

Hall County Board of Education

Gainesville, GA

Annual Financial Report

For the Fiscal Year Ended June 30, 2022

Including Independent Auditor's Report

Hall County Board of Education

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Section I

Financial

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DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

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
Mr. William Schofield, Superintendent and Members of the
Hall County Board of Education

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hall County Board of Education (School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School District as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial

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reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The 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 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 procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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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,



Greg S. Griffin
State Auditor

March 31, 2023

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HALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

INTRODUCTION

The School District's financial statements for the fiscal year ended June 30, 2022 includes a series of basic financial statements that report financial information for the School District as a whole and its funds. The Statement of Net Position and the Statement of Activities provide financial information about all of the School District's activities and present both a short-term and long-term view of the School District's finances on a global basis. The fund financial statements provide information about all of the School District's funds. Information about these funds, such as the School District's general fund, is important in its own right, but will also give insight into the School District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

FINANCIAL HIGHLIGHTS

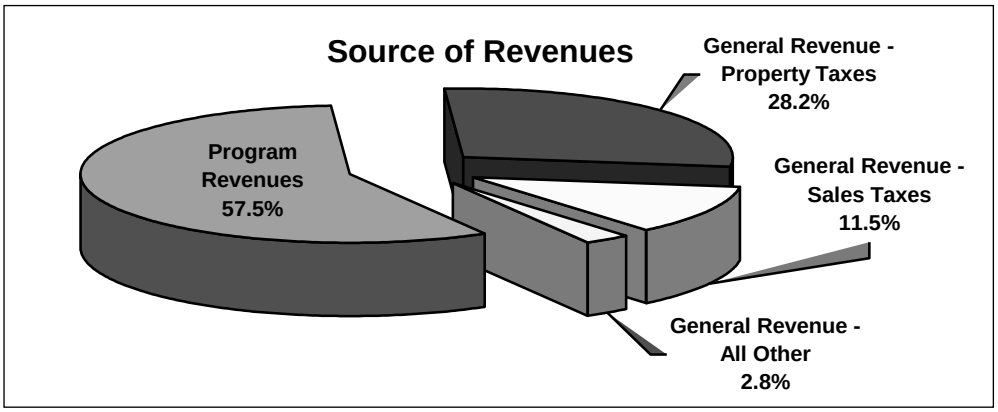
Key financial highlights for fiscal year 2022 are as follows:

On the government-wide financial statements:

- The School District's net position at June 30, 2022 was $77.7 million. Net position reflects the difference between all assets and deferred outflows of resources of the School District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term, and deferred inflows of resources. The net position at June 30, 2022 of $77.7 million represented an increase of about $78.9 million when compared to the prior year. The primary reasons for the increase in net position were twofold: (1) actuarial estimates used in the financial statements for fiscal year 2022 resulted in a favorable impact on net position of about $35.2 million and (2) an increase of about $27.4 million in operating and capital grants during fiscal year 2022 as compared to fiscal year 2021.

- The School District had $317.1 million in expenses relating to governmental activities; $227.8 million of the $317.1 million in expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of $168.5 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $168.2 million or about 42% of all revenues and special item totaling $396.1 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues. (Percentages in table below have been rounded to one decimal place.)



On the fund financial statements:

- Among major funds, the general fund had $352.9 million in revenues and $333.7 million in expenditures. The general fund balance of $96.9 million at June 30, 2022 increased almost $19.3 million from the prior year. The increase in fund balance was primarily attributable to the School District's actual expenditures being substantially less than the amount budgeted. This situation occurred, in part, because expenditure requirements were reduced in certain functions as a result of Covid-19 having a limiting effect on operations. The functions experiencing significant expenditures less than the final budget were instruction, maintenance and operation, and transportation.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial Statements consist of three parts; management's discussion and analysis (this section), the basic financial statements including notes to the financial statements and supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

The government-wide financial statements include the 'Statement of Net Position' and 'Statement of Activities'. These statements provide information about the activities of the School District presenting both short-term and long-term information about the School District's overall financial status.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'governmental funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. In the case of the Hall County School District, the general fund, capital projects fund, and debt service fund are all considered to be major funds. The School District has no funds reported as nonmajor funds as defined by generally accepted accounting principles.

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

Government-Wide Statements

Since Hall County School District has no operations that have been classified as "Business Activities", the government-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called governmental activities. In reviewing the government-wide financial statements, a reader might ask the question, are we in a better financial position now than last year? The 'Statement of Net Position' and the 'Statement of Activities' provides the basis for answering this question. These financial statements include all the School District's assets and liabilities and uses the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and any changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, student-teacher ratios, and other factors.

When analyzing government-wide financial statements, it is important to remember these statements are prepared using an economic resources measurement focus (accrual accounting) and involve the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt, including pension and post-employment obligations, as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:
    - *Net Investment in capital assets*
    - *Restricted net position* includes amounts with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
    - *Unrestricted for no specific use*

Fund Financial Statements

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the School District has no nonmajor funds as defined by generally accepted accounting principles.
The School District has one kind of fund as discussed below:

Governmental Funds – The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual method of accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position, which is the difference between total assets, deferred outflows of resources, total liabilities and deferred inflows of resources, is one indicator of the financial condition of the School District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the School District's operating results. The School District's net position, as measured in the Statement of Net Position is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position - as measured in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. However, the School District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the School District.

In the case of the Hall County School District, assets and deferred outflows of resources exceeded deferred inflows of resources and liabilities by about $77.7 million at June 30, 2022. To better understand the School District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the $77.7 million in net position, over about $122.3 million was restricted for continuation of various state and Federal programs, debt service and ongoing capital projects. Accordingly, these funds were not available to meet the School District's ongoing obligations to citizens and creditors.

In addition, the School District had $300.9 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The School District uses these capital assets to provide educational services to students within geographic boundaries served by the School District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

Because of the restrictions on net position as discussed above, the School District had an unrestricted (deficit) of about $345.4 million at June 30, 2022. The reader should remember this deficit includes pension related charges recorded because of the implementation (fiscal year 2015) of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date on Amendment to GASB Statement No. 68;* and also includes charges recorded because of the implementation (fiscal year 2018)

of GASB Statement No. 75, *Accounting and Financial reporting for Post-Employment Benefits Other than Pensions.* The School District believes it is also meaningful to view the School District's net position in the following manner:

Net position associated with pension obligations	$	(178,093,312)
Net position associated with post-employment benefits other than pension obligations		(223,627,295)
Net position exclusive of pension obligations and other post-employment benefits		479,468,180
Net Position, June 30, 2022	$	77,747,573

The above analysis shows that the recognition of liabilities for pension obligations and post-employment benefits on the financial statements has had a severe effect on the School District's unrestricted net position. However, despite these obligations, management believes the School District's financial position is sound.

Table 1 provides a summary of the School District's net position for this fiscal year as compared to the prior fiscal year.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2022	Fiscal Year 2021
Assets		
Current and Other Assets	$ 273,694,891	$ 293,158,804
Capital Assets, Net	419,464,132	364,279,711
Total Assets	693,159,023	657,438,515
Deferred Outflows of Resources		
Related to Defined Benefit Pension Plan	79,038,980	80,412,140
Related to OPEB Plan	37,120,248	45,376,309
Total Deferred Outflows of Resources	116,159,228	125,788,449
Total Assets and Deferred Outflows of Resources	809,318,251	783,226,964
Liabilities		
Current and Other Liabilities	43,387,540	40,765,455
Long-Term Liabilities	170,303,303	180,996,269
Net Pension Liability	104,400,983	285,339,297
Net OPEB Liability	166,492,343	227,965,874
Total Liabilities	484,584,169	735,066,895
Deferred Inflows of Resources		
Related to Defined Benefit Pension Plan	152,731,309	293,133
Related to OPEB Plan	94,255,200	49,062,320
Total Deferred Inflows of Resources	246,986,509	49,355,453
Total Liabilities and Deferred Inflows of Resources	731,570,678	784,422,348
Net Position		
Net Investment in Capital Assets	300,930,547	299,274,358
Restricted	122,262,476	81,823,224
Unrestricted (Deficit)	(345,445,450)	(382,292,966)
Total Net Position	$ 77,747,573	$ (1,195,384)

In connection with unrestricted (deficit) shown above at June 30, 2022, management presents the following additional information:

Total unrestricted net position (deficit)	$	(345,445,450)
Unrestricted deficit in net position resulting from recognition of net pension obligations		178,093,312
Unrestricted deficit in net position resulting from recognition of post-employment benefits other than pension obligations		223,627,295
Unrestricted net position, exclusive of the net pension obligation and post-employment benefits effect	$	56,275,157

The above analysis reflects, except for pension obligations and post-employment benefits, the School District's unrestricted net position is a positive $56.3 million and accordingly, management believes the School District's financial position is sound.

Table 2 provides a summary of the School District's net position for this fiscal year as compared to the prior fiscal year.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2022	Fiscal Year 2021
Revenues		
Program Revenues:		
Charges for Services	$ 2,002,698	$ 1,905,495
Operating Grants and Contributions	222,079,816	197,424,446
Capital Grants and Contributions	3,743,376	1,115,492
Total Program Revenues	227,825,890	200,445,433
General Revenues:		
Property Taxes	111,734,817	109,031,956
Sales Taxes	45,469,210	39,567,232
Grants and Contributions not Restricted to Specific Programs	5,675,084	5,563,117
Investment Earnings	366,818	198,120
Miscellaneous	5,270,716	5,157,671
Special Item		
Loss on Disposal of Capital Assets	(282,188)	(346,092)
Total General Revenues and Special Item	168,234,457	159,172,004
Total Revenues and Special Item	396,060,347	359,617,437
Program Expenses		
Instruction	198,070,031	221,798,119
Support Services		
Pupil Services	15,343,314	16,319,425
Improvement of Instructional Services	10,140,050	11,589,048
Educational Media Services	4,840,932	5,529,508
General Administration	870,413	649,004
School Administration	17,840,084	19,899,201
Business Administration	2,356,522	3,310,955
Maintenance and Operation of Plant	19,027,303	17,798,660
Student Transportation Services	19,224,373	18,172,035
Central Support	5,656,517	6,578,374
Other Support Services	1,076,881	957,437
Operations of Non-Instructional Services		
Enterprise Operations	1,386,769	1,127,726
Community Services	17,734	12
Food Services	17,633,435	15,493,357
Interest on Long-Term Debt	3,633,032	3,360,678
Total Expenses	317,117,390	342,583,539
Increase in Net Position	$ 78,942,957	$ 17,033,898

Cost of Providing Services

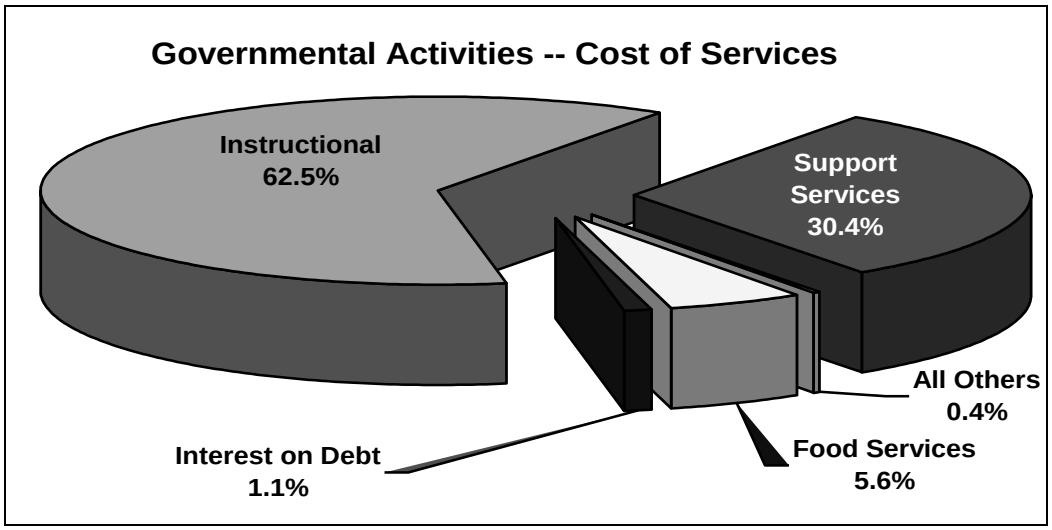
The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated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

Table 3
Cost of Services

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2021
Instruction	$ 198,070,031	$ 221,798,119	$ 40,591,916	$ 88,006,714
Support Services				
Pupil Services	15,343,314	16,319,425	10,845,433	12,565,991
Improvement of Instructional Services	10,140,050	11,589,048	4,349,189	6,584,403
Educational Media Services	4,840,932	5,529,508	779,416	935,700
General Administration	870,413	649,004	(3,840,790)	(3,646,835)
School Administration	17,840,084	19,899,201	9,197,931	11,725,378
Business Administration	2,356,522	3,310,955	2,310,671	3,000,817
Maintenance and Operation of Plant	19,027,303	17,798,660	7,826,487	1,316,750
Student Transportation Services	19,224,373	18,172,035	12,970,924	10,278,790
Central Support Services	5,656,517	6,578,374	5,421,304	6,475,388
Other Support Services	1,076,881	957,437	408,577	463,362
Operations of Non-Instructional Services				
Enterprise Operations	1,386,769	1,127,726	679,972	676,331
Community Services	17,734	12	17,734	12
Food Services	17,633,435	15,493,357	(5,753,188)	542,139
Interest on Long-Term Debt	3,633,032	3,360,678	3,485,924	3,213,166
Total Expenses	$ 317,117,390	$ 342,583,539	$ 89,291,500	$ 142,138,106

The table above shows the costs of services decreased by $25.5 million from the prior year while the net costs of providing those services decreased by $52.8 million. The reduction in fiscal year 2022 expenses was primarily the result of actuarial estimates for lower pension and OPEB expenses for fiscal 2022 by about $56.5 million as compared to the prior year. Other expenses rose as were expected. The reduction in the net costs of services for fiscal year 2022 of $52.8 million as compared to the prior year resulted primarily from the fact that operating and capital grants increased by $27.3 million in conjunction with the lower pension and OPEB expenses as discussed above.

The chart below shows a functional summary of the expenses made by the School District during fiscal year 2022. The percentages are rounded to one decimal place.



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of $399.7 million and total expenditures of almost $419.6 million in fiscal year 2022. Total governmental fund balances of $231.4 million at June 30, 2022, decreased by $19.8 million from the prior year, primarily because the School District made large capital expenditures from bond proceeds it had received from the sale of bonds in the prior year.

General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the general fund. During the course of fiscal year 2022, the School District amended its general fund budget as needed.

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

For the general fund, the final actual revenues of almost $352.9 million were less than the final budget by about $27.5 million. This variance resulted primarily from federal revenues being less than the final budget by $44.9 million. The federal revenues were less than the final budget because of timing and approval matters associated with the Federal Government relating to the ESSER grants. These matters resulted in the School District being conservative and over budgeting the amount of funds that were actually made available during fiscal year 2023.

The general fund's final actual expenditures of $333.7 million were less than the final budget by about $63.7 million. This situation is directly associated with the budgeting issues of the ESSER funds as discussed above.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At fiscal year ended June 30, 2022, the School District had almost $419.5 million invested in capital assets, net of accumulated depreciation and amortization, all in governmental activities. These assets are made up of a broad range of items including works of art; intangible assets; buildings; land; land improvements; and instructional, food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation and amortization, as compared to the prior fiscal year.

Table 4
Capital Assets at June 30
(Net of Depreciation and Amortization)

	Governmental Activities	
	Fiscal Year 2022	Fiscal Year 2021
Land	$ 32,159,033	$ 32,061,814
Works of Art	219,670	219,670
Construction in Progress	72,792,129	30,415,001
Land Improvements	24,380,787	15,468,739
Buildings and Improvements	271,022,433	268,713,262
Equipment	18,890,080	17,359,620
Intangible Assets	-	41,605
Total	$ 419,464,132	$ 364,279,711

Additional information about the School District's capital assets can be found in the Notes to the Basic Financial Statements.

Long Term Liabilities

At June 30, 2022, the School District had $170.3 million in total debt outstanding which consisted of $140.8 million in various forms of bond debt, almost $28.7 million in unamortized bond premiums and $0.8 million in compensated absences debt. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

Table 5
Change in Long-Term Liabilities

	Governmental Activities	
	Fiscal Year 2022	Fiscal Year 2021
General Obligation Bonds Payable	$ 135,180,000	$ 143,905,000
QZAB Bonds Payable	2,615,000	2,615,000
QSCB Bonds Payable (Intergovernmental Agreement)	3,000,000	3,000,000
Unamortized Bond Premiums	28,669,987	30,655,993
Compensated Absences	838,316	820,276
Total	$ 170,303,303	$ 180,996,269

At June 30, 2022, the School District's assigned bond rating was "Aa2" as determined by Moody's rating service.

Additional information about the School District's debt can be found in the Notes to the Basic Financial Statements.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- In 2001, Hall County voters authorized the creation of the Total School Tax Exemption for senior citizens, which exempted a property owner over the age of 75 from paying property taxes to the School District. The passage of subsequent resolutions reduced the age requirement to qualify for the exemption to 70 years of age. The passage of the resolution, in conjunction with other factors, has resulted in the significant growth of senior citizens as a greater proportion of Hall County's total population. As the proportion of senior citizens to the number of total citizens within the County grows, and as the population in Hall County follows expected national trends for aging in the coming years, the School District expects that the higher proportion of senior citizens within Hall County will reduce the School District's ability to harvest property tax revenue for each mill that it levies.

- As part of its long-term facilities plan, the School District has strategically identified several major capital outlay needs to accommodate anticipated student population growth in certain portions of the School District, to replace and consolidate its oldest facilities, and to renovate several existing facilities to provide a modern, quality education for its students. The School District is funding these capital outlay projects with proceeds from the one percent education special purpose local option sales tax, state capital outlay grants, and the proceeds generated from the issuance of up to $258.0 million in general obligation bonds. The issuance of up to $258.0 million in general obligation debt was approved by the voters of Hall County in a referendum on June 9th, 2020. Upon approval by the general public, the School District issued general obligation bonds, labeled "Series 2020," in August 2020, consisting of principal totaling $126.1 million, premiums totaling $31.5 million, with total proceeds from the sale of bonds being $157.6 million. The School District is authorized by the referendum to issue up to $131.9 million of additional principal.

  Since the issuance of the Series 2020 bonds, the price of construction materials has undergone significant inflation. The adverse impact of inflation has resulted in significant increases to the estimated costs of the construction projects, and significant shortages of the necessary materials for construction, as proposed as part of the School District's long-term facilities plan. Presently, the School District is unable to predict (i) the extent or availability of certain construction materials, and (ii) the amount, duration, and extent of future price increases in construction materials, which could have an adverse impact on its ability to meet the goals of its long-term facilities plan.

  To facilitate its capital outlay objectives, given current economic factors, the School District estimates that it will need to issue the remaining available principal, authorized by the public in the referendum dated June 9th, 2020, of $131.9 million during the upcoming fiscal year ended June 30, 2023.

  The School District will continually evaluate economic conditions and their potential impact on its capital outlay projections in the coming months and years, and, if necessary, will reduce the scope of its construction plans or will implement cost cutting or taxation measures to maintain its financial health and stability while also balancing for the needs of the boys and girls of Hall County.

- As state budgets declined across the United States during fiscal year 2021, the federal government, authorized funds to aid school districts and local governments through the Elementary and Secondary School Emergency Relief (ESSER) fund. Hall County Schools was initially awarded a total of $77.0 million. The School District anticipates that it will use these funds to mitigate state funding shortfalls, provide for clean and sanitary schools and facilities, and recuperate student learning losses resulting from the outbreak of the novel coronavirus, or Covid-19, in fiscal years 2021, 2022, and 2023.

- The School District anticipates increased uncertainty going forward, due to inflationary pressures and economic conditions. However, the School District will continue to take measures, as appropriate, to be a good steward of tax dollars and maintain its financial position, while providing a quality education opportunity for the boys and girls of Hall County.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens' taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Jonathan Boykin, Finance Officer, Hall County Board of Education, 711 Green Street, Gainesville, Georgia 30501. You may also email your questions to Mr. Jonathan Boykin at jonathan.boykin@hallco.org.

Hall County Board of Education

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HALL COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2022

EXHIBIT "A"

		GOVERNMENTAL ACTIVITIES
ASSETS		
Cash and Cash Equivalents	$	127,628,215.63
Investments		103,079,582.10
Accounts Receivable, Net		
Taxes		6,841,108.90
State Government		22,630,672.74
Federal Government		7,884,035.81
Other		215,841.12
Inventories		237,085.50
Prepaid Items		2,711,648.64
Restricted Assets		
Investments with Fiscal Agent or Trustee		2,466,700.94
Capital Assets, Non-Depreciable		105,170,831.58
Capital Assets, Depreciable (Net of Accumulated Depreciation and Amortization)		314,293,300.14
Total Assets		693,159,023.10
DEFERRED OUTFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plan		79,038,980.00
Related to OPEB Plan		37,120,248.00
Total Deferred Outflows of Resources		116,159,228.00
LIABILITIES		
Accounts Payable		315,773.28
Salaries and Benefits Payable		37,104,319.55
Interest Payable		2,152,196.00
Claims Incurred but not Reported (IBNR)		68,869.47
Retainages Payable		3,746,382.12
Net Pension Liability		104,400,983.00
Net OPEB Liability		166,492,343.00
Long-Term Liabilities		
Due Within One Year		15,432,906.96
Due in More Than One Year		154,870,396.00
Total Liabilities		484,584,169.38
DEFERRED INFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plan		152,731,309.00
Related to OPEB Plan		94,255,200.00
Total Deferred Inflows of Resources		246,986,509.00
NET POSITION		
Net Investment in Capital Assets		300,930,546.68
Restricted for		
Continuation of Federal Programs		11,575,746.34
Continuation of State Programs		55,521.10
Debt Service		12,035,260.34
Capital Projects		98,595,948.48
Unrestricted (Deficit)		(345,445,450.22)
Total Net Position	$	77,747,572.72

The notes to the basic financial statements are an integral part of this statement.

HALL COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 198,070,030.52	$ 781,843.22	$ 153,634,711.62	$ 3,061,559.60	$ (40,591,916.08)
Support Services					
Pupil Services	15,343,314.03	-	4,497,881.38	-	(10,845,432.65)
Improvement of Instructional Services	10,140,049.85	-	5,786,828.42	4,032.23	(4,349,189.20)
Educational Media Services	4,840,931.86	-	4,061,516.04	-	(779,415.82)
General Administration	870,412.63	-	4,711,202.87	-	3,840,790.24
School Administration	17,840,084.34	-	8,538,584.20	103,568.77	(9,197,931.37)
Business Administration	2,356,521.91	32,519.39	3,146.33	10,185.02	(2,310,671.17)
Maintenance and Operation of Plant	19,027,303.05	36,921.19	11,109,554.13	54,340.57	(7,826,487.16)
Student Transportation Services	19,224,372.63	-	6,142,230.11	111,219.10	(12,970,923.42)
Central Support Services	5,656,516.93	-	166,700.24	68,513.02	(5,421,303.67)
Other Support Services	1,076,881.23	-	485,454.67	182,849.69	(408,576.87)
Operations of Non-Instructional Services					
Enterprise Operations	1,386,769.47	705,761.13	1,035.96	-	(679,972.38)
Community Services	17,733.50	-	-	-	(17,733.50)
Food Services	17,633,435.47	445,652.75	22,940,970.50	-	5,753,187.78
Interest on Long-Term Debt	3,633,032.35	-	-	147,108.00	(3,485,924.35)
Total Governmental Activities	$ 317,117,389.77	$ 2,002,697.68	$ 222,079,816.47	$ 3,743,376.00	(89,291,499.62)
General Revenues					
Taxes					
Property Taxes					
For Maintenance and Operations				$ 108,746,783.80	
For Debt Service				2,988,033.51	111,734,817.31
Sales Taxes					
Special Purpose Local Option Sales Tax					
For Capital Projects					39,763,175.54
Other Sales Tax					5,706,034.10
Grants and Contributions not Restricted to Specific Programs					5,675,084.00
Investment Earnings					366,817.91
Miscellaneous					5,270,715.61
Special Item					
Loss on Disposals of Capital Assets					(282,187.90)
Total General Revenues and Special Item					168,234,456.57
Change in Net Position					78,942,956.95
Net Position - Beginning of Year					(1,195,384.23)
Net Position - End of Year					$ 77,747,572.72

The notes to the basic financial statements are an integral part of this statement.

HALL COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 61,065,714.82	$ 61,574,967.44	$ 4,987,533.37	$ 127,628,215.63
Investments	40,024,767.61	63,054,814.49	-	103,079,582.10
Accounts Receivable, Net				
Taxes	3,196,178.53	3,608,392.56	36,537.81	6,841,108.90
State Government	22,630,672.74	-	-	22,630,672.74
Federal Government	7,884,035.81	-	-	7,884,035.81
Other	215,841.12	-	-	215,841.12
Inventories	237,085.50	-	-	237,085.50
Prepaid Items	192,748.64	-	2,518,900.00	2,711,648.64
Restricted				
Investments with a Fiscal Agent or Trustee	-	-	2,466,700.94	2,466,700.94
Total Assets	$ 135,447,044.77	$ 128,238,174.49	$ 10,009,672.12	$ 273,694,891.38
LIABILITIES				
Accounts Payable	$ 315,773.28	$ -	$ -	$ 315,773.28
Salaries and Benefits Payable	37,104,319.55	-	-	37,104,319.55
Retainages Payable	-	3,746,382.12	-	3,746,382.12
Total Liabilities	37,420,092.83	3,746,382.12	-	41,166,474.95
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	1,149,234.20	-	11,575.00	1,160,809.20
FUND BALANCES				
Nonspendable	429,834.14	-	2,518,900.00	2,948,734.14
Restricted	11,394,181.94	124,491,792.37	7,479,197.12	143,365,171.43
Assigned	3,608,009.84	-	-	3,608,009.84
Unassigned	81,445,691.82	-	-	81,445,691.82
Total Fund Balances	96,877,717.74	124,491,792.37	9,998,097.12	231,367,607.23
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 135,447,044.77	$ 128,238,174.49	$ 10,009,672.12	$ 273,694,891.38

The notes to the basic financial statements are an integral part of this statement.

HALL COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ 231,367,607.23
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.		
Land	$ 32,159,032.52	
Works of art	219,670.00	
Construction in progress	72,792,129.06	
Buildings and improvements	396,927,785.84	
Equipment	42,786,814.83	
Land improvements	46,851,355.41	
Intangible assets	453,524.56	
Accumulated depreciation	(172,726,180.50)	419,464,131.72
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	$ (104,400,983.00)	
Net OPEB liability	(166,492,343.00)	(270,893,326.00)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Related to pensions	$ (73,692,329.00)	
Related to OPEB	(57,134,952.00)	(130,827,281.00)
Taxes that are not available to pay for current period expenditures are deferred in the funds.		1,160,809.20
Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	$ (140,795,000.00)	
Accrued interest payable	(2,152,196.00)	
Compensated absences payable	(838,315.55)	
Unamortized bond premiums	(28,669,987.41)	
Claims and judgments payable	(68,869.47)	(172,524,368.43)
Net position of governmental activities (Exhibit "A")		$ 77,747,572.72

HALL COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 111,113,304.88	$ -	$ 2,976,458.51	$ 114,089,763.39
Sales Taxes	5,628,776.97	39,763,175.54	77,257.13	45,469,209.64
State Funds	167,361,222.25	3,251,268.00	-	170,612,490.25
Federal Funds	61,782,277.22	-	-	61,782,277.22
Charges for Services	2,002,697.68	-	-	2,002,697.68
Investment Earnings	55,499.86	246,333.89	64,984.16	366,817.91
Miscellaneous	4,927,687.63	343,027.98	147,108.00	5,417,823.61
Total Revenues	352,871,466.49	43,603,805.41	3,265,807.80	399,741,079.70
EXPENDITURES				
Current				
Instruction	210,634,379.60	3,530,099.33	-	214,164,478.93
Support Services				
Pupil Services	17,143,738.80	-	-	17,143,738.80
Improvement of Instructional Services	11,465,367.81	-	-	11,465,367.81
Educational Media Services	5,520,167.86	-	-	5,520,167.86
General Administration	913,211.53	-	-	913,211.53
School Administration	20,096,263.33	-	-	20,096,263.33
Business Administration	2,553,851.88	-	-	2,553,851.88
Maintenance and Operation of Plant	19,171,140.70	216,962.35	-	19,388,103.05
Student Transportation Services	18,578,553.08	579,687.00	-	19,158,240.08
Central Support Services	6,117,381.41	-	-	6,117,381.41
Other Support Services	1,085,234.23	-	-	1,085,234.23
Enterprise Operations	1,391,983.80	-	-	1,391,983.80
Community Services	17,733.50	-	-	17,733.50
Food Services Operation	18,050,815.19	-	-	18,050,815.19
Capital Outlay	942,787.91	67,172,931.08	-	68,115,718.99
Debt Services				
Principal	-	-	8,725,000.00	8,725,000.00
Dues and Fees	-	-	4,792.50	4,792.50
Interest	-	-	5,665,130.00	5,665,130.00
Total Expenditures	333,682,610.63	71,499,679.76	14,394,922.50	419,577,212.89
Revenues over (under) Expenditures	19,188,855.86	(27,895,874.35)	(11,129,114.70)	(19,836,133.19)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	73,264.24	-	-	73,264.24
Transfers In	-	-	14,562,712.45	14,562,712.45
Transfers Out	(4,446.00)	(14,558,266.45)	-	(14,562,712.45)
Total Other Financing Sources (Uses)	68,818.24	(14,558,266.45)	14,562,712.45	73,264.24
Net Change in Fund Balances	19,257,674.10	(42,454,140.80)	3,433,597.75	(19,762,868.95)
Fund Balances - Beginning	77,620,043.64	166,945,933.17	6,564,499.37	251,130,476.18
Fund Balances - Ending	$ 96,877,717.74	$ 124,491,792.37	$ 9,998,097.12	$ 231,367,607.23

The notes to the basic financial statements are an integral part of this statement.

HALL COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2022

Net change in fund balances total governmental funds (Exhibit "E")		$ (19,762,868.95)
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 capital assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	$ 67,380,896.60	
Depreciation expense - buildings	(8,120,569.20)	
Depreciation expense - equipment	(2,063,841.68)	
Depreciation expense - land improvements	(1,615,007.93)	
Amortization expense - intangible assets	(41,604.72)	55,539,873.07
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.		(355,452.14)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable property taxes		
June 30, 2021	$ (3,515,755.28)	
June 30, 2022	1,160,809.20	(2,354,946.08)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
Bond principal retirements	$ 8,725,000.00	
Amortization of bond premium	1,986,005.48	10,711,005.48
District pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.		
Pension expense	$ 27,126,978.00	
OPEB expense	8,024,590.00	35,151,568.00
Some items 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.		
Accrued interest expense		
June 30, 2021	$ 2,203,080.67	
June 30, 2022	(2,152,196.00)	50,884.67
Compensated absences		
June 30, 2021	$ 820,275.83	
June 30, 2022	(838,315.55)	(18,039.72)
Claims and judgments		
June 30, 2021	$ 49,802.09	
June 30, 2022	(68,869.47)	(19,067.38)
Change in net position of governmental activities (Exhibit "B")		$ 78,942,956.95

The notes to the basic financial statements are an integral part of this statement.

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Hall County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a 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. 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. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

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

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

Fund Financial Statements

The fund financial statements provide information about the School District's funds. Eliminations have been made to minimize the double counting of internal activities. 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 not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), bond proceeds and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- 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.

Basis of Accounting

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers certain revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, 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 are reported as other financing sources.

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

New Accounting Pronouncements

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

Cash and Cash Equivalents

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

Investments

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

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

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

Receivables

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

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 (calculated on the 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.

Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of net position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. At June 30, 2022 the School District has restricted assets of $2,466,700.94 held for retirement of QZAB Bonds to be retired in fiscal year 2023.

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 the 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.

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.

Amortization of intangible assets such as water, timber and mineral rights, easements, patents, trademarks, copyrights, and internally generated software is computed using the straight-line method over the estimated useful lives of the assets.

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Works of Art	All	N/A
Land Improvements	$ 5,000.00	10 to 60 years
Buildings and Improvements	$ 100,000.00	10 to 60 years
Equipment	$ 5,000.00	5 to 50 years
Intangible Assets	$ 100,000.00	Individually Determined

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

Compensated absences payable consists of vacation leave employees earned based on services already rendered.

Vacation leave of 15 days is awarded on a fiscal year basis to all full-time personnel employed on a twelve-month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 15 days. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements.

Members of the Teachers Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual School Districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

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.

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

Pensions

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

Post-Employment Benefits Other Than Pensions (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 School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

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

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

Nonspendable consists of resources that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

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

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.

Property Taxes

The Hall County Board of Commissioners adopted the property tax levy for the 2021 tax digest year (calendar year) on July 8, 2021 (levy date) based on property values as of January 1, 2021. Taxes were due on November 15, 2021 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2021 tax digest are reported as revenue in the governmental funds for fiscal year 2022. The Hall County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5 % of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2022, for maintenance and operations amounted to $111,113,304.88 and for school bonds amounted to $2,976,458.51.

Tax millage rates levied for the 2021 tax digest year (calendar year) for the School District were as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	16.485	mills
School Bonds	0.500	mills
	16.985	mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, which are included in the property tax revenue shown above, amounted to $12,427,043.42 during fiscal year ended June 30, 2022.

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $39,763,175.54 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. The most recent authorization expires September 30, 2027.

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund, 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. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A.§20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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 fiscal year 2022.

NOTE 4: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

Collateralization of Deposits

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

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

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

Categorization of Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2022, School District had deposits with a carrying amount of $35,216,878.91, and a bank balance of $44,566,190.96. The bank balances insured by Federal depository insurance were $1,494,737.37.

At June 30, 2022, $43,071,453.59 of the School District’s bank balances were exposed to custodial credit risk. This balance was in the State’s Secure Deposit Program (SDP).

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 requirements and pledging level for each covered depository. There are four tiers of collateralization 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 the amount of up to 125% if economic or financial conditions warrants. The program lists the types of eligible criteria. 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 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.

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

Cash and cash equivalents		
Statement of Net Position	$	127,628,215.63
Add:		
Deposits with original maturity of three months or more reported as investments		52,046.67
Less:		
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		92,463,383.39
Total carrying value of deposits - June 30, 2022	$	35,216,878.91

Categorization of Cash Equivalents

The School District reported cash equivalents of $92,463,383.39 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the 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, $1.00 per share, which approximates fair value. The pool is an AAAf 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, 2022 was 43 days.

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 Annual Comprehensive Financial Report, which is publicly available at https://sao.georgia.gov/statewide-reporting/acfr.

Categorization of Investments

At June 30, 2022, the School District had the following investments, not including Certificates of Deposit of $52,046.67, which are included as deposits above:

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Unrestricted		
Debt Securities		
U. S. Treasuries	$ 103,026,420.78	$ 103,026,420.78
Raymond James Sweep Accounts	1,114.65	1,114.65
	$ 103,027,535.43	$ 103,027,535.43
Restricted		
Debt Securities		
U.S Treasury Note/Bond	$ 2,465,148.36	$ 2,465,148.36
Fidelity Institutional Treasury Fund	1,552.58	1,552.58
	$ 2,466,700.94	$ 2,466,700.94

Fair Value of Investments

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

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs.

At June 30, the School District had the following investments by fair value level:

U.S. Treasuries of $105,491,569.14 and Money Market Funds of $2,667.23 are valued using the quoted market prices. (Level 1 inputs)

Interest Rate Risk

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

Custodial Credit Risk

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

At June 30, 2022, $105,494,236.37 of the School District's applicable investments were held by the investment's counterparty, not in the School District's name.

Credit Quality Risk

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

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings Aaamf
Debt Securities		
Fidelity Institional Treasury Fund	$ 1,552.58	$ 1,552.58

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in U.S. Treasuries. These investments are in excess of 99% of the School District's total investments.

NOTE 5: RESTRICTED ASSETS

The restricted assets represent the investment balance, totaling $2,466,700.94, for the QZAB Bond Sinking Fund.

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2021	Increases	Decreases	Transfers	Balances June 30, 2022
Governmental Activities					
Capital Assets,					
Not Being Depreciated:					
Land	$ 32,061,813.84	$ 97,218.68	$ -	$ -	$ 32,159,032.52
Works of Art	219,670.00	-	-	-	219,670.00
Construction in Progress	30,415,001.25	62,968,434.19	-	(20,591,306.38)	72,792,129.06
Total Capital Assets Not Being Depreciated	62,696,485.09	63,065,652.87	-	(20,591,306.38)	105,170,831.58
Capital Assets, Being Depreciated/Amortized					
Buildings and Improvements	386,498,045.53	-	-	10,429,740.31	396,927,785.84
Equipment	41,153,185.59	3,949,754.17	2,316,124.93	-	42,786,814.83
Land Improvements	36,324,299.78	365,489.56	-	10,161,566.07	46,851,355.41
Intangible Assets	453,524.56	-	-	-	453,524.56
Less Accumulated Depreciation/Amortization					
Buildings and Improvements	117,784,783.89	8,120,569.20	-	-	125,905,353.09
Equipment	23,793,565.57	2,063,841.68	1,960,672.79	-	23,896,734.46
Land Improvements	20,855,560.46	1,615,007.93	-	-	22,470,568.39
Intangible Assets	411,919.84	41,604.72	-	-	453,524.56
Total Capital Assets, Being Depreciated/Amortized, Net	301,583,225.70	(7,525,779.80)	355,452.14	20,591,306.38	314,293,300.14
Governmental Activities Capital Assets - Net	$ 364,279,710.79	$ 55,539,873.07	$ 355,452.14	$ -	$ 419,464,131.72

Current year depreciation and amortization expense by function is as follows:

Instruction		$ 9,300,533.50
Support Services		
Pupil Services	$ 13,605.61	
School Administration	349,463.26	
Business Administration	34,366.44	
Maintenance and Operation of Plant	183,356.76	
Student Transportation Services	1,111,546.24	
Central Support Services	231,177.63	1,923,515.94
Food Services		616,974.09
		$ 11,841,023.53

NOTE 7: INTERFUND TRANSFERS

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

	Transfers From		
Transfers to	General Fund	Capital Projects Fund	Total
Debt Service Fund	$ 4,446.00	$ 14,558,266.45	$ 14,562,712.45

During fiscal year 2022 transfers were made for the following purposes:

1) A transfer of $4,446.00 was made from the general fund to the debt service fund to prepay interest in advance of the due date.

2) A transfer of $14,558,266.45 was made from the capital projects fund to the debt service fund to move sales tax proceeds to provide funds to pay debt service obligations due during the fiscal year.

NOTE 8: LONG-TERM LIABILITIES

The changes in long-term liabilities during the fiscal year for governmental activities were as follows:

	Governmental Activities				
	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
General Obligation (G.O.) Bonds	$ 143,905,000.00	$ -	$ 8,725,000.00	$ 135,180,000.00	$ 11,045,000.00
Unamortized Bond Premiums	30,655,992.89	-	1,986,005.48	28,669,987.41	1,718,906.96
Qualified Zone Academy Bonds	2,615,000.00	-	-	2,615,000.00	2,615,000.00
Qualified School Construction Bonds	3,000,000.00	-	-	3,000,000.00	-
Compensated Absences	820,275.83	334,222.48	316,182.76	838,315.55	54,000.00
	$ 180,996,268.72	$ 334,222.48	$ 11,027,188.24	$ 170,303,302.96	$ 15,432,906.96

General Obligation Bonds

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. Bonds have also been issued to advance-refund previously issued bonds. The School District repays general obligation bonds from voter-approved property and/or sales taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

The School District's outstanding bonds related to governmental activities of $131,120,000.00 and outstanding bonds from direct placement of $4,060,000.00 contain a provision that in the event of a nonpayment, the State Board is authorized to withhold from any state appropriation to which the School District may be entitled and apply so much thereof as shall be necessary to the payment of the principal and interest on such indebtedness then due.

Of the total amount of bonds authorized by the SPLOST V resolution, $2,375,000.00 remains unissued at June 30, 2022. The School District has no plans to issue these bonds in the future.

The issuance of the $126,135,000.00 in Series 2020 bonds issued during fiscal year 2021 was just a portion of the total amount of bonds authorized by the voters. The School District is authorized to issue another $131,865,000.00 of bonds under authority of the referendum passed by the voters June 9, 2020. The School District is still contemplating the proper timing to issue these bonds.

General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2016	1.70%	12/31/2016	11/1/2022	$ 9,750,000.00	$ 2,030,000.00
General Government - Series 2017	1.72%	1/6/2017	11/1/2022	9,750,000.00	2,030,000.00
General Government - Series 2018	2.00% - 5.00%	2/28/2018	11/1/2022	23,125,000.00	4,985,000.00
General Government - Series 2020	1.00% - 5.00%	8/25/2020	6/30/2040	126,135,000.00	126,135,000.00
				$ 168,760,000.00	$ 135,180,000.00

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

Fiscal Year Ended June 30:	General Obligation Debt Principal	General Obligation Debt Interest	Unamortized Bond Premium
2023	$ 11,045,000.00	$ 5,197,138.00	$ 1,718,906.96
2024	4,400,000.00	4,937,800.00	1,585,357.67
2025	4,620,000.00	4,717,800.00	1,585,357.67
2026	4,855,000.00	4,486,800.00	1,585,357.67
2027	5,095,000.00	4,244,050.00	1,585,357.67
2028 - 2032	30,690,000.00	18,534,500.00	7,926,788.35
2033 - 2037	42,195,000.00	11,731,000.00	7,926,788.35
2038 - 2040	32,280,000.00	2,634,000.00	4,756,073.07
Total Principal and Interest	$ 135,180,000.00	$ 56,483,088.00	$ 28,669,987.41

Qualified Zone Academy Bonds (QZAB)

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the establishment of special academic programs, in partnership with the business community. The School District, in agreement with Gainesville and Hall County Development Authority have entered into such an arrangement.

This agreement establishes a method of repayment for qualified interest-free debt instrument. The agreement requires the School District to deposit funds annually into a sinking fund account on or before November 30, 2022. The amount on deposit at June 30, 2022 was $2,466,700.94.

In the event the amount of funds lawfully available is not sufficient to pay the QZAB payments when due in any year, the School District shall levy an ad valorem tax on all taxable property located within the boundaries of the School District subject to taxation for such purposes at such a rate or rates (subject to the 20 mill limitation) as may be necessary to produce in each calendar year revenues which shall be sufficient to fulfill the School District's obligations.

Debt currently outstanding under Qualified Zone Academy Bonds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QZAB Series 2007	0.00%	11/30/2022	11/30/2022	$ 2,615,000.00	$ 2,615,000.00

The following schedule reports the annual Qualified Zone Academy Bond payments:

Fiscal Year Ended June 30:	Principal
2023	$ 2,615,000.00

Qualified School Construction Bonds (QSCB)

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the construction, rehabilitation or repair of a public-school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows School Districts to borrow without incurring interest costs.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. To qualify for this subsidy the School District is required to periodically file appropriate documents with the Internal Revenue Service. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The interest subsidy received by the School District in fiscal year 2022 was $147,108.00, which funded all but $8,892.00 of interest expense due on the QSCB.

In the event the amount of funds lawfully available is not sufficient to pay the QSCB payments when due in any year, the School District shall levy an ad valorem tax on all taxable property located within boundaries of the School District subject to taxation of such purposes, at such a rate or rates (subject to the 20 mills limitation) as may be necessary to produce in each calendar year revenues which shall be sufficient to fulfill the School District's obligations.

Debt currently outstanding under Qualified School Construction Bonds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB (Intergovernmental Conduit Debt)	5.20%	10/25/2010	2/1/2028	$ 3,000,000.00	$ 3,000,000.00

The following is a schedule of total Qualified School Construction Bond payments:

Fiscal Year Ended June 30:	Principal	Interest
2023	$ -	$ 156,000.00
2024	-	156,000.00
2025	-	156,000.00
2026	-	156,000.00
2027	-	156,000.00
2028	3,000,000.00	156,000.00
Total Principal and Interest	$ 3,000,000.00	$ 936,000.00

Compensated Absences

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the general fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

NOTE 9: RISK MANAGEMENT

Insurance

Commercial Insurance

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

The School District has elected to self-insure for losses related to workers compensation and unemployment compensation.

Georgia School Boards Association Risk Management Fund

The School District participates in the Georgia School Boards Association Risk Management Fund (the Fund), a public entity risk pool organized on August 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, errors and omissions liability, cyber risk and property damage, including safety engineering and other loss prevention and control techniques, and to administer the Fund including the processing and defense of claims brought against members of the Fund . The School District pays an annual contribution to the Fund for coverage. Reinsurance is provided to the Fund through agreements by the Fund with insurance companies according to their specialty for property (including coverage for flood and earthquake), machinery breakdown, general liability, errors and omissions, crime, cyber risk and automobile risks. Reinsurance limits and retentions vary by line of coverage.

Workers' Compensation

The School District has established a limited risk management program for workers' compensation claims. A premium is charged when needed by the general fund to each user program on the basis of the percentage of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures with the related liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of $500,000.00 loss per occurrence, up to the statutory limit.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2021	$ 363,135.32	$ 374,966.64	$ 688,299.87	$ 49,802.09
2022	$ 49,802.09	$ 948,335.18	$ 929,267.80	$ 68,869.47

Unemployment Compensation

The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the general fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures with the related 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:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2021	$ -	$ 266,635.41	$ 266,635.41	$ -
2022	$ -	$ 12,257.70	$ 12,257.70	$ -

Surety Bond

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

Position Covered	Amount
Superintendent	$ 25,000.00

NOTE 10: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2022:

Nonspendable		
Inventories	$ 237,085.50	
Prepaid Assets	2,711,648.64	$ 2,948,734.14
Restricted		
Continuation of Federal Programs	$ 11,338,660.84	
Continuation of State Programs	55,521.10	
Capital Projects	120,302,433.15	
Debt Service	11,668,556.34	143,365,171.43
Assigned		
School Activity Accounts		3,608,009.84
Unassigned		81,445,691.82
Fund Balance, June 30, 2022		$ 231,367,607.23

When multiple categories of fund balance are available for an 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.

NOTE 11: SIGNIFICANT COMMITMENTS

Commitments under Construction Contracts

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2022, together with funding available:

Project	Description	Unearned Executed Contracts (1)	Expenditures through 6/30/2022 (2)	Fundng Available From State (1)
Cherokee Bluff High School	Additions/ Renovations	$ 690,620.80	$ 1,175,781.66	$ -
Cherokee Bluff Middle School	New Construction	1,810,188.91	39,531,519.88	327,765.00
Chesatee Middle School	Renovations	149,221.46	218,341.82	-
Chestatee Mtn Elementary School	Renovations	93,808.86	269,750.64	-
East Hall High School #1	Additions/ Renovations	23,321,657.95	12,143,294.05	2,916,703.00
East Hall High School #2	Track	608,760.49	635,260.48	-
Flowery Branch Elementary School	Renovations	384,298.00	53,633.82	-
Flowery Branch High School	Football Field	962,508.26	926,508.27	-
Friendship Elementary School	Renovations	1,001,621.00	892,879.00	-
Ivester Early College	Renovations	217,091.00	119,236.22	-
Johnson High School #1	Performing Arts Center	360,910.17	9,200,563.97	-
Johnson High School #2	Track	592,002.34	618,502.35	-
Lanier Elementary School #1	Renovations	876,232.00	177,399.52	-
Lanier Elementary School #2	Site Improvements	702,164.35	464,277.40	-
Lanier Elementary School #3	Renovations	173,929.20	216,452.77	-
LCCA	Renovations	1,019,951.30	821,923.70	-
Myers Elementary School	Renovations	128,500.00	16,901.89	-
New Elem School #1	New Construction	696,176.75	1,203,823.25	-
North Hall Middle School	Renovations	869,527.00	181,646.46	-
Noth Hall High School	Track	450,854.06	474,704.06	-
Wanka Mtn Elementary School	Renovations	2,555,403.00	244,063.76	-
West Hall Midle School	Additions/ Renovations	13,518,883.96	2,531,730.52	-
		$ 51,184,310.86	$ 72,118,195.49	$ 3,244,468.00

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

(2) Payments include retainages payable at year-end.

NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES

Federal Grants

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.

Litigation

The School District is a defendant in lawsuit associated with a contract dispute with Buford City Schools over the final payment due under SPLOST V. The amount in dispute is $1,646,506.83. The School District is also involved with various other legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable but is not believed to have a material adverse effect on the financial condition of the School District.

NOTE 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Georgia School Personnel Post-Employment Health Benefit Fund

Plan Description: Certified teachers and non-certified public school employees of the School District as defined in §20-2-875 of the 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.

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

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were $5,573,788.00 for the year ended June 30, 2022. Active employees are not required to contribute to the School OPEB Fund.

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

At June 30, 2022, the School District reported a liability of $166,492,343.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2020. An expected total OPEB liability as of June 30, 2021 was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2021. At June 30, 2021, the School District's proportion was 1.537208%, which was a decrease of 0.014882% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized OPEB expense of ($2,452,769.00). At June 30, 2022, 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	$ -	$ 76,019,875.00
Changes of assumptions	30,487,317.00	13,585,670.00
Net difference between projected and actual earnings on OPEB plan investments	-	264,004.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,059,143.00	4,385,651.00
School District contributions subsequent to the measurement date	5,573,788.00	-
Total	$ 37,120,248.00	$ 94,255,200.00

School District contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB
2023	$ (16,822,399.00)
2024	$ (15,031,676.00)
2025	$ (10,658,114.00)
2026	$ (7,566,405.00)
2027	$ (9,749,334.00)
Thereafter	$ (2,880,812.00)

Actuarial Assumptions: The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

OPEB:

Inflation	2.50%
Salary increases	3.00% – 8.75%, including inflation
Long-term expected rate of return	7.00%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	5.13%
Ultimate trend rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2029
Medicare Eligible	2023

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

- For TRS members: Post-retirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% was used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.
- For PSERS members: Pre-retirement mortality rates were based on the Pub-2010 General Employee Mortality Table, with no adjustment, with the MP-2019 Projections scale applied generationally. Post-retirement mortality rates for service retirements were based on the Pub-2010 General Healthy Annuitant Mortality Table (ages set forward one year and adjusted 105% for males and 108% for females) with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for disability retirements were based on the Pub-2010 General Disabled Mortality Table (ages set back three years for males and

adjusted 103% for males and 106% for females) with the MP-2019 Projections scaled applied generationally. Post-retirement mortality rates for beneficiaries were based on the Pub-2010 General Contingent Survivor Mortality Table (ages set forward two years and adjust 106% for males and 158% for females) with the MP-2019 Project scale applied generationally.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2018, with the exception of the assumed annual rate of inflation with changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

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

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

*Net of Inflation

Discount Rate: In order to measure the total OPEB liability for the School OPEB, a single equivalent interest rate of 2.20% was used as the discount rate, as compared with last year's rate of 2.22%. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation bonds with an average rating of AA or higher (2.16% per the Municipal Bond Index Rate). The projection of 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 2145.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 2.20%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.20%) or 1-percentage-point higher (3.20%) than the current discount rate:

	1% Decrease (1.20%)	Current Discount Rate (2.20%)	1% Increase (3.20%)
School District's proportionate share of the Net OPEB liability	$ 190,338,088.00	$ 166,492,343.00	$ 146,531,199.00

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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the Net OPEB liability	$ 141,275,208.00	$ 166,492,343.00	$ 198,015,745.00

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the Annual Comprehensive Financial Report, which is publicly available at https://sao.georgia.gov/statewide-reporting/acfr.

NOTE 14: RETIREMENT PLANS

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

Teachers Retirement System of Georgia (TRS)

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

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 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. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2022. The School District's contractually required contribution rate for the year ended June 30, 2022 was 19.81% of annual School District payroll, of which 19.77% of payroll was required from the School District and 0.04% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $32,041,383.00 and $59,346.21 from the School District and the State, respectively.

Public School Employees Retirement System (PSERS)

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

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

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

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

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was $449,589.00.

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

At June 30, 2022, the School District reported a liability of 104,400,983.00 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 amount 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	$	104,400,983.00
State of Georgia's proportionate share of the net pension liability associated with the School District		201,209.00
Total	$	104,602,192.00

The net pension liability for TRS was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2021.

At June 30, 2021, the School District's TRS proportion was 1.180428%, which was an increase of 0.002504% from its proportion measured as of June 30, 2020.

At June 30, 2022, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is 341,333.00.

The PSERS net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2021.

For the year ended June 30, 2022, the School District recognized pension expense of $4,375,754.00 for TRS and $3,588.00 for PSERS and revenue of ($538,252.00) for TRS and revenue of $3,588.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 24,913,393.00	$ -
Changes of assumptions	20,206,472.00	-
Net difference between projected and actual earnings on pension plan investments	-	152,709,149.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,877,732.00	22,160.00
School District contributions subsequent to the measurement date	32,041,383.00	-
Total	$ 79,038,980.00	$ 152,731,309.00

The 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 ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2023	$ (19,256,783.00)
2024	$ (19,422,805.00)
2025	$ (29,477,349.00)
2026	$ (37,576,775.00)

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

Teachers Retirement System:

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

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

Public School Employees Retirement System:

Inflation	2.50%
Salary increases	N/A
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

Mortality rates are as follows:

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

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

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

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

Asset class	TRS target allocation	Long-term expected real rate of return*	PSERS target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.80)%	30.00%	(1.50)%
Domestic large stocks	46.30%	9.30%	46.40%	9.20%
Domestic small stocks	1.20%	13.30%	1.10%	13.40%
International developed market stocks	11.50%	9.30%	11.70%	9.20%
International emerging market stocks	6.00%	11.30%	5.80%	10.40%
Alternative	5.00%	10.60%	5.00%	10.60%
Total	100.00%		100.00%	

* Rates shown are net of inflation.

Discount Rate: The discount rate used to measure the total TRS pension liability was 7.25%. The discount rate used to measure the total PSERS pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer 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 plans' fiduciary net position were 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 calculate 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:

Teachers Retirement System:	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's proportionate share of the net pension liability	$ 281,228,590.00	$ 104,400,983.00	$ (40,497,038.00)

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.

Defined Contribution Plan

The Hall County Board of Education maintains an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (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 Board selected The Variable Annuity Life Insurance Company (Valic) as the provider of this plan. For each employee covered under PSERS, the Board contributes to the plan an amount equal to 5% percent of the employee's base pay.

The employee becomes vested in the plan immediately. Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2022	100%	$ 197,297.88
2021	100%	$ 227,191.20
2020	100%	$ 243,454.05

NOTE 15: TAX ABATEMENTS

The Gainesville and Hall County Development Authority (the "Authority") can enter into agreements for industrial projects to encourage the creation of jobs and new capital investment through an "Investment Assistance Program". Each agreement provides a property tax benefit to the company through a schedule of discounted valuation that reduces, for ad valorem tax purposes, the fair market value of real and personal property that is held by the Authority and leased to the company. Georgia case law and the Authority's enabling legislation provide the Authority with the power to enter into such agreements with private companies.

The Authority may accept title to real and personal property assets from a company in return for job creation and capital investment, and provide a tax benefit to the company through a lease agreement with the Authority. In considering eligibility for providing this benefit to a company, the Authority reviews and gives strong consideration to the recommendation from the Investment Assistance Committee of the Gainesville-Hall County Economic Development Council. The Investment Assistance Committee is a 16-member advisory committee of representatives from the City of Gainesville School District, the Hall County School District, Hall County, the cities of Gainesville, Flowery Branch, Oakwood and Lula and the Authority. The Investment Assistance Committee has a set of eligibility criteria for considering economic development projects that includes the following criteria:

1. Eligible businesses can include new and existing industrial businesses.
2. But for an incentive agreement, the company would not create the jobs and investment in the community.
3. The investment should be at least $10,000,000.00 in real and personal property.
4. The average wage of the business' employees should be above the average wage of goods producing employees in Hall County.
5. The business should offer medical benefits to all employees.
6. The impacts to job retention will be considered for each expansion project.
7. As a condition of assistance, a business will be required to work with the Gainesville and Hall County Development Authority to convey title to the Authority.

In return for a property tax benefit, a company is required to commit to creating jobs and capital investment within a defined period as part of a performance and accountability agreement with the Authority that includes provisions for the company to pay back a prorated portion of the benefit if they fail to meet the performance criteria by a specified date. The Authority monitors compliance with performance and accountability agreements to ensure the companies meet their commitments.

For the School District's fiscal year ended June 30, 2022, the cumulative property tax not collected by the School District due to incentive agreements was $526,102.00 and $200,158.00 was paid to the School District through incentive agreements for the same period. Such agreements in effect resulted in an estimated $400.0 million in new capital investment and more than 1,350 new jobs. The Authority recently commissioned an economic impact analysis of the jobs and capital investment created in Hall County as a result of incentive agreements, and the study estimated an annual economic benefit to Hall County of $570,950,257.00 of direct and indirect economic benefits to the community as a result of economic development projects supported by the incentive agreements in place in the School District.

NOTE 16: SPECIAL ITEM

During fiscal year 2022, the School District sold or otherwise disposed certain capital assets. These items were removed from the capital assets records at their net carrying values and combined with the proceeds received resulted in a net loss of $282,187.90. This amount is reflected as a net loss on disposal of capital assets and is reported as a special item on Exhibit B of this report.

NOTE 17: SUBSEQUENT EVENTS

On June 9, 2020, voters authorized the School District to issue $258,000,000.00 of general obligation bonds for the purpose of constructing and renovating schools within the School District. During fiscal year 2021, $126,135,000.00 of these bonds was sold. The School District tentatively plans to issue the remainder of this authorization totaling $131,865,000.00 sometime in the second half of fiscal year 2023.

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HALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA

For the Year Ended June 30	School District's proportion of the Net Pension Liability (NPL)	School District's proportionate share of the NPL	State of Georgia's proportionate share of the NPL associated with the School District	Total	School District's covered payroll	School District's proportionate share of the NPL as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	1.180428%	$ 104,400,983.00	$ 201,209.00	$ 104,602,192.00	$ 153,882,421.56	67.84%	92.03%
2021	1.177924%	$ 285,339,297.00	$ 594,939.00	$ 285,934,236.00	$ 152,089,597.34	187.61%	77.01%
2020	1.176602%	$ 253,001,245.00	$ 561,221.00	$ 253,562,466.00	$ 143,908,233.09	175.81%	78.56%
2019	1.166091%	$ 216,451,467.00	$ 446,420.00	$ 216,897,887.00	$ 139,175,704.63	155.52%	80.27%
2018	1.150373%	$ 213,800,365.00	$ 2,334,129.00	$ 216,134,494.00	$ 133,561,656.27	160.08%	79.33%
2017	1.156913%	$ 238,684,051.00	$ 3,756,513.00	$ 242,440,564.00	$ 128,906,363.37	185.16%	76.06%
2016	1.164626%	$ 177,302,744.00	$ 2,678,664.00	$ 179,981,408.00	$ 124,781,368.61	142.09%	81.44%
2015	1.166769%	$ 147,405,873.00	$ 2,057,648.00	$ 149,463,521.00	$ 120,694,862.00	122.13%	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA

For the Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2022	$ 32,041,383.00	$ 32,041,383.00	$ -	$ 162,048,488.83	19.77%
2021	$ 29,273,496.00	$ 29,273,496.00	$ -	$ 153,882,421.56	19.02%
2020	$ 32,084,794.00	$ 32,084,794.00	$ -	$ 152,089,597.34	21.10%
2019	$ 30,015,690.14	$ 30,015,690.14	$ -	$ 143,908,233.09	20.86%
2018	$ 23,347,276.94	$ 23,347,276.94	$ -	$ 139,175,704.63	16.78%
2017	$ 18,853,460.00	$ 18,853,460.00	$ -	$ 133,561,656.27	14.12%
2016	$ 18,112,226.00	$ 18,112,226.00	$ -	$ 128,906,363.37	14.05%
2015	$ 16,167,196.67	$ 16,167,196.67	$ -	$ 124,781,368.61	12.96%
2014 (1)	$ 14,817,258.11	$ 14,817,258.11	$ -	$ 120,694,862.00	12.28%
2013 (1)	$ 13,816,062.61	$ 13,816,062.61	$ -	$ 121,087,314.72	11.41%

(1) These amounts include contributions paid on the School District's behalf by the Georgia Department of Education.

HALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA

For the Year Ended June 30	School District's proportion of the Net Pension Liability (NPL)	School District's proportionate share of the NPL	State of Georgia's proportionate share of the NPL associated with the School District	Total	School District's covered payroll	School District's proportionate share of the NPL as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.00%	$ -	$ 341,333.00	$ 341,333.00	$ 7,842,995.60	N/A	98.00%
2021	0.00%	$ -	$ 2,509,764.00	$ 2,509,764.00	$ 8,226,784.42	N/A	84.45%
2020	0.00%	$ -	$ 2,414,630.00	$ 2,414,630.00	$ 7,997,880.19	N/A	85.02%
2019	0.00%	$ -	$ 2,364,550.00	$ 2,364,550.00	$ 7,799,727.86	N/A	85.26%
2018	0.00%	$ -	$ 2,250,443.00	$ 2,250,443.00	$ 7,807,800.32	N/A	85.69%
2017	0.00%	$ -	$ 2,952,169.00	$ 2,952,169.00	$ 7,584,539.95	N/A	81.00%
2016	0.00%	$ -	$ 2,080,597.00	$ 2,080,597.00	$ 7,625,534.08	N/A	87.00%
2015	0.00%	$ -	$ 1,881,067.00	$ 1,881,067.00	$ 7,799,257.19	N/A	88.29%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL OPEB FUND

For the Year Ended June 30	School District's proportion of the Net OPEB Liability (NOL)	School District's proportionate share of the NOL	State of Georgia's proportionate share of the NOL associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the NOL as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	1.537208%	$ 166,492,343.00	$ -	$ 166,492,343.00	$ 145,354,705.55	114.54%	6.14%
2021	1.552090%	$ 227,965,874.00	$ -	$ 227,965,874.00	$ 141,563,168.87	161.03%	3.99%
2020	1.555799%	$ 190,929,917.00	$ -	$ 190,929,917.00	$ 133,584,702.25	142.93%	4.63%
2019	1.542768%	$ 196,081,078.00	$ -	$ 196,081,078.00	$ 128,990,213.74	152.01%	2.93%
2018	1.546011%	$ 217,213,923.00	$ -	$ 217,213,923.00	$ 121,915,571.57	178.17%	1.61%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND

For the Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2022	$ 5,573,788.00	$ 5,573,788.00	$ -	$ 159,860,942.62	3.49%
2021	$ 5,718,155.00	$ 5,718,155.00	$ -	$ 145,354,705.55	3.93%
2020	$ 5,248,807.00	$ 5,248,807.00	$ -	$ 141,563,168.87	3.71%
2019	$ 8,379,054.00	$ 8,379,054.00	$ -	$ 133,584,702.25	6.27%
2018	$ 7,996,021.00	$ 7,996,021.00	$ -	$ 128,990,213.74	6.20%
2017	$ 8,061,024.00	$ 8,061,024.00	$ -	$ 121,915,571.57	6.61%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Teachers Retirement System

Change of benefit terms: There have been no changes in benefit terms.

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

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

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

Public School Employees Retirement System

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

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the 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 3 years for males and 2 years for females).

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

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

School OPEB Fund

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

Changes in assumptions: June 30, 2020 valuation: Decremental assumptions were changed to reflect the Employees Retirement Systems experience study. Approximately 0.10% of employees are members of the Employees Retirement System.

June 30, 2019 valuation: Decremental assumptions were changed to reflect the Teachers Retirement Systems experience study.

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

June 30, 2017 valuation: The participation assumption, tobacco use assumption and morbidity factors were revised.

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

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

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

HALL COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 105,809,243.00	$ 105,809,243.00	$ 111,113,304.88	$ 5,304,061.88
Sales Taxes	1,350,000.00	1,350,000.00	5,628,776.97	4,278,776.97
State Funds	154,876,582.00	160,377,392.50	167,361,222.25	6,983,829.75
Federal Funds	52,378,086.00	106,691,852.00	61,782,277.22	(44,909,574.78)
Charges for Services	1,796,161.00	1,796,161.00	2,002,697.68	206,536.68
Investment Earnings	600,844.00	600,844.00	55,499.86	(545,344.14)
Miscellaneous	3,635,352.00	3,750,784.00	4,927,687.63	1,176,903.63
Total Revenues	320,446,268.00	380,376,276.50	352,871,466.49	(27,504,810.01)
EXPENDITURES				
Current				
Instruction	205,103,000.00	235,913,519.52	210,634,379.60	25,279,139.92
Support Services				
Pupil Services	15,843,699.00	22,203,696.73	17,143,738.80	5,059,957.93
Improvement of Instructional Services	12,737,574.00	15,330,109.00	11,465,367.81	3,864,741.19
Educational Media Services	5,390,210.00	6,336,909.23	5,520,167.86	816,741.37
General Administration	1,082,044.48	1,925,754.48	913,211.53	1,012,542.95
School Administration	19,093,740.00	19,677,368.00	20,096,263.33	(418,895.33)
Business Administration	2,498,154.00	2,577,845.00	2,553,851.88	23,993.12
Maintenance and Operation of Plant	19,327,085.00	24,916,299.34	19,171,140.70	5,745,158.64
Student Transportation Services	16,701,929.00	25,347,901.00	18,578,553.08	6,769,347.92
Central Support Services	6,688,777.00	7,028,731.03	6,117,381.41	911,349.62
Other Support Services	1,712,919.00	2,022,081.00	1,085,234.23	936,846.77
Food Services Operation	14,460,101.00	14,703,098.69	18,050,815.19	(3,347,716.50)
Enterprise Operations	1,717,323.00	1,719,476.00	1,391,983.80	327,492.20
Community Services	-	-	17,733.50	(17,733.50)
Capital Outlay	1,000,000.00	17,628,712.00	942,787.91	16,685,924.09
Total Expenditures	323,356,555.48	397,331,501.02	333,682,610.63	63,648,890.39
Excess of Revenues over (under) Expenditures	(2,910,287.48)	(16,955,224.52)	19,188,855.86	36,144,080.38
OTHER FINANCING SOURCES (USES)				
Other Sources	59,843.00	2,559,843.00	-	(2,559,843.00)
Other Uses	(11,500.00)	(2,500,000.00)	(4,446.00)	2,495,554.00
Sale of Capital Assets	20,000.00	80,000.00	73,264.24	(6,735.76)
Total Other Financing Sources (Uses)	68,343.00	139,843.00	68,818.24	(71,024.76)
Net Change in Fund Balances	(2,841,944.48)	(16,815,381.52)	19,257,674.10	36,073,055.62
Fund Balances - Beginning	75,990,367.25	75,990,367.25	77,620,043.64	1,629,676.39
Fund Balances - Ending	$ 73,148,422.77	$ 59,174,985.73	$ 96,877,717.74	$ 37,702,732.01

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

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.

FUNDING AGENCY PROGRAM/GRANT	ASSISTANCE LISTING 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	225GA324N1199	$ 4,945,185.62
National School Lunch Program	10.555	225GA324N1199	10,688,536.30
COVID-19 - National School Lunch Program	10.555	225GA324N1099	603,671.86
Fresh Fruit and Vegetable Program	10.582	225GA324L1603	367,171.92
Total Child Nutrition Cluster			16,604,565.70
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
State Administrative Expenses for Child Nutrition	10.560	225GA904N2533	13,793.74
Total U. S. Department of Agriculture			16,618,359.44
Education, U. S. Department of			
Education Stabilization Fund			
Pass-Through From Georgia Department of Education			
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200012	241,093.93
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210012	6,680,667.74
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210012	13,904,366.35
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W	S425W210011	28,606.89
Total Education Stabilization Fund			20,854,734.91
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027A	H027A200073	184,614.00
Grants to States	84.027A	H027A210073	4,959,264.47
COVID-19 - American Rescue Plan - Grants to States	84.027X	H027X210073	654,130.64
Preschool Grants	84.173A	H173A210081	145,566.11
COVID-19 American Rescie Plan - Preschool Grants	84.173X	H173X210081	79,878.72
Total Special Education Cluster			6,023,453.94
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048A	V048A210010	331,603.00
Education for Homeless Children and Youth	84.196A	S196A200011	12,055.84
Education for Homeless Children and Youth	84.196A	S196A210011	52,170.68
English Language Acquisition State Grants	84.365A	S365A200010	77,156.94
English Language Acquisition State Grants	84.365A	S365A210010	744,605.26
Migrant Education - State Grant Program	84.011A	S011A200011	104,200.76
Migrant Education - State Grant Program	84.011A	S011A200011	133,142.75
Student Support and Academic Enrichment Program	84.424A	S424A200011	16,869.45
Student Support and Academic Enrichment Program	84.424A	S424A210011	498,376.29
Supporting Effective Instruction State Grants	84.367A	S367A200001	665,042.68
Supporting Effective Instruction State Grants	84.367A	S367A210001	106,587.03

FUNDING AGENCY PROGRAM/GRANT	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Title I Grants to Local Educational Agencies	84.010A	S010A200010-20A	804,372.11
Title I Grants to Local Educational Agencies	84.010A	S010A210010-21A	6,336,071.49
Total Other Programs			9,882,254.28
Total U. S. Department of Education			36,760,443.13
Federal Communications Commission, U.S.			
Direct			
COVID-19 - Emergency Connectivity Fund Program	32.900		3,179,214.00
Health and Human Services, U. S. Department of			
Pass-Through From Bright From the Start			
Georgia Department of Early Care and Learning			
COVID-19 - Child Care and Development Block Grant	93.575	2110GACCCS	51,745.03
Other Programs			
Pass-Through From Georgia Department of Education			
Substance Abuse and Mental Health Services Projects of			
Regional and National Significance	93.243	1H79SM061877	428,549.54
Total U. S. Department of Health and Human Services			480,294.57
Defense, U. S. Department of			
Direct			
Department of the Navy			
R.O.T.C. Program	12. UNKNOWN		107,344.78
Total Expenditures of Federal Awards			$ 57,145,655.92

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Hall County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2022. 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). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HALL COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2022

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 928,759.50	$ -	$ 928,759.50
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	8,646,431.00	-	8,646,431.00
Kindergarten Program - Early Intervention Program	876,434.00	-	876,434.00
Primary Grades (1-3) Program	19,205,579.00	-	19,205,579.00
Primary Grades - Early Intervention (1-3) Program	2,455,729.00	-	2,455,729.00
Upper Elementary Grades (4-5) Program	9,436,453.00	-	9,436,453.00
Upper Elementary Grades - Early Intervention (4-5) Program	738,951.00	-	738,951.00
Middle School (6-8) Program	18,268,229.00	-	18,268,229.00
High School General Education (9-12) Program	16,935,311.00	-	16,935,311.00
Vocational Laboratory (9-12) Program	6,029,518.00	-	6,029,518.00
Students with Disabilities	23,216,955.00	-	23,216,955.00
Gifted Student - Category VI	7,885,086.00	-	7,885,086.00
Remedial Education Program	1,123,572.00	-	1,123,572.00
Alternative Education Program	1,383,914.00	-	1,383,914.00
English Speakers of Other Languages (ESOL)	10,377,879.00	-	10,377,879.00
One Time QBE Adjustment	5,128,074.20	-	5,128,074.20
Media Center Program	3,213,245.00	-	3,213,245.00
20 Days Additional Instruction	950,857.00	-	950,857.00
Staff and Professional Development	585,892.00	-	585,892.00
Principal Staff and Professional Development	10,188.00	-	10,188.00
Indirect Cost			
Central Administration	3,062,611.00	-	3,062,611.00
School Administration	6,482,934.00	-	6,482,934.00
Facility Maintenance and Operations	6,905,834.00	-	6,905,834.00
Mid-term Adjustment Hold-Harmless	794,786.00	-	794,786.00
Amended Formula Adjustment	972,332.00	-	972,332.00
Vocational Supervisors	23,340.00	-	23,340.00
Categorical Grants			
Pupil Transportation			
Regular	2,456,476.76	-	2,456,476.76
Nursing Services	566,581.00	-	566,581.00
Education Equalization Funding Grant	5,675,084.00	-	5,675,084.00
Other State Programs			
Agriculture Construction Related Equipment - State Bonds	48,000.00	-	48,000.00
Career Technical and Agricultural Education (CTAE)	383,849.58	-	383,849.58
CTAE Connect Grant Bond Funds	24,473.00	-	24,473.00
Food Services	1,053,316.00	-	1,053,316.00
Hygiene Products	19,828.00	-	19,828.00
Math and Science Supplements	201,714.00	-	201,714.00
Preschool Disability Services	487,071.00	-	487,071.00
Pupil Transportation - State Bonds	87,000.00	-	87,000.00
Teachers Retirement	59,346.21	-	59,346.21
Vocational Construction Related Equipment - State Bonds	210,000.00	-	210,000.00
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	3,251,268.00	3,251,268.00
Office of the State Treasurer			
Public School Employees Retirement	449,589.00	-	449,589.00
	$ 167,361,222.25	$ 3,251,268.00	$ 170,612,490.25

See notes to the basic financial statements.

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HALL COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2022

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	ESTIMATED COMPLETION DATE
SPLOST V			
Acquiring, constructing and equipping new schools, fine arts facilities, physical education facilities, sports facilities, other student activity facilities, acquiring and conducting site preparation of real estate for current and future School District purposes, constructing and equipping additional classrooms, instructional and support space, and other School District facilities at existing school system facilities, including but not limited to roofing, HVAC, security and emergency alarm systems, flooring, plumbing and electrical capacity, and acquiring furnishings, equipment and fixtures for new and existing facilities system-wide, including technology equipment, textbooks, library books and school buses.	$ 147,030,000.00	$ 147,030,000.00	6/30/2023
Payment of a portion of the purchase price payments due on that certain Contract between the School District and the Gainesville and Hall County Development Authority, dated as of November 1, 2007, with a maximum payment of $875,975.00.	875,975.40	875,975.40	11/30/2022
Payment of a portion of the purchase price payments due on that certain Installment Sales Agreement between the Hall County School District and the Gainesville and Hall County Development Authority, dated as of September 1, 2010, with a maximum payment amount of $1,045,000.00.	1,045,000.00	1,044,992.76	2/1/2028
Payment of any general obligation debt of the Hall County School District issued in conjunction with the imposition of the Sales Tax.	1,290,036.25	4,325,407.50	11/1/2022
Total	$ 150,241,011.65	$ 153,276,375.66	

HALL COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2022

PROJECT	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED
SPLOST V				
Acquiring, constructing and equipping new schools, fine arts facilities, physical education facilities, sports facilities, other student activity facilities, acquiring and conducting site preparation of real estate for current and future School District purposes, constructing and equipping additional classrooms, instructional and support space, and other School District facilities at existing school system facilities, including but not limited to roofing, HVAC, security and emergency alarm systems, flooring, plumbing and electrical capacity, and acquiring furnishings, equipment and fixtures for new and existing facilities system-wide, including technology equipment, textbooks, library books and school buses.	$ 16,698,798.95	$ 82,826,720.19	$ -	$ -
Payment of a portion of the purchase price payments due on that certain Contract between the School District and the Gainesville and Hall County Development Authority, dated as of November 1, 2007, with a maximum payment of $875,975.00.	145,995.90	583,983.60	-	-
Payment of a portion of the purchase price payments due on that certain Installment Sales Agreement between the Hall County School District and the Gainesville and Hall County Development Authority, dated as of September 1, 2010, with a maximum payment amount of $1,045,000.00.	149,481.75	222,489.75	-	-
Payment of any general obligation debt of the Hall County School District issued in conjunction with the imposition of the Sales Tax.	472,942.50	3,696,352.00	-	-
Total	$ 17,467,219.10	$ 87,329,545.54	$ -	$ -

(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 cost for the projects. Includes all cost from project inception to completion.
(3) The voters of Hall County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
(4) Amounts include prepaid expenses and payments to the QZAB investment with trustee.

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Section II

Compliance and Internal Control Reports

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DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

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
Mr. William Schofield, Superintendent and Members of the
Hall County Board of Education

We have audited the financial statements of the governmental activities and each major fund of the Hall County Board of Education (School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 31, 2023. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District'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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

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

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,



Greg S. Griffin
State Auditor

March 31, 2023

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DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

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
Mr. William Schofield, Superintendent and Members of the
Hall County Board of Education

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hall County Board of Education's (School District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2022. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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* in finding FA 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* in finding FA 2022-001 to be a significant deficiency.

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

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

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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,



Greg S. Griffin
State Auditor

March 31, 2023

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Section III

Auditee's Response to Prior Year Findings and Questioned Costs

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HALL COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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Section IV

Findings and Questioned Costs

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HALL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:
Governmental Activities and Each Major Fund — Unmodified

Internal control over financial reporting:
- Material weakness(es) identified? — No
- Significant deficiency(ies) identified? — None Reported

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weakness(es) identified? — No
- Significant deficiency(ies) 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:

Assistance Listing Number	Assistance Listing Program or Cluster Title
10.553, 10.555	Child Nutrition Cluster
32.009	Emergency Connectivity Fund
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: $1,714,369.68

Auditee qualified as low-risk auditee? — Yes

II FINANCIAL STATEMENT FINDINGS

No matters were reported.

HALL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2022-001 Strengthen Controls over Expenditures

Compliance Requirements:	Activities Allowed or Unallowed Allowable Costs/Cost Principles Procurement and Suspension and Debarment
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
AL Numbers and Titles:	COVID-19 – 84.425D – Elementary and Secondary School Emergency Relief Fund COVID-19 – 84.425U – American Rescue Plan Elementary and Secondary School Emergency Relief Fund
Federal Award Numbers:	S425D210012 (Year: 2021), S425U210012 (Year: 2021)
Questioned Costs:	$116,610

Description:
The policies and procedures of the School District were insufficient to provide adequate internal controls over expenditures as it relates to the Elementary and Secondary School Emergency Relief Fund program.

Background:
On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act was designed to mitigate the economic effects of the COVID-19 pandemic in a variety of ways, including providing additional funding for local educational agencies (LEAs) navigating the impact of the COVID-19 outbreak.

Provisions included in Title VIII of the CARES Act created the Education Stabilization Fund to provide financial resources to educational entities to prevent, prepare for, and respond to the coronavirus. The CARES Act allocated $30.75 billion, the Coronavirus Response and Relief Supplemental Appropriations Act allocated an additional $81.9 billion, and the American Rescue Plan Act added $165.1 billion in funding to the Education Stabilization Fund. Multiple Education Stabilization Fund subprograms were created and allotted funding through the various COVID-19-related legislation. Of these programs, the Elementary and Secondary School Emergency Relief (ESSER) Fund was created to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools across the nation.

ESSER funding was granted to the Georgia Department of Education (GaDOE) by the U.S. Department of Education (ED). GaDOE is responsible for distributing funds to LEAs and overseeing the expenditure of funds by LEAs. ESSER funds totaling $20,854,735 were expended and reported on the Hall County Board of Education's Schedule of Expenditures of Federal Awards (SEFA) for fiscal year 2022.

Criteria:

As a recipient of federal awards, the Institution is required to establish and maintain effective internal control over federal awards that provides reasonable assurance of managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards pursuant to Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 200.303 – Internal Controls.

Provisions included in the Uniform Guidance, Section 200.403 – Factors Affecting Allowability of Costs state that "costs must meet the following general criteria in order to be allowable under Federal awards: (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items, (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity… (g) Be adequately documented…"

In addition, provisions included in the Uniform Guidance, Section 202.403 – Reasonable Costs state that "a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to: (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award. (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award… (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government. (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."

Furthermore, provisions included in the Uniform Guidance, Section 200.318 – General Procurement Standards state that "the non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations… for the acquisition of property or services required under a Federal award or subaward…"

Condition:

Auditors performed a review of expenditure activity associated with the ESSER program to determine if appropriate internal controls were implemented and applicable compliance requirements were met. This testing revealed the following deficiencies:

- Bonuses totaling $20,344 were paid to individuals who were not employees of the School District. These individuals were hired to perform specific functions as detailed within the associated contracts and were paid amounts in excess of the stated rate noted within these contracts.

- A payment in the amount of $96,266 was made to the janitorial company utilized by the School District to provide bonuses to janitorial contractors who were not employees of the School District. These individuals were assigned to work within the School District by the private janitorial company. Per review of the contract in place during the fiscal year under review, it was noted that these bonuses represented amounts in excess of the agreed upon price.

Therefore, expenditures totaling $116,610 were not considered to be reasonable and necessary for the performance of the ESSER program and deemed unallowable.

Questioned Costs:

Known questioned costs of $116,610 were identified for expenditures that were not incurred for a necessary and reasonable purpose and did not follow the School District's policies and procedures. These known questioned costs related to expenditures that were not tested as part of a sample, and therefore, should not be projected to a population to determine likely questioned costs.

Cause:

Per discussion with management, the School District believed that the expenditures were allowable as the expenditures were approved by GaDOE through the Consolidated Application process; however, they were not aware that contract amendments should be initiated prior to the expenditure of funds in this manner.

Effect or Potential Effect:

The School District is not in compliance with the Uniform Guidance, ED, or GaDOE guidance related to the ESSER program. Failure to ensure that appropriate policies and procedures are followed when expending federal funds may expose the School District to unnecessary financial strains and shortages as GaDOE may require the School District to return funds associated with unallowable expenditures.

Recommendation:

The School District should review current internal control procedures related to ESSER program expenditures. Where vulnerable, the School District should develop and/or modify its policies and procedures to ensure that expenditures are in line with provisions reflected within the associated contract and/or contract amendments. In addition, the School District should implement a monitoring process to ensure that all expenditures are compliant with the School District's purchasing and employee compensation policies and procedures.

Views of Responsible Officials:

We concur with this finding.

Section V

Management's Corrective Action

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Hall County Schools
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711 Green Street
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Phone: 770.534.1080
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CORRECTIVE ACTION PLANS - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2022-001 Strengthen Controls over Expenditures

Compliance Requirements:	Activities Allowed or Unallowed
	Allowable Costs/Cost Principles
	Procurement and Suspension and Debarment
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
AL Numbers and Titles:	COVID-19 – 84.425D – Elementary and Secondary School Emergency Relief Fund
	COVID-19 – 84.425U – American Rescue Plan Elementary and Secondary School Emergency Relief Fund
Federal Award Numbers:	S425D210012 (Year: 2021), S425U210012 (Year: 2021)
Questioned Costs:	$116,610
Repeat of Prior Year Finding:	No

Description:
The policies and procedures of the School District were insufficient to provide adequate internal controls over expenditures as it relates to the Elementary and Secondary School Emergency Relief Fund program.

Corrective Action Plans:
We concur with the auditor's reasoning that the contract terms for services should have been modified to reflect the one-time retention payments for contracted custodial personnel. Retention of contracted custodial staff members was deemed by the District to be an essential part of its efforts to ensure clean, sanitary facilities in response to the Covid-19 pandemic.

- The District has several internal controls in place to determine and verify the allowability of ESSER expenditures, which include:
- Authorization by the Hall County Board of Education.
- Authorization by the Georgia Department of Education through the ESSER program's consolidated application.
- Approval of all ESSER payments and purchase orders by relevant personnel familiar with the allowability requirements of the ESSER program.
- Approval of all ESSER contract agreements by relevant personnel familiar with the allowability requirements of the ESSER program.
- Documented protocols for determining District personnel eligible to be paid through ESSER funds.

The District will conduct a review of its contracts with third party service providers to ensure compliance with Uniform Grant Guidance. The District currently has no further plans for the

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provision of additional retention payments to contracted personnel using ESSER funds, and no additional corrective action is anticipated to be required for this isolated instance.

Estimated Completion Date: 3/31/2023

Contact Person: Jonathan C. Boykin, Finance Officer
Telephone: 770.534.1080 x 10205
Email: jonathan.boykin@hallco.org

Signature:

Title: Finance Officer