; All Major Funds; Aggregate Remaining Fund Information Unmodified

Internal control over financial reporting:
▪ Material weakness identified? No
▪ Significant deficiency identified? None Reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:
▪ Material weakness identified? No
▪ Significant deficiency identified? Yes

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

HARRIS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2020-001	<u>Improve Controls over Verification</u>
Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Significant Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Numbers and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Numbers:	205GA324N1099 – School Breakfast Program 205GA324N1099 – National School Lunch Program
Likely Questioned Costs:	None Identified
Repeat of Prior Year Findings:	FA 2019-001, FA 2018-001

Description:

A review of the verification process for free and reduced meal applications related to the Child Nutrition Cluster (CFDA 10.553 and 10.555) revealed that the School District's internal control procedures were not operating appropriately to ensure that reviews and approvals occurred and proper verification standards were applied.

Criteria:

7 CFR 245.6(c)(1) states in part that "the local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year." In addition, 7 CFR 245.6(c)(4) states in part that when determining initial eligibility and calculating income "the local education agency must use the income information provided by the household on the application to calculate the household's total current income."

7 CFR 245.6a(f)(2) states in part that "households selected and notified of their selection for verification must provide documentation of income. The documentation must indicate the source, amount and frequency of all income and can be for any point in time between the month prior to application for school meal benefits and the time the household is requested to provide income documentation."

7 CFR 245.6a(h) states in part that "each local education agency must report information related to its annual statutorily required verification activity... to the State agency... Local educational agencies shall retain copies of the information reported under this section and all supporting documents for a minimum of 3 years. All verified applications must be readily retrievable on an individual school basis and include all documents submitted by the household for the purpose of confirming eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission. All relevant correspondence between the households selected for verification and the school or local educational agency must be retained."

Furthermore, 2 CFR 200.303(a) states in part that the "non-Federal entity must: (a) Establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award... (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards."

HARRIS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

The 20 free and reduced meal applications selected for verification were reviewed to ensure that the School District performed verification procedures properly and made appropriate changes to each student's eligibility status based on supporting documentation obtained. The following deficiencies were noted:

- The initial eligibility determination was incorrect for one of the applications reviewed.
- Evidence of review and approval of the initial determination for free and reduced meals was not reflected for two of the applications reviewed.
- The initial determination for free and reduced meals and approval of this determination was performed by the same individual for one of the applications reviewed.
- Evidence of review and approval of the final eligibility determination for free and reduced meals was not reflected for one of the applications reviewed.
- The detailed verification documentation reviewed by auditors did not agree to the summary verification results reported by the School District to the Georgia Department of Education.

Cause:

In discussing this deficiency with the School District, they indicated this was a repeat of prior year issues due to timing. The School Nutrition personnel have worked to strengthen internal controls over the verification process and anticipate these issues to be resolved in fiscal year 2021.

Effect or Potential Effect:

Failure to make accurate eligibility determinations and perform supervisory reviews of eligibility determinations exposes the School District to unnecessary risk of error and misuse of Federal Funds. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should review current internal control procedures related to the verification of free and reduced meal applications. Where vulnerable, the School District should develop and/or modify its policies and procedures to ensure that all verification procedures are performed appropriately. Furthermore, management should develop and implement a monitoring process to ensure that controls are functioning properly.

Views of Responsible Officials:

We concur with this finding.

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SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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Harris County Board Of Education

132 Barnes Mill Road
Hamilton, Georgia 31811
(706) 628-4206
Fax (706) 628-5609

BOARD MEMBERS

Shane Lipp, Chairman
Steve F. Goodnoe
Harry Proctor
Bridgett Oliver
Dr. Monica Sparks
Scott Greene
Garnett Ray III

SUPERINTENDENT
Mr. Roger D. Couch

ASSISTANT SUPERINTENDENT
CURRICULUM
Dr. David Dennie

ASSISTANT SUPERINTENDENT
BUSINESS SERVICES/TECHNOLOGY
Dr. Justin Finney

ASSISTANT SUPERINTENDENT
HUMAN RESOURCES
Mrs. Stacey Carlisle

ASSISTANT SUPERINTENDENT
SUPPORT SERVICES
Mrs. Shelia Baker

HARRIS COUNTY BOARD OF EDUCATION AUDITEE'S RESPONSE SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2020

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

No matters were reported.

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA 2020-001 Improve Controls over Verification
Compliance Requirement: Special Tests and Provisions
Internal Control Impact: Significant Deficiency
Compliance Impact: Significant Noncompliance
Federal Awarding Agency: U.S. Department of Agriculture
Pass-Through Entity: Georgia Department of Education
CFDA Numbers and Title: Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Numbers: 205GA324N1099 – School Breakfast Program
205GA324N1099 – National School Lunch Program
Likely Questioned Costs: None Identified
Repeat of Prior Year Finding: FA 2019-001, FA 2018-001

A review of the verification process for free and reduced meal applications related to the Child Nutrition Cluster (CFDA 10.553 and 10.555) revealed that the School District's internal control procedures were not operating appropriately to ensure that reviews and approvals occurred and proper verification standards were applied.

Corrective Action Plans:

The Harris County School District School Nutrition Program will make corrective actions to ensure internal control procedures operate appropriately by implementing processing timeframes and carefully reviewing all applications for accurate eligibility information such as verification of all household names, social security numbers, appropriate signatures, etc. All applications will be reviewed and signed off with at least two verifying signatures. SNP will also ensure that all eligibility information entered on the form is also accurately entered into the database. The

following gives an overview of the processes that have already been implemented by the SNP staff.

Processing timeframes:

- Process within ten working days of receiving applications
- New student applications processed immediately (please get them to SNP office for processing as soon as you can)

Eligible SNAP/TANF:

Must Include:

- Names of Children
- SNAP and/or TANF case number (One number extends to all students in the household)
- Signature of adult household members

Foster Child Application:

Must Include:

- Name(s) of foster child(ren)
- Foster child box must be checked for each child that is in foster care
- Adult Signature
- A foster child may also be included on the foster family application
- Personal income for the foster child must be listed.

Income Eligible Applications:

Must Include:

- Names of all household members
- Foster Child box checked for any foster children in the household
- Income of any children listed in step 1
- Amount, frequency, and source of income for any household member
- Foster child personal income
- Annual Income
- Last four digits of SSN or "No SSN" box checked
- Signature of adult household member

School Managers' Responsibilities:

- Look over all applications before submitting to Central Office-School Nutrition Program to make sure applications have all required information and are on the current year's form
- Stamp received date of each application

Central Office- School Nutrition Program Responsibility:

- Make sure all applications are processed within ten working days of receiving applications.
- Make sure all applications include a signature of a determining official and a confirming official.
- File all applications according to application number for easy access.

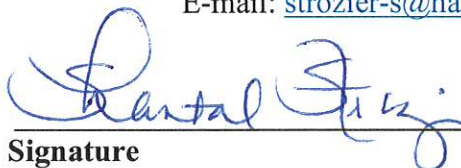
Estimated Completion Date: June 30, 2022

Contact Person: Shantal Strozier

Telephone: 706-628-4172

E-mail: strozier-s@harris.k12.ga.us

Shantal Strozier
SNP Director


Signature

9.21.21
Date