

HEARD COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Heard County, Georgia

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Heard County, Georgia, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. I did not audit the financial statements of the Heard County Health Department, and the Heard County Water Authority, which represent 39 percent of the assets and 61 percent of the revenues in the component unit columns. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion on the basic financial statements, insofar as it relates to the amounts included for the Heard County Health Department, and the Heard County Water Authority, is based on the reports of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Heard County, Georgia as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 29 and the pension schedules on page 30 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the budgetary and pension information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

Other information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Heard County, Georgia's basic financial statements. The combining nonmajor fund financial statements, schedule of state awards, and the schedule of funding progress are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, component unit statements, schedule of state awards, and schedule of funding progress are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial

statements and schedule of state awards are 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, I have also issued my report dated June 13, 2022, on my consideration of the Heard County, Georgia's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the heard County, Georgia's internal; control over financial reporting and compliance.

Kim Kimmel CPA

Richland, Georgia
June 13, 2022

HEARD COUNTY, GEORGIA
Statement of Net Position
Primary Government as of June 30, 2020
Component Units as of June 30, 2020

	Primary Government					
	Component Units					
	Governmental Activities	Heard Co. Water Authority	Heard Co. Health Department	Heard Co. Development Authority	Heard Co. Public Facilities Authority	Heard Co. Hospital Authority
ASSETS						
Cash and cash equivalents	\$ 8,022,428	\$ 2,062,065	\$ 413,994	\$ 4,324,798	\$ 18,430	\$ 102,850
Accounts receivable	395,864	203,559	1,338	105,000	3,121,864	-
Sales tax receivable	183,095	-	-	-	-	-
Property tax receivable	131,318	-	-	-	-	-
Inventory	-	42,492	-	-	-	-
Prepaid and other	-	20,824	10,502	-	-	-
Restricted assets						
Cash and investments	-	4,255,020	-	-	17,191,863	-
Notes receivable-current	-	-	-	75,649	-	-
Notes receivable-noncurrent	-	-	-	246,850	-	-
Nondepreciable Capital Assets	11,553,028	380,099	-	-	-	194,400
Depreciable Capital Assets, Net	37,756,185	14,877,984	558	1,427,731	-	359,892
Total Assets	58,041,918	21,842,043	426,392	6,180,028	20,332,157	657,142
DEFERRED OUTFLOW OF RESOURCES						
Deferreed outflows related to OPEB plan			21,373			
Deferred outflows related to pension plan	447,266	74,652	37,889	-	-	-
Total deferred outflow of resources	447,266	74,652	37,889	-	-	-
LIABILITIES						
Accounts payable	393,379	114,230	-	10,638	-	-
Accrued expenses	414,082	53,637	3,514	-	244,750	-
Customer deposits	-	273,949	-	-	-	-
Net pension liability	419,404	103,561	171,210	-	-	-
Net OPEB liability	-	-	50,087	-	-	-
Compensated absenses	430,019	-	8,200	-	-	-
Landfill post-closure due in less than one year	22,116	-	-	-	-	-
Landfill post closure due in more than one year	90,521	-	-	-	-	-
Bonds payable in less than one year	-	-	-	-	1,728,585	-
Bonds payable in more than one year	-	-	-	-	18,358,391	-
Notes payable in less than one year	-	17,084	-	39,492	-	-
Notes payable in more than one year	-	941,401	-	-	-	-
Total Liabilities	1,769,521	1,503,862	233,011	50,130	20,331,726	-
DEFERRED INFLOW OF RESOURCES						
Deferred inflows related to OPEB plan	-	-	96,437	-	-	-
Deferred inflows related to pension plan	621,087	69,924	23,376	-	-	-
Pension plan	621,087	69,924	119,813	-	-	-
NET POSITION						
Net investment in capital assets	49,309,213	14,299,598	558	1,427,731	-	554,292
Restricted for:						
Debt service	-	65,195	-	-	-	-
Public Safety	72,885	-	-	-	-	-
Public Health	48,906	-	100,418	-	-	-
Capital Projects	3,655,968	4,060,540	-	-	-	-
Assigned	-	65,195	-	-	-	-
Unrestricted	3,011,604	1,852,381	31,854	4,702,167	431	102,850
Total Net Position	\$ 56,098,576	\$ 20,342,909	\$ 132,830	\$ 6,129,898	\$ 431	\$ 657,142

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Statement of Activities
Primary Government Year Ended June 30, 2020
Component Units Years Ended June 30, 2020

Function/Program	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	
Governmental Activities:					
General Government	\$ 1,954,803	\$ 187,227	\$ -	\$ -	\$ (1,767,576)
Court Administration	974,361	-	-	-	(974,361)
Public Safety	6,694,066	973,934	-	-	(5,720,132)
Public Works	2,203,910	-	-	490,129	(1,713,781)
Culture and recreation	1,097,389	-	-	-	(1,097,389)
Housing and development	259,860	-	-	-	(259,860)
Health and Welfare	1,025,497	-	333,744	-	(691,753)
Total Governmental Activities	14,209,886	1,161,161	333,744	490,129	(12,224,852)
Business-Type Activities					
Total Business-Type Activities:	-	-	-	-	-
Total Primary Government	14,209,886	1,161,161	333,744	490,129	(12,224,852)
Component Units:					
Heard County Water Authority	2,784,642	2,679,407	-	-	(105,235)
Heard County Health Department	361,586	128,736	251,943	-	19,093
Heard County Development Authority	158,079	645,000	-	-	486,921
Head County Hospital Authority	56,974	36,555	-	-	(20,419)
Heard County Public Facilities Authority	170,148	-	170,148	-	-
Total Component Units	\$ 3,531,429	\$ 3,489,698	\$ 422,091	\$ -	\$ 380,360

	Primary Government	Component Units
	Governmental Activities	
Change in Net Assets:		
Net (expense) revenue	\$ (12,224,852)	\$ 380,360
General Revenues		
Property taxes	4,306,004	-
Sales taxes	5,850,272	-
Payment in lieu of taxes	2,816,588	-
Insurance premium tax	689,974	-
Other taxes	156,313	-
Investment Revenue	9,728	191,593
Gain on sale of assets	-	-
Other	440,346	-
Total general revenues and transfers	14,269,225	191,593
Changes in net position	2,044,373	571,953
Net position beginning of year	54,054,203	26,691,257
Net position at end of year	\$ 56,098,576	\$ 27,263,210

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2020

	General	2012 SPLOST	2019 SPLOST	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 4,233,812	\$ 3,326	\$ 3,652,642	\$ 132,648	\$ 8,022,428
Investments	-	-	-	-	-
Accounts Receivable	710,277	-	-	-	710,277
Due from other funds	-	101,652	-	-	101,652
Sales Taxes Receivable	-	-	-	-	-
Property Taxes Receivable	-	-	-	-	-
Total Assets	4,944,089	104,978	3,652,642	132,648	8,834,357
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	382,522	-	-	10,857	393,379
Accrued expenses	414,082	-	-	-	414,082
Due to other funds	-	-	101,652	-	101,652
Total Liabilities	796,604	-	101,652	10,857	909,113
Deferred Inflows of Resources	131,318	-	-	-	131,318
Fund Balances					
Restricted for:					
Capital expenditures	-	104,978	3,550,990	-	3,655,968
Public safety	-	-	-	72,885	72,885
Public welfare	-	-	-	48,906	48,906
Unassigned	4,016,167	-	-	-	4,016,167
Total Fund Balances	4,016,167	104,978	3,550,990	121,791	7,793,926
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,944,089	\$ 104,978	\$ 3,652,642	\$ 132,648	\$ 8,834,357

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2020

Total Governmental Funds Balances	\$	7,793,926
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets of \$72,152,115 net of accumulated depreciation of \$22,842,902 used in governmental activities are not financial resources and, therefore, are not reported in the funds.		49,309,213
Accrual based recording of net pension liability		(419,404)
Pension contributions made in current year to be applied in the next year recorded as deferred outflows in the government-wide balance sheet		447,266
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Deferred property taxes		131,318
Deferred inflows from pension plan activity		(621,087)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Due in more than one year		<u>(542,656)</u>
Net Position of Governmental Activities	\$	<u><u>56,098,576</u></u>

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2020

	General	2012 SPLOST	2019 SPLOST	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 7,472,718	\$ -	\$ 3,509,538	\$ -	\$ 10,982,256
Charges for Services	803,027	-		-	803,027
Licenses and Permits	187,227	-		-	187,227
Fines and Forfeitures	148,531	-		22,376	170,907
Intergovernmental	3,150,334	-	469,441	-	3,619,775
Interest	9,728	81	20,331	276	30,416
Other	335,713	-	29,826	74,805	440,344
Total Revenues	12,107,278	81	4,029,136	97,457	16,233,952
Expenditures					
Current					
General government	1,676,513	-	-	-	1,676,513
Judicial	972,311	-	-	-	972,311
Public safety	5,899,710	-	-	100,102	5,999,812
Public works	977,508	-	-	-	977,508
Culture and recreation	724,147	-	-	-	724,147
Housing and development	238,451	-	-	-	238,451
Health and welfare	1,005,559	-	-	7,237	1,012,796
Intergovernmental	-	-	660,144	-	660,144
Capital outlay	-	2,617,831	341,216	42,448	3,001,495
Total Expenditures	11,494,199	2,617,831	1,001,360	149,787	15,263,177
Net Change in Fund Balances	613,079	(2,617,750)	3,027,776	(52,330)	970,775
Fund Balances, Beginning	3,403,088	2,722,728	523,214	174,121	6,299,937
Fund Balances at End of Year	<u>\$ 4,016,167</u>	<u>\$ 104,978</u>	<u>\$ 3,550,990</u>	<u>\$ 121,791</u>	<u>\$ 7,270,712</u>

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2020

Net Change in Fund Balances—Total Governmental Funds	\$ 970,775
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>	
<p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:</p>	
Capital Outlay—Depreciable Capital Assets	3,001,495
Depreciation	(2,018,244)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>	
Property Taxes	20,307
<p>Adjustments to long-term liabilities recorded as expenditures in the fund financial statements:</p>	
Decrease in landfill post-closure liability	22,116
Decrease in long-term compensated absences	42,183
Decrease in net pension liability	5,741
	20,307
Change in Net Position of Governmental Activities	\$ 2,044,373

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2020

	Tax Commis sioner	Clerk of Court	Probate Office	Magistrate Office	Sheriff Office	Tax Sale Escrow
ASSETS						
Cash	\$ 249,883	\$ 153,630	\$ 11,080	\$ 3,518	\$ 44	\$ 19,996
Taxes receivable	421,748	-	-	-	-	-
Total assets	<u>671,631</u>	<u>153,630</u>	<u>11,080</u>	<u>3,518</u>	<u>44</u>	<u>19,996</u>
Fiduciary Net Position- Held for Others	<u>671,631</u>	<u>153,630</u>	<u>11,080</u>	<u>3,518</u>	<u>44</u>	<u>19,996</u>
TOTAL NET FIDUCIARY NET POSITION	<u>\$ 671,631</u>	<u>\$ 153,630</u>	<u>\$ 11,080</u>	<u>\$ 3,518</u>	<u>\$ 44</u>	<u>\$ 19,996</u>

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2020

	Tax Commis sioner	Clerk of Court	Probate Office	Magistrate Office	Sheriff Office	Tax Sale Escrow	Total
ADDITIONS							
Taxes	\$ 13,694,773	\$ 188,698	\$ -	\$ -	\$ -	\$ -	\$ 13,883,471
Fines	-	174,449	99,876	26,684	-	-	301,009
Service fees	-	10,620	5,325	21,600	16,942	-	54,487
Condemnations	-	-	-	14,761	-	-	14,761
Bonds	-	1,000	-	-	-	-	1,000
Interest income	-	-	-	-	-	40	40
Total Additions	13,694,773	374,767	105,201	63,045	16,942	40	14,254,768
DEDUCTIONS							
Distributed to other governments	13,527,955	-	-	-	-	-	13,527,955
Held for others	-	321,737	102,206	63,789	-	-	487,732
Program expenses	-	-	-	-	16,942	-	16,942
Total Deductions	13,527,955	321,737	102,206	63,789	16,942	-	14,032,629
Change in Net Position	166,818	53,030	2,995	(744)	-	40	222,139
Net Position 6-30-19	504,813	100,600	8,085	4,262	44	19,956	637,760
Net Position 6-30-20	\$ 671,631	\$ 153,630	\$ 11,080	\$ 3,518	\$ 44	\$ 19,996	\$ 859,899

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

1. REPORTING ENTITY

Heard County, Georgia was formed by the State legislature on December 22, 1830. The County operates under the control of a five-member Board of Commissioners, plus a Chairman, all elected by the citizens of Heard County. The Chairman of the Board of Commissioners manages the daily activities of the County. Heard County provides the following services as authorized by its charter: public safety, public works, public health and welfare, recreation, and utilities.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Heard County, this includes all departments and activities that are operated directly by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt, or the levying of taxes.

The component unit columns on the combined financial statements include the financial data of the County's discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the County.

Heard County Health Department:

The Health Department operates a general health clinic for the benefit of the residents of Heard County. In addition to the County's contribution of financial support, the County Board of Commissioners appoints a majority of the Health Department's Board of Directors, and thereby exercises considerable influence upon the Health Department's activities. The Health Department's fiscal year ends with June 30. The accompanying financial statements include the financial information for the Health Department as of and for the year ended June 30, 2021. The Health Department issues separately audited Component Unit Financial Statements. Copies of their statements may be obtained from the Heard County Board of Public Health, Franklin, Georgia. The financial information of the Health Department is included in the combined financial statements as a discretely presented component unit.

Heard County Development Authority:

The Development Authority operates to promote economic development in Heard County. The County is financially responsible for the debt of the Development Authority. The Development Authority's fiscal year ends with June 30. The accompanying financial statements include the financial information for the Development Authority as of and for the year ended June 30, 2021. The Development Authority issues separately audited Component Unit Financial Statements. Copies of their statements may be obtained from the by writing to Heard County Development Authority, PO Box 368, Franklin, GA 30217. This financial information is included in the combined financial statements as a discretely presented component unit.

Heard County Public Facilities Authority

The Public Facilities Authority was formed to provide increased financing options for government entities within Heard County. Operations consist of arranging long term debt at low or no interest rates for the Board of Education. The accompanying financial statements include the financial information for the Public Facilities Authority as of and for the year ended June 30, 2021 as supplementary data. Separate financial statements are not issued. Financial information can be obtained by contacting the Heard County Commissioners.

Heard County Water Authority:

The Water Authority provides water delivery service to the citizens of Heard County. The County is financially responsible for the debt of the Water Authority. The Water Authority's fiscal year ends with June 30. The accompanying financial statements include the financial information for the Water Authority as of and for the year ended June 30, 2021. The Water Authority issues separately audited Component Unit Financial Statements. Copies of their statements may be obtained from the by writing to Heard County Water Authority, PO Box 610, Franklin, GA 30217. This financial information is included in the combined financial statements as a discretely presented component unit.

Heard County Hospital Authority

The Hospital Authority was formed to manage real estate properties utilized by a local hospital and health related entities within Heard County. Operations consist of renting a commercial building to the Heard County Health Department. The accompanying financial statements include the financial information for the Hospital Authority as of and for the year ended June 30, 2021 as supplementary data. Separate financial statements are not issued. Financial information can be obtained by contacting the Heard County Commissioners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide Financial Statements:

The Statement of net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds and component units that are fiduciary in nature. The effect of interfund activity, within the governmental type activities columns, has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The County's major funds are described below:

General Fund:

The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Georgia.

ARPA Fund:

This fund accounts for the receipt and expenditure of a grant received under the American Recovery Plan Act.

2021 SPLOST Fund:

This fund accounts for the receipt and expenditure of a 2021 Special Purpose Local Option Sales Tax referendum.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary to useful or sound financial administration. Goods or services from such activities can be provided to outside parties (Enterprise Funds) or to other departments or agencies primarily within the government (Internal Service Funds). The Proprietary funds used by the County are as follows:

Enterprise Funds:

The Heard County Water Authority, Heard County Development Authority, and Heard County Hospital Authority Discretely Presented Component Units are included in the financial statements as enterprise funds.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The fiduciary fund financial statements are presented using the accrual basis of accounting.

Agency Funds-The County utilizes agency funds to account for the activities of the Tax Commissioner, Sheriff, and Clerk of Court, Probate Office, Magistrate Office, and Tax Sale Escrow Fund.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and enterprise fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues—Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including insurance premium tax), grants, interest, and rent.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

The County budgets its operations on an annual basis for the general fund. The proposed budget is prepared each May by a Budget Committee consisting of the Board of Commissioners, the County Administrator, and the Financial Administrator. Budget requests from the various County departments are presented to this Committee for consideration. Public hearings are held to discuss the proposed budget and to obtain input from the citizens of Heard County. The final proposed budget is presented at a Board of Commissioners meeting for final passage prior to June 30. The final budget is adopted at public meeting. Grants and contracts received by the County during the year are governed by stipulated budgets that are normally officially adopted at the time the grants are approved.

Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds presents a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. Revenues are budgeted by source and expenditures are budgeted by department and class as follows: General government, Court administration, Public safety, Public works, Culture and recreation, Housing and development, Health and welfare, Capital outlay, and Debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level except for matching funds required by grantors. All budget revisions at this level are subject to final review by the Board. Within these control levels, management may transfer appropriations without Board approval.

Capital Projects Funds are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the accompanying combined financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. There were no outstanding encumbrances at year-end.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of one thousand dollars. The County's infrastructure consists of roads, bridges, and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

In accordance with provisions of GASB 34, the County has only capitalized infrastructure purchased or constructed after July 1, 2003.

All capital assets are depreciated, except for land and improvements and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 - 100 years
Improvements	20 years
Vehicles	5 - 15 years
Machinery & equipment	5 - 20 years
Infrastructure	25 - 75 years

Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

Compensated Absences

Full time County employees earn personal leave time according to a schedule based upon length of employment. After one year of employment, an employee will receive 17 days. After five years of employment, an employee will receive 22 days. After ten years of employment, an employee will receive 27 days. After fifteen years of employment, an employee will receive 32 days. After twenty years of employment, an employee will receive 37 days.

All personal days which are not utilized during an employee's employment year shall not carry over to the next year. Except, such unused days, shall be designated as "banked" days, and shall be recorded and placed in a personal day's bank for that employee. Bank days are limited to 240 days.

An employee who dies while employed with the County or resigns in good standing with a two-week written notice, may receive the current year's accrual, plus banked days to a maximum of thirty leave days. An employee who retires at the normal retirement age may receive the full number of days in the employee's bank.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital leases are recognized as a liability on the fund financial statements when due.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred outflows from pension plan accruals.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from property taxes as well as from pension plan accruals.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable**—Amounts 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**—Amounts that can be spent only for specific purposes because of the County Charter, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed**—Amounts that can be used only for specific purposes determined by a formal action by the County Commission ordinance.
- **Assigned**—Amounts that are designated by the Commission Chair for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by County Commission.
- **Unassigned**—All amounts not included in other spendable classifications.

Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the County, these revenues are charges for services for sanitary landfill and recycling services and rent. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

Cash and Equivalents

Cash and equivalents include amounts in demand deposit accounts as well as short-term certificates of deposit with a maturity date of three months or less.

Investments

State statutes authorize the County to invest in obligations of United States government and agencies thereof, general obligations of the State of Georgia or any of its political subdivisions, or banks to the extent they are insured by the FDIC.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Change in Accounting Principles

During the year, the County adopted the provisions of GASB 84 which re-define fiduciary activity classification. Under this standard, Agency Funds have been reclassified as Custodial Funds. In addition, a Statement of Net Position and a Statement of Changes in Net Position are presented on the accrual basis of accounting.

3. DEPOSITS AND INVESTMENTS

Deposits- State statutes require that all public deposits in financial institutions be fully insured or collateralized by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. The County's deposits were fully insured or collateralized as required by state statutes at June 30, 2021. At year end, the carrying amount of the County's deposits was \$11,102,327 and the respective bank balances totaled \$11,464,350. At June 30, 2021, the County's deposits were fully insured and collateralized according to state law.

4. PROPERTY TAXES

An ad valorem tax is charged each year on each parcel of taxable property and on each taxable vehicle and mobile home located in the County. The tax is assessed to support the State government, County government and County School System. It is based generally on a fixed percentage of the market value multiplied by a millage rate. The market value of the property is determined by the County Board of Assessors and the millage rate is set by the County Commissioners to produce the revenue required to finance the expected expenditures of the County and the School System.

After the taxable value of the property has been established and the millage rate determined, the tax is computed on each property by a private computer service, and a tax bill is prepared for the property owner. The total of these computations, called the tax digest, is submitted to the State of Georgia for approval before the tax bills are mailed to the property owners. These tax bills then become the basis for tax collections and allocations to the State, County and Schools. A list of uncollected taxes is prepared from the bills remaining unpaid at the end of the year.

When taxes are collected, the Tax Commissioner records the cash receipts and allocates the portion collected for the State, County and School System. At periodic intervals, as the tax is collected, remittances are made to the State, County, and School System. During the annual audit a summary of charges and credits is made to determine the amount of tax still due to the State, County and School System and final settlement is made according to the statements.

Taxes are levied on October 1 based upon values fixed at January 1 of the prior year. Taxes are due on December 30 of the tax year.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Adjustments and Additions	Transfers & Disposals	Balance June 30, 2021
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 7,186,103	\$ -	\$ -	\$ 7,186,103
Construction in progress	4,366,925	65,596	-	4,432,521
Total	11,553,028	65,596	-	11,618,624
Capital assets being depreciated				
Roads	19,021,377	1,402,368	-	20,423,745

Buildings	28,241,436	162,146	-	28,403,582
Equipment	7,283,163	517,796	-	7,800,959
Vehicles	6,053,111	373,054	-	6,426,165
	<u>60,599,087</u>	<u>2,455,364</u>	-	<u>63,054,451</u>
Less accumulated depreciation for:				
Roads	(4,045,469)	(510,594)	-	(4,556,063)
Buildings	(8,397,223)	(823,747)	-	(9,220,970)
Equipment	(5,362,150)	(435,190)	-	(5,797,340)
Vehicles	(5,038,060)	(305,697)	-	(5,343,757)
	<u>(22,842,902)</u>	<u>(2,075,228)</u>	-	<u>(24,918,130)</u>
Capital assets being depreciated, net	<u>37,756,185</u>	<u>380,136</u>	-	<u>38,136,321</u>
Capital assets, net	<u>\$ 49,309,213</u>	<u>\$ 445,732</u>	<u>\$ -</u>	<u>\$ 49,754,945</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

General Government	\$ 281,743
Judicial	1,502
Public Safety	738,114
Public Works	625,366
Culture and recreation	399,708
Housing and development	14,391
Health and Welfare	14,404
	<u>\$ 2,075,228</u>

6. LONG-TERM DEBT

The County has stopped accepting solid waste at its landfill. State and federal laws and regulations require the County to perform certain maintenance and monitoring operations at the landfill site for thirty years after official closure. The County has five years remaining. The estimated cost of all post closure care activities was \$90,521 and is reflected in the general fund on the government-wide financial statements. Because of future changes in technology, laws, or regulations these costs may change.

Changes in long-term debt were as follows:

	Balance			Balance		Due Within
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>1 year</u>	
Compensated absences	\$ 430,019	\$ -	\$ 57,824	\$ 372,195	\$ -	-
Net pension liability	419,404	-	111,824	307,580	-	-
Landfill post-closure	112,637	-	22,116	90,521	22,116	
	<u>\$ 962,060</u>	<u>\$ -</u>	<u>\$ 191,764</u>	<u>\$ 770,296</u>	<u>\$ 22,116</u>	

Long-term compensated absences and the pension liability were estimated to be all long term because there is no reliable methodology to predict a current portion.

Long-term liabilities are liquidated by the General Fund.

Heard County Water Authority

The Heard County Water Authority borrowed money from USDA for construction of a waste water treatment plant. Interest is at 4.125%. The loan is payable in 456 monthly installments of \$4,685 with the balance due December 5, 2049. The loan is collateralized by the assets of the Authority. The balance of this loan was \$957,945 at June 30, 2021.

As of June 30, 2021, the Water Authority had \$72,363 in sinking funds to repay principal and interest as it becomes due. Debt service to maturity for the long term debt was as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 17,802	\$ 38,478	\$ 56,280
2023	18,550	37,730	56,280
2024	19,330	36,950	56,280
2025	20,143	36,137	56,280
2026	20,990	35,290	56,280
2027-2031	118,949	162,451	281,400
2032-2036	146,144	135,256	281,400
2037-2041	179,556	101,844	281,400
2042-2036	220,607	60,793	281,400
2047-2049	178,830	46,515	225,345
	<u>\$ 940,901</u>	<u>\$ 691,444</u>	<u>\$ 1,632,345</u>

Changes in Heard County Water Authority long-term debt were as follows:

	<u>Balance</u>			<u>Amounts</u>	
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
				<u>June 30, 2021</u>	<u>1 year</u>
USDA WWTP Loan	\$ 957,985	\$ -	\$ 17,084	\$ 940,901	\$ 17,802
GEFA loan	500	1,303,920		1,304,420	-
Loan cost	-	(65,000)	-	(65,000)	-
	<u>958,485</u>	<u>1,238,920</u>	<u>17,084</u>	<u>2,180,321</u>	<u>17,802</u>
Deposits payable	273,949	26,000	94,879	205,070	-
Compensated absences	25,577	44,243	40,791	29,029	17,417
	<u>\$ 1,258,011</u>	<u>\$ 1,309,163</u>	<u>\$ 152,754</u>	<u>\$ 2,414,420</u>	<u>\$ 35,219</u>

Heard County Public Facility Authority

During the year the HCPFA issued Series 2021 Bonds in connection with an intergovernmental agreement with the Heard County School District. Under the agreement, the HCPFA issued bonds in the cumulative amount of \$17,400,000 with the proceeds to be spent on school construction. The HCSD agreed to purchase the constructed facilities dollar for dollar on an installment basis. The purchase price is equal to the total cost of the bond issuance. The bonds carry interest rates from 3% to 5% and are payable annually through March 1, 2030. The bonds are secured by the constructed facilities and a special ad valorem tax assessed to repay the bonds.

The bonds were issued at a premium of \$2,878,898 which is being amortized by the interest method over the life of the bonds. \$537,547 was amortized during the year.

Debt service to maturity for the long term debt was as follows

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,485,000	\$ 690,750	\$ 2,175,750
2023	1,545,000	631,350	2,176,350
2024	1,605,000	569,550	2,174,550
2025	1,690,000	489,300	2,179,300
2026	1,755,000	421,700	2,176,700
2027-2030	<u>7,870,000</u>	<u>842,300</u>	<u>8,712,300</u>
	<u>\$ 15,950,000</u>	<u>\$ 3,644,950</u>	<u>\$ 19,594,950</u>

Debt service is as follows:

Changes in Heard County Public Facilities Authority long-term debt were as follows:

	<u>Balance</u>		<u>Balance</u>		<u>Amounts</u>
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>Due Within</u>
					<u>1 year</u>
Series 2020 Bonds	\$ 17,400,000	\$ -	\$ 1,450,000	\$ 15,950,000	\$ 1,485,000

7. POST-EMPLOYMENT BENEFITS

The County Defined Benefit Plan

Plan Description- The County's defined benefit pension plan, Heard County Pension Plan (HCPP), provided retirement and disability benefits, and death benefits to plan members and beneficiaries. HCPP is affiliated with the Association County Commissioners of Georgia (ACCG) Defined Benefit Plan, an agent multiple-employer public employee retirement plan administered by Government Employee Benefits Corporation of Georgia. The Plan acts as a common investment and administrative agent for participating counties in Georgia. The Public Retirement Systems Standard Law (OCGA 47-20-10) assigns the authority to establish and amend the plan to the County. ACCG issues a financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to ACCG, 1100 Circle 75 Parkway, Suite 300, Atlanta, GA 30339.

Participation- Under the Plan, all full time County employees are eligible to participate after completing three years of service. Benefits vest after five years of service. Participants may retire at age sixty-five with three years of completed service. There is no maximum entry age. Retirement benefits equal 1% of average compensation to \$6,600, plus 1.5% of average compensation in excess of \$6,600, plus \$36 for each year of service, with total service limited to thirty-five years. Average compensation is based on the five-year period immediately preceding retirement. Membership in the plan as of June 30, 2021 is as follows:

Terminated participants entitled to but not receiving benefits	26
Retirees and beneficiaries	27
Active employees participating in the plan	<u>51</u>
	<u>104</u>

Funding Policy- HCPP members are required to contribute 5% of their annual covered salary. The County is required to contribute an actuarially determined rate. Section 47-20 of the Georgia Code sets forth the minimum funding standards for state and local governmental pension plans. The County's contributions exceeded the minimum amount. Administrative expenses are based on total covered compensation of active plan participants and are added to the state-required annual funding requirement. The Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish, and amend from time to time the contribution rates for the County and its plan participants.

Contributions- The County contributed \$71,804 and employees contributed \$89,292 during the measurement year. The County's contributions totaled 3.76% of covered payroll of \$1,912,114.

Net Pension Liability: The County's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of return on investments	7.00%
Salary increases	3.50%
Cost of living adjustments	0.00%

The long-term expected rate of return on Plan investments was determined using a building block method in which the 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The Trustees rebalance the portfolio at least annually for asset allocation purposes according to the following guidelines:

Asset Class	Target Allocation	Range
Fixed Income	30.00%	25% - 35%
Large Cap Equities	30.00%	25% - 35%
Mid Cap Equities	5.00%	2.5% - 10%
Small Cap Equities	5.00%	2.5% - 10%
REIT	5.00%	2.5% - 10%
International	15.00%	10% - 20%
Multi Cap	5.00%	2.5% - 10%
Global Allocation	5.00%	2.5% - 10%

Discount Rate: Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate is determined through a blend of using a building blocks approach based on 20-year benchmarks (33.33%) and 30-year benchmarks (33.33%), as well as the forward-looking capital market assumptions for a moderate asset allocation (33.34%), as determined by UBS:

Estimated 65th percentile return based on UBS Capital Market Assumptions	6.10%
Five-year performance in excess of benchmarks	<u>0.90%</u>
	<u>7.00%</u>

Changes in Net Pension Liability: Changes in the Town's net pension liability for the year ended June 30, 2021 were as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances--12-31-19	\$ 4,130,309	\$ 3,710,905	\$ 419,404
Changes for the Year:			
Service cost	120,953	-	120,953
Interest expense	282,472	-	282,472
Experience losses (gains)	101,983	-	101,983
Assumption change	7,414	-	7,414
Contributions--employer	-	71,804	(71,804)
Contributions--employee	-	89,292	(89,292)
Net investment income	-	508,067	(508,067)
Benefit payments	(189,990)	(189,990)	-
Plan administrative expenses	-	(26,280)	26,280
Other changes	-	(18,237)	18,237
Net Changes	<u>322,832</u>	<u>434,656</u>	<u>(111,824)</u>
Balances--12-31-20	<u>\$ 4,453,141</u>	<u>\$ 4,145,561</u>	<u>\$ 307,580</u>

Sensitivity of the Net Pension Liability to Changes in the discount Rate: The following presents the net pension liability calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate.

	Discount Rate	Net Pension Liability
1% Increase	8.00%	\$ 15,188
Current Discount Rate	7.00%	\$ 419,404
1% Decrease	6.00%	\$ 896,255

Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued Plan financial report.

Pension Expense, Deferred Outflows of Financial resources- For the year ended June 30, 2021, the County recognized pension expense of \$52,986. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 86,492	\$ -
Asset gain/loss	162,149	(485,499)
Liability gain/loss	97,902	(32,220)
	<u>\$ 346,543</u>	<u>\$ (517,719)</u>

Amounts recognized as deferred outflows of resources and inflows of resources will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 179,906	\$ (209,954)
2023	133,563	(130,335)
2024	25,441	(130,335)
2025	7,633	(47,094)
	<u>\$ 346,543</u>	<u>\$ (517,718)</u>

8. LITIGATION

The County's attorney advises that no legal actions were in progress by or against the County at June 30, 2021 that would have any material effect on the County's financial condition.

9. COMMITMENTS AND CONTINGENCIES

The County is subject to routine audits by Grantor agencies. These audits could result in certain costs being disallowed. To the extent that such disallowances involve expenditures under subcontracted arrangements, the County generally has the right of recovery from such third parties. Management believes that any costs disallowed by grantor reviews or review of sub recipient audits would not be material to these financial statements, and no provision has been made for these items.

The County signed as guarantor of a Head County Water Authority note payable to Georgia Environmental Finance Authority. The amount of the note will be \$2,500,000 when the project is fully funded. At June 30, 2021, the outstanding balance of the loan was \$1,304,420. Should the Water Authority be unable to make the payments on this note, the County will have to make them. No provision has been made in the 2021 financial statements for this contingent liability as management currently does not anticipate having to fulfill this obligation.

10. RISK MANAGEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which establishes standard accounting and financial reporting practices for public entity risk pools and governmental entities. The following disclosures are offered in accordance with GASB 10.

The County is exposed to various forms of risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined together with local governments in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As a part of these risk pools, the County is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with and coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pool's agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims have not exceeded commercial coverage in any of the past three years.

11. JOINT VENTURE

Under Georgia law, the County, in conjunction with the municipalities and county governments in a thirteen county area, is a member in the Three Rivers Regional Commission (RC) and is required to pay dues thereto. During the year ended June 30, 2021, the County paid \$9,952 in such dues. Membership in the RC is required under O.C.G.A. Section 50-8-34. The RC governing Board included the chief elected official of each county included in the RDC area. Member governments are liable for any debts or obligations incurred by the RC. Separate RC financial statements may be obtained from:

Three Rivers Regional Commission
PO Box 1600
Franklin, GA 30217

12. SPECIAL PURPOSE LOCAL OPTION SALES TAX

The County had one Special Purpose Local Option Tax issues outstanding as of June 30, 2021. The 2012 SPLOST was completed during the year.

Summaries of receipts and expenditures of these issues were as follows:

	Original	Current	Prior	Current	
2012 SPLOST	<u>Estimated</u>	<u>Estimated</u>	<u>Years</u>	<u>Year</u>	<u>Total</u>
Expenditures for:					
Administrative projects	\$ 4,380,000	\$ 7,400,000	\$ 7,175,943	\$ -	\$ 7,175,943
Animal control projects	350,000	10,000	2,179	-	2,179
Cooperative extension facility	200,000	200,000	115,770	-	115,770
Fire-EMS projects	2,679,000	2,800,000	2,742,940	-	2,742,940
Old Jail facility	100,000	100,000	83,521	-	83,521
Parks and recreation projects	370,000	510,040	510,040	-	510,040
Roads and bridges	8,625,000	8,625,000	8,299,704	104,978	8,404,682
Solid waste improvements	101,000	101,000	-	-	-

Sheriff Department projects	805,000	500,000	453,467	-	453,467
City of Franklin	-	2,200,000	2,194,655	-	2,194,655
City of Centralhatchee	-	1,250,000	1,219,253	-	1,219,253
City of Ephesus	-	1,250,000	1,219,253	-	1,219,253
Water projects	7,500,000	3,100,000	3,022,075	-	3,022,075
	<u>\$ 25,110,000</u>	<u>\$ 28,046,040</u>	<u>\$ 27,038,800</u>	<u>\$ 104,978</u>	<u>\$ 27,143,778</u>

	Original	Current	Prior	Current	
	<u>Estimated</u>	<u>Estimated</u>	<u>Years</u>	<u>Year</u>	<u>Total</u>
2019 SPLOST					
Expenditures for:					
Administrative projects	\$ 1,412,040	\$ 1,412,040	\$ 60,943	\$ 147,498	\$ 208,441
Judicial projects	250,000	250,000	3,135	1,444	4,579
E911 projects	250,000	250,000	20,365	-	20,365
Fire-EMS projects	2,000,000	2,000,000	171,272	438,104	609,376
Parks and recreation projects	375,000	375,000	1,553	391,241	392,794
Roads and bridges	6,750,000	6,750,000	39,397	923,599	962,996
Sheriff Department projects	5,500,000	5,500,000	44,551	148,771	193,322
HC Water Authority	1,000,000	1,000,000		26,962	
City of Franklin	1,924,560	1,924,560	370,079	282,382	652,461
City of Centralhatchee	1,069,200	1,069,200	205,599	156,879	362,478
City of Ephesus	1,069,200	1,069,200	205,599	156,879	362,478
	<u>\$ 21,600,000</u>	<u>\$ 21,600,000</u>	<u>\$ 1,122,493</u>	<u>\$ 2,673,759</u>	<u>\$ 3,769,290</u>

13. PROPERTY TAX ABATEMENTS

The County uses property tax abatement agreements with businesses who construct new facilities and maintain employment levels within the County of a certain level. During the year, two companies participated in these agreements, and both were negotiated by the Heard County Development Authority.

<u>Company</u>	<u>Agreement Date</u>	<u>Property Taxes</u>
Plasti-Paint Inc.	2007	\$ 10,387

14. INTERFUND TRANSFERS

During the year the General fund advanced cash to two special revenue funds to facilitate opening restricted bank accounts. Those transfers were as follows:

<u>Due From</u>	<u>Transfer to:</u>	
General fund	CDBG fund	\$ 600
General fund	ARPA fund	100
		<u>\$ 700</u>

HEARD COUNTY, GEORGIA
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Taxes	\$ 10,780,500	\$ 10,780,500	\$ 10,928,379
Charges for Services	682,250	682,250	725,277
Licenses and Permits	140,300	140,300	236,758
Fines and Forfeitures	185,000	185,000	201,886
Intergovernmental	280,000	280,000	764,653
Interest	-	-	13,157
Other	331,500	331,500	375,990
Total Revenues	12,399,550	12,399,550	13,246,100
Expenditures			
Current			
General government	1,849,580	1,849,580	1,631,211
Judicial	1,007,215	1,007,215	989,925
Public safety	6,165,982	6,165,982	6,040,661
Public works	1,809,577	1,809,577	1,442,731
Culture and recreation	816,124	816,124	790,340
Housing and development	271,213	271,213	216,726
Health and welfare	680,309	680,309	585,962
Total Expenditures	12,600,000	12,600,000	11,697,556
Net Change in Fund Balances	(200,450)	(200,450)	1,548,544
Other Financing Sources (Uses)			
Transfers—In	-	-	
Transfers—Out	-	-	(700)
	(200,450)	(200,450)	1,547,844
Fund Balances (Deficit) at Beginning	4,016,167	4,016,167	4,016,167
Fund Balances at End of Year	\$ 3,815,717	\$ 3,815,717	\$ 5,564,711

HEARD COUNTY, GEORGIA
Pension Plan
Schedule of changes in Net pension Liability and Related Ratios
Ten Fiscal Years Ended

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 120,953	\$ 93,413	\$ 93,177	\$ 78,246	\$ 81,047	\$ 84,877	\$ 72,288
Interest	282,472	255,221	282,056	271,402	257,079	235,665	225,742
Diff. expected and actual	101,983	47,686	(515,529)	76,534	(64,903)	(50,908)	-
Changes in assumptions	7,414	182,218	92,337	8,450	106,503	134,474	-
Benefit payments	(189,990)	(188,469)	(204,469)	(185,438)	(127,944)	(109,226)	(111,115)
Net change	322,832	390,069	(252,428)	249,194	251,782	294,882	186,915
Total liability beginning	4,130,309	3,740,240	3,992,668	3,743,474	3,491,692	3,196,810	3,009,895
Total liability ending	\$ 4,453,141	\$ 4,130,309	\$ 3,740,240	\$ 3,992,668	\$ 3,743,474	\$ 3,491,692	\$ 3,196,810
Plan Fiduciary Net Position							
Contributions-Employer	\$ 71,804	\$ 67,810	\$ 55,447	\$ 115,459	\$ 126,234	\$ -	\$ 110,412
Contributions-Employees	89,292	81,372	75,790	74,725	73,204	68,597	68,535
Net investment income	508,067	646,578	(150,890)	460,414	191,796	19,742	186,576
Benefit payments	(189,990)	(188,469)	(204,469)	(156,838)	(127,944)	(109,226)	(107,099)
Contribution refunds	-	-	-	(22,113)	-	-	(428)
Other	(26,280)	(28,162)	(18,067)	(21,963)	(29,919)	(23,031)	(19,920)
Administrative expense	(18,237)	(22,878)	(11,791)	(9,491)	(12,852)	(10,177)	(8,826)
Net change	434,656	556,251	(253,980)	440,193	220,519	(54,095)	229,250
Fiduciary net position beginning	3,710,905	3,154,654	3,408,634	2,968,441	2,747,922	2,802,017	2,572,767
Fiduciary net position ending	\$ 4,145,561	\$ 3,710,905	\$ 3,154,654	\$ 3,408,634	\$ 2,968,441	\$ 2,747,922	\$ 2,802,017
Net pension liability ending	\$ 307,580	\$ 419,404	\$ 585,586	\$ 584,034	\$ 775,033	\$ 743,770	\$ 394,793
Plan fiduciary net position as a percentage of total pension liability	93.09%	89.85%	84.34%	85.37%	79.30%	78.70%	87.65%
Covered employee payroll	\$ 1,912,114	\$ 1,443,975	\$ 1,410,099	\$ 1,333,251	\$ 1,302,379	\$ 1,414,833	\$ 1,241,177
Plan fiduciary net position as a percentage of covered payroll	16.09%	29.05%	41.53%	43.81%	59.51%	52.57%	31.81%

(Historical information prior to implementation of GASB 67/68 is not required)

HEARD COUNTY, GEORGIA
Schedule of Contributions

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	70,458	64,223	49,726	115,459	126,234	116,001
Contributions in relation to the actuarially determined contribution	71,804	67,810	52,511	115,459	126,234	-
Contribution deficiency (excess)	<u>(1,346)</u>	<u>(3,587)</u>	<u>(2,785)</u>	<u>-</u>	<u>-</u>	<u>116,001</u>
Percentage contributed	101.9%	105.6%	105.6%	100.0%	100.0%	0.0%
Covered employee payroll	1,443,975	1,410,099	1,333,251	1,302,379	1,414,833	1,241,177
Contributions as a percentage of covered employee payroll	4.97%	4.81%	3.94%	8.87%	8.92%	0.00%

(Historical information prior to implementation of GASB 67/68 is not required)

Amounts measured on calendar basis. 2021 information will be reported in fiscal year 2022.

HEARD COUNTY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For Year Ended June 30, 2021

Budgetary Accounting

The County budgets its operations on an annual basis for the General Fund. The proposed budget is prepared each year by the County Commission. Public hearings are held to discuss the proposed budget and to obtain input from the citizens of Heard County. The final proposed budget is presented at a County Commission meeting for final passage prior to June 30. The final budget is adopted at public meeting.

The County prepares its budget on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – presents a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. Revenues are budgeted by source and expenditures are budgeted by department and class as follows: General government, Public Safety, Public works, Culture and Recreation, Housing and Development, and Health and Welfare. This constitutes the legal level of control. General Fund expenditures for capital outlay are budgeted with the respective departments rather than being separately reported. Expenditures may not exceed appropriations at this level except for matching funds required by grantors. All budget revisions at this level are subject to final review by the Commission. Within these control levels, management may transfer appropriations without Commission approval, with the exception of salary amounts.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds. There were no outstanding encumbrances at year-end.

Valuation Date

The valuation date used in the Schedule of Contributions is as of January 1 one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions to Determine Contribution Rates

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	Market value at measurement date
Inflation	3%
Salary increases	3.5% average, including inflation
Investment rate of return	7.00%, Net of Plan investment expense, including inflation

Mortality

RP 2000 Combined Mortality Table with Scale AA projection to year 2018

Changes in Assumptions

The mortality table was changed from RP-2000 with Scale AA projected to 2018 to Pub-2010 GE (50%) & PS (50%) Amount Weighted with Scale AA to 2019.

Benefit Changes

There were no changes to benefit assumptions during this reporting period.

HEARD COUNTY, GEORGIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	Special Revenue			
	CDBG Grant	Jail Fund	Drug Abuse Treatment Fund	Inmate Fund
ASSETS				
Cash and Cash Equivalents	\$ 430	\$ 27,303	\$ 41,462	\$ 13,572
Due from other funds	-	-	-	-
Loan receivable	-	-	-	-
Total Assets	430	27,303	41,462	13,572
LIABILITIES				
Accounts payable	-	-	-	13,169
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
FUND BALANCES				
Restricted for public safety	-	27,303	-	403
Restricted for capital projects	-	-	-	-
Restricted for public works	430	-	-	-
Restricted for public welfare	-	-	41,462	-
Total Fund Balances	430	27,303	41,462	403
Total Liabilities and Fund Balances	\$ 430	\$ 27,303	\$ 41,462	\$ 403

HEARD COUNTY, GEORGIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	Special Revenue		Capital Projects	Total Other Governmental Funds
	Seized Assets	Law Library Fund	2012 SPLOST	
ASSETS				
Cash and Cash Equivalents	\$ 21,694	\$ 21,020	\$ -	\$ 125,481
Due from other funds	-	-	-	-
	-	-	-	-
Total Assets	21,694	21,020	-	125,481
LIABILITIES				
Accounts payable	-	-	-	13,169
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	13,169
FUND BALANCES				
Restricted for public safety	21,694	21,020	-	70,420
Restricted for capital projects	-	-	-	-
Restricted for public works	-	-	-	430
Restricted for public welfare	-	-	-	41,462
Total Fund Balances	21,694	21,020	-	112,312
Total Liabilities and Fund Balances	\$ 21,694	\$ 21,020	\$ -	\$ 125,481

HEARD COUNTY, GEORGIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2021

	Special Revenue			
	CDBG Grant	Jail Fund	Drug Abuse Treatment Fund	Inmate Fund
Revenues				
Fines and forfeitures	\$ -	\$ 5,150	\$ 2,124	\$ -
Intergovernmental	15,350	-	-	-
Other income	-	23,021	-	91,817
Investment income	-	51	90	-
Total Revenues	15,350	28,222	2,214	91,817
Expenditures				
Public safety	-	23,679	9,658	91,414
Public works	15,520	-	-	-
Public welfare	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	15,520	23,679	9,658	91,414
Excess (deficiency) of Revenues Over (Under) Expenditures	(170)	4,543	(7,444)	403
Other Financing Sources (Uses)				
Transfers In	600	-	-	-
Transfers Out	-	-	-	-
Net Change in Fund Balances	430	4,543	(7,444)	403
Fund Balances (Deficit) at Beginning	-	22,760	48,906	-
Fund Balances at End of Year	\$ 430	\$ 27,303	\$ 41,462	\$ 403

HEARD COUNTY, GEORGIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2021

	Special Revenue		Capital Projects	Total Other Governmental Funds
	Seized Assets	Law Library Fund	2012 SPLOST	
Revenues				
Fines and forfeitures	\$ 11,109	\$ 2,848	\$ -	\$ 21,231
Tax	-	-	-	15,350
Other income	9,500	-	-	124,338
Investment income	-	-	-	141
				-
Total Revenues	20,609	2,848	-	161,060
Expenditures				
Public safety	26,876	3,992	-	155,619
Public works	-	-	104,978	120,498
Public welfare	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
				-
Total Expenditures	26,876	3,992	104,978	276,117
Excess (deficiency) of Revenues Over (Under) Expenditures	(6,267)	(1,144)	(104,978)	(115,057)
Other Financing Sources (Uses)				
Transfers In	-	-	-	600
Transfers Out	-	-	-	-
				-
Net Change in Fund Balances	(6,267)	(1,144)	(104,978)	(114,457)
				-
Fund Balances (Deficit) at Beginning	27,961	22,164	104,978	226,769
				-
Fund Balances at End of Year	\$ 21,694	\$ 21,020	\$ -	\$ 112,312

HEARD COUNTY, GEORGIA
Schedule of State Awards Expended
For the Year Ended June 30, 2021

State Program Name	Contract Number	State Received	Federal Revenue	Total Expenditures
DHS HCCP	93-202000094	48,000	-	52,227
DHR Sr. Center		17,432	83,424	312,349
		<u>\$ 65,432</u>	<u>\$ 83,424</u>	<u>\$ 364,576</u>

HEARD COUNTY, GEORGIA
Schedule of Funding Progress
CDBG Grant 17px-128-2-6024
Year Ended June 30, 2021

	Grant Budget	Prior Year	Current Year	Total
Revenues				
CDBG Grant	\$ 750,000	\$ -	\$ 15,350	\$ 15,350
Expenditures				
Water system improvements	750,000	-	85,553	85,553

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

To the Board of Commissioners
Heard County, Georgia

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the remaining aggregate fund information of Heard, County, Georgia as of and for the year ended June 30, 2021 and the related notes to financial statements, which collectively comprise Heard, County, Georgia's basic financial statements and have issued my report thereon dated March 20, 2022.

My report includes a reference to other auditors who audited the financial statements of the Heard County Health Department, the Heard County Development Authority, and the Heard County Water Authority, as described in my report on Heard County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Heard County, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinions on the effectiveness of the Heard County, Georgia's internal control. Accordingly, I do not express an opinion on the effectiveness of the Heard County, Georgia's internal control.

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

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that I consider to be a material weakness. 21-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heard County, Georgia's financial statements are free of material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Heard County, Georgia's Response to Findings

Heard County, Georgia's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Heard County, Georgia's response and, accordingly, I express no opinion on it.

Purpose of This Report

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

Kim Kimmel CPA

Richland, Georgia
June 14, 2022

HEARD COUNTY, GEORGIA
Schedule of Findings and Responses
Year Ended Jun 30, 2021

Deficiency

21-1 Segregation of Duties

Condition: During my audit I noted that some transactions are processed from start to end by one individual.

Criteria: All transactions should require two or more individuals to initiate, summarize, post, and reconcile.

Effect: The potential exists for unauthorized transactions to be initiated and not discovered.

Response: The County agrees with the finding and acknowledges the risk involved, but does not have the resources to provide for proper segregation of duties in all areas, at this time.