HEARD COUNTY
BOARD OF EDUCATION



FRANKLIN, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022
(Including Independent Auditor's Reports)

Heard 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. Rodney Kay, Superintendent and Members of the
Heard County Board of Education

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and fiduciary activities of the Heard 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, each major fund, and fiduciary activities 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

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

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financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient 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 July 14, 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

July 14, 2023

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Heard County Board of Education

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

EXHIBIT "A"

		GOVERNMENTAL ACTIVITIES
ASSETS		
Cash and Cash Equivalents	$	19,391,255.64
Investments		4,538,220.17
Accounts Receivable, Net		
Interest		389.65
Taxes		1,283,193.09
State Government		1,752,545.75
Federal Government		721,461.84
Other		24,440.00
Inventories		89,613.67
Prepaid Items		5,346.47
Capital Assets, Non-Depreciable		3,942,433.96
Capital Assets, Depreciable (Net of Accumulated Depreciation)		66,199,976.63
Total Assets		97,948,876.87
DEFERRED OUTFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plan		6,498,728.41
Related to OPEB Plan		2,856,323.00
Total Deferred Outflows of Resources		9,355,051.41
LIABILITIES		
Accounts Payable		256,399.48
Salaries and Benefits Payable		2,512,629.69
Interest Payable		210,450.00
Contracts Payable		1,145.87
Net Pension Liability		8,489,675.00
Net OPEB Liability		11,868,204.00
Long-Term Liabilities		
Due Within One Year		1,832,889.76
Due in More Than One Year		15,018,475.77
Total Liabilities		40,189,869.57
DEFERRED INFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plan		12,822,937.00
Related to OPEB Plan		7,293,505.00
Total Deferred Inflows of Resources		20,116,442.00
NET POSITION		
Net Investment in Capital Assets		55,007,920.35
Restricted for		
Continuation of Federal Programs		1,013,042.04
Debt Service		105,225.00
Capital Projects		7,738,011.58
Unrestricted (Deficit)		(16,866,582.26)
Total Net Position	$	46,997,616.71

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

HEARD 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	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES				
Instruction	$ 15,846,103.83	$ 215,758.24	$ 14,400,446.56	$ (1,229,899.03)
Support Services				
Pupil Services	699,575.68	-	248,040.98	(451,534.70)
Improvement of Instructional Services	425,995.83	-	308,312.15	(117,683.68)
Educational Media Services	448,255.65	-	482,380.05	34,124.40
General Administration	840,305.29	-	537,220.95	(303,084.34)
School Administration	1,615,616.28	-	799,344.20	(816,272.08)
Business Administration	215,843.27	-	6,483.28	(209,359.99)
Maintenance and Operation of Plant	3,452,742.29	-	632,826.54	(2,819,915.75)
Student Transportation Services	1,525,592.47	-	587,877.39	(937,715.08)
Central Support Services	379,079.95	-	8,081.02	(370,998.93)
Other Support Services	707,210.66	-	-	(707,210.66)
Operations of Non-Instructional Services				
Enterprise Operations	345,256.43	-	-	(345,256.43)
Food Services	1,644,276.86	34,117.21	2,276,639.90	666,480.25
Interest on Long-Term Debt	383,060.24	-	-	(383,060.24)
Total Governmental Activities	$ 28,528,914.73	$ 249,875.45	$ 20,287,653.02	(7,991,386.26)
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				9,015,767.40
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				7,217,685.64
Other Sales Tax				138,423.08
Grants and Contributions not Restricted to Specific Programs				1,410,318.00
Investment Earnings				18,288.45
Miscellaneous				1,194,899.11
Total General Revenues				18,995,381.68
Change in Net Position				11,003,995.42
Net Position - Beginning of Year				35,993,621.29
Net Position - End of Year				$ 46,997,616.71

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

HEARD 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	$ 12,114,790.70	$ 7,276,464.94	$ -	$ 19,391,255.64
Investments	2,903,446.51	1,634,773.66	-	4,538,220.17
Accounts Receivable, Net				
Interest	389.65	-	-	389.65
Taxes	447,465.79	835,727.30	-	1,283,193.09
State Government	1,752,545.75	-	-	1,752,545.75
Federal Government	721,461.84	-	-	721,461.84
Other	24,440.00	-	-	24,440.00
Inventories	89,613.67	-	-	89,613.67
Prepaid Items	3,146.47	2,200.00	-	5,346.47
Total Assets	$ 18,057,300.38	$ 9,749,165.90	$ -	$ 27,806,466.28
LIABILITIES				
Accounts Payable	195,693.82	60,705.66	-	256,399.48
Salaries and Benefits Payable	2,512,629.69	-	-	2,512,629.69
Contracts Payable	-	1,145.87	-	1,145.87
Total Liabilities	2,708,323.51	61,851.53	-	2,770,175.04
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	298,541.70	-	-	298,541.70
FUND BALANCES				
Nonspendable	92,760.14	2,200.00	-	94,960.14
Restricted	923,428.37	9,685,114.37	-	10,608,542.74
Committed	478,859.76	-	-	478,859.76
Unassigned	13,555,386.90	-	-	13,555,386.90
Total Fund Balances	15,050,435.17	9,687,314.37	-	24,737,749.54
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 18,057,300.38	$ 9,749,165.90	$ -	$ 27,806,466.28

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

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

Total fund balances - governmental funds (Exhibit "C")			$ 24,737,749.54
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	$	3,313,848.06	
Construction in progress		628,585.90	
Buildings and improvements		90,227,638.00	
Equipment		5,750,902.78	
Land improvements		5,142,699.45	
Accumulated depreciation		(34,921,263.60)	70,142,410.59
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Net pension liability	$	(8,489,675.00)	
Net OPEB liability		(11,868,204.00)	(20,357,879.00)
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	$	(6,324,208.59)	
Related to OPEB		(4,437,182.00)	(10,761,390.59)
Taxes that are not available to pay for current period expenditures are deferred in the funds.			298,541.70
Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.			
Intergovernmental agreement payable	$	(14,465,000.00)	
Accrued interest payable		(210,450.00)	
Compensated absences payable		(83,247.50)	
Unamortized bond premiums		(2,303,118.03)	(17,061,815.53)
Net position of governmental activities (Exhibit "A")			$ 46,997,616.71

HEARD 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	$ 8,956,904.22	$ -	$ -	$ 8,956,904.22
Sales Taxes	138,423.08	7,217,685.64	-	7,356,108.72
State Funds	15,393,784.66	-	-	15,393,784.66
Federal Funds	6,324,535.64	-	-	6,324,535.64
Charges for Services	249,875.45	-	-	249,875.45
Investment Earnings	13,074.19	5,214.26	-	18,288.45
Miscellaneous	1,182,849.11	12,050.00	-	1,194,899.11
Total Revenues	32,259,446.35	7,234,949.90	-	39,494,396.25
EXPENDITURES				
Current				
Instruction	16,161,650.40	7,349.00	-	16,168,999.40
Support Services				
Pupil Services	780,104.84	-	-	780,104.84
Improvement of Instructional Services	446,233.53	-	-	446,233.53
Educational Media Services	483,041.67	-	-	483,041.67
General Administration	945,422.56	2,846.25	-	948,268.81
School Administration	1,859,929.90	1,536.10	-	1,861,466.00
Business Administration	257,126.85	-	-	257,126.85
Maintenance and Operation of Plant	2,559,253.95	948,882.35	-	3,508,136.30
Student Transportation Services	1,171,057.10	62,711.00	-	1,233,768.10
Central Support Services	443,510.58	-	-	443,510.58
Other Support Services	707,210.66	-	-	707,210.66
Enterprise Operations	345,256.43	-	-	345,256.43
Food Services Operation	1,692,083.22	11,002.23	-	1,703,085.45
Capital Outlay	535,689.81	3,492,229.31	-	4,027,919.12
Debt Services				
Principal	-	-	1,485,000.00	1,485,000.00
Interest	-	-	690,750.00	690,750.00
Total Expenditures	28,387,571.50	4,526,556.24	2,175,750.00	35,089,877.74
Revenues over (under) Expenditures	3,871,874.85	2,708,393.66	(2,175,750.00)	4,404,518.51
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	2,175,750.00	2,175,750.00
Transfers Out	-	(2,175,750.00)	-	(2,175,750.00)
Total Other Financing Sources (Uses)	-	(2,175,750.00)	2,175,750.00	-
Net Change in Fund Balances	3,871,874.85	532,643.66	-	4,404,518.51
Fund Balances - Beginning	11,178,560.32	9,154,670.71	-	20,333,231.03
Fund Balances - Ending	$ 15,050,435.17	$ 9,687,314.37	$ -	$ 24,737,749.54

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

HEARD 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")			$ 4,404,518.51
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	$	4,831,004.46	
Depreciation expense		(2,872,846.00)	1,958,158.46
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			58,863.18
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.			
Amortization of Bond Premium	$	287,889.76	
Intergovernmental agreement payments		1,485,000.00	1,772,889.76
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	$	2,189,009.81	
OPEB expense		612,386.00	2,801,395.81
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.			
Net decrease in accrued interest	$	19,800.00	
Net decrease in compensated absences		(11,630.30)	8,169.70
Change in net position of governmental activities (Exhibit "B")			$ 11,003,995.42

HEARD COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

EXHIBIT "G"

	CUSTODIAL FUNDS
ASSETS	
Cash and Cash Equivalents	$ 1,680.00
NET POSITION	
Restricted	
Individuals, Organizations, and Other Governments	$ 1,680.00

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

HEARD COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDCUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2022

EXHIBIT "H"

	CUSTODIAL FUNDS
ADDITIONS	
Contributions	
Donors	$ 3,843.00
DEDUCTIONS	
Scholarships	4,663.00
Change in Net Position	(820.00)
Net Position - Beginning	2,500.00
Net Position - Ending	$ 1,680.00

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

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Heard 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, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

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

Fund Financial Statements

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources 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) and bond proceeds that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- Custodial funds are used to report resources held by the School District in a purely custodial capacity.

Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 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 and acquisitions under leases 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 an 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.

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 or works of art.

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	$ 10,000.00	15 years
Buildings and Improvements	$ 10,000.00	10 to 40 years
Equipment	$ 10,000.00	5 to 15 years
Intangible Assets	$ 300,000.00	5 to 10 years

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

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

Vacation leave of 10 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 20 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. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

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 Heard County Board of Commissioners adopted the property tax levy for the 2021 tax digest year (calendar year) on September 24, 2021 (levy date) based on property values as of January 1, 2021. Taxes were due on December 1, 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 Heard 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 $8,332,146.95.

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

School Operations	15.217 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $624,757.27 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 $7,217,685.64 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, 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, except the various school activity (principal) accounts, is prepared and adopted by fund and function. 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.

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

NOTE 4: DEPOSITS AND 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, the School District had deposits with a carrying amount of $22,296,382.15, and a bank balance of $23,442,640.36. The bank balances insured by Federal depository insurance were $3,153,446.51 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District’s name were $20,289,193.85.

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

Cash and cash equivalents	
Statement of Net Position	$ 19,391,255.64
Statement of Fiduciary Net Position	1,680.00
Total cash and cash equivalents	19,392,935.64
Add:	
Deposits with original maturity of three months or more reported as investments	2,903,446.51
Total carrying value of deposits - June 30, 2022	$ 22,296,382.15

Categorization of Investments

At June 30, 2022, the School District had investments of certificates of deposit of $2,903,446.51 and other types of investments in the amount of $1,634,773.66.

An analysis of these investments is as follows:

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
U. S. Treasuries		
Money Market	$ 1,634,773.66	$ 1,634,773.66

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:

Investments by fair value level:	Fair Value	Level 1
U. S. Treasuries		
Money Market	$ 1,634,773.66	$ 1,634,773.66

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 AAA
Debt Securities		
U. S.Treasuries		
Money Market	$ 1,634,773.66	$ 1,634,773.66

NOTE 5: 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	Balances June 30, 2022
Governmental Activities				
Capital Assets,				
Not Being Depreciated:				
Land	$ 3,313,848.06	$ -	$ -	$ 3,313,848.06
Construction in Progress	15,701,182.44	4,088,437.71	19,161,034.25	628,585.90
Total Capital Assets				
Not Being Depreciated	19,015,030.50	4,088,437.71	19,161,034.25	3,942,433.96
Capital Assets,				
Being Depreciated				
Buildings and Improvements	70,957,490.00	19,270,148.00	-	90,227,638.00
Equipment	5,198,989.78	551,913.00	-	5,750,902.78
Land Improvements	5,061,159.45	81,540.00	-	5,142,699.45
Less Accumulated				
Depreciation:				
Buildings and Improvements	26,079,742.28	2,036,628.00	-	28,116,370.28
Equipment	2,571,459.43	582,441.00	-	3,153,900.43
Land Improvements	3,397,215.89	253,777.00	-	3,650,992.89
Total Capital Assets,				
Being Depreciated, Net	49,169,221.63	17,030,755.00	-	66,199,976.63
Governmental Activities				
Capital Assets - Net	$ 68,184,252.13	$ 21,119,192.71	$ 19,161,034.25	$ 70,142,410.59

Current year depreciation expense by function is as follows:

Instruction		$ 1,780,275.00
Support Services		
Educational Media Services	$ 19,000.00	
General Administration	2,798.00	
Maintenance and Operation of Plant	638,955.00	
Student Transportation Services	408,048.00	1,068,801.00
Food Services		23,770.00
		$ 2,872,846.00

NOTE 6: INTERFUND TRANSFERS

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

Transfers to	Transfers From Capital Projects Fund
Debt Service Fund	$ 2,175,750.00

Transfers are used to move Special Purpose Local Option Sales Tax (SPLOST) revenues collected in the capital projects fund to the debt service fund to fund the bond principal and interest payments.

NOTE 7: 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
Intergovernmental Agreement	$ 15,950,000.00	$ -	$ 1,485,000.00	$ 14,465,000.00	$ 1,545,000.00
Unamortized Bond Premiums	2,591,007.79	-	287,889.76	2,303,118.03	287,889.76
Compensated Absences(1)	71,617.20	21,472.80	9,842.50	83,247.50	-
	$ 18,612,624.99	$ 21,472.80	$ 1,782,732.26	$ 16,851,365.53	$ 1,832,889.76

(1) The portion of compensated absences due within one year has been determined to be immaterial to the basic financial statements.

Intergovernmental Agreement

The School District entered into a contract with the Heard County Public Facilities Authority, dated March 5, 2020, for the issuance of revenue bonds to provide funds to build a new Gym and Performing Arts Center for the high school and other capital outlay projects determined by the School District. Under the terms of the contract, the Heard County Public Facilities Authority issued $17,400,000.00 in revenue bonds on behalf of the School District. The obligation of the School District is absolute and

unconditional so long as any of the bonds remain outstanding. Under the contract, the School District will exercise its power of taxation to the extent necessary to pay the amounts required to be paid by the contract.

The School District's outstanding intergovernmental agreement of $14,465,000.00 contain a provision that in an event of default, outstanding amounts may become immediately due if the School District is unable to make payment.

Debt currently outstanding under intergovernmental agreement is as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
New High School Gym and Performing Arts Center	3.00% - 5.00%	3/5/2020	3/1/2030	$ 17,400,000.00	$ 14,465,000.00

The following is a schedule of total intergovernmental agreement payments:

Fiscal Year Ended June 30:	Principal	Interest	Unamortized Bond Premiums
2023	$ 1,545,000.00	$ 631,350.00	$ 287,889.76
2024	1,605,000.00	569,550.00	287,889.76
2025	1,690,000.00	489,300.00	287,889.76
2026	1,755,000.00	421,700.00	287,889.76
2027	1,845,000.00	333,950.00	287,889.76
2028 - 2030	6,025,000.00	508,350.00	863,669.23
Total Principal and Interest	$ 14,465,000.00	$ 2,954,200.00	$ 2,303,118.03

NOTE 8: RISK MANAGEMENT

Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters.

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

Georgia School Boards Association Workers' Compensation Fund

The School District participates in the Georgia School Boards Association Workers' Compensation Fund (the Fund), a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program to reduce the risk of loss from employee accidents. The School District pays an annual contribution to the Fund for coverage. The Fund provides statutory limits of coverage for Workers' Compensation coverage and a $2,000,000 limit per occurrence for Employers' Liability coverage. Excess insurance coverage is provided through an agreement between the Fund and the Safety National Casualty Corporation to limit the Fund's exposure to large losses.

Unemployment Compensation

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2021	$ -	$ 551.00	$ 551.00	$ -
2022	$ -	$ -	$ -	$ -

Surety Bond

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

Position Covered	Amount
Superintendent	$ 50,000.00

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

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

Nonspendable		
Inventories	$ 89,613.67	
Prepaid Assets	5,346.47	$ 94,960.14
Restricted		
Continuation of Federal Programs	$ 923,428.37	
Capital Projects	9,369,439.37	
Debt Service	315,675.00	10,608,542.74
Committed		
School Activity Accounts		478,859.76
Unassigned		13,555,386.90
Fund Balance, June 30, 2022		$ 24,737,749.54

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 10: BROADBAND SPECTRUM AGREEMENT

Effective January 27, 2010, the School District entered into a 30-year agreement with Clearwire Spectrum Holdings (Sprint) for the use of excess spectrum capacity on Education Broadband Service licenses currently held by School District. These licenses were granted to the School District by the Federal Communications Commission. The agreement requires monthly payments over the term of the agreement, of which $72,405.84 was recognized during fiscal year 2022 as a general revenue on the Statement of Activities.

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.

Project	Unearned Executed Contracts (1)	Payments through June 30, 2022 (2)
Automated Logic Project	$ 30,433.10	$ 595,210.90

(1) The amounts described are not reflected in the basic financial statements.
(2) Payments include contracts 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

On December 13, 2021, the Internal Revenue Service (IRS) notified the School District of intent to levy, relating to penalties assessed by the IRS for 2016 and 2017. The amount of these penalties exceed $400,000.00. The School District's attorney has requested a Collection Due Process Hearing and is currently working with an IRS Appeals Officer to resolve this issue. The School District intends to resolve the issue via abatement based on reasonable cause. The ultimate disposition of this issue is not presently determinable.

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 $396,564.00 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 $11,868,204.00 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 0.109578%, which was a decrease of 0.002956% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized OPEB expense of ($215,822.00). 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	$ -	$ 5,418,984.00
Changes of assumptions	2,173,251.00	968,438.00
Net difference between projected and actual earnings on OPEB plan investments	-	18,819.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	286,508.00	887,264.00
School District contributions subsequent to the measurement date	396,564.00	-
Total	$ 2,856,323.00	$ 7,293,505.00

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	$ (1,240,284.00)
2024	$ (1,137,356.00)
2025	$ (840,907.00)
2026	$ (633,829.00)
2027	$ (764,104.00)
Thereafter	$ (217,266.00)

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 which 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 Fund, 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 employers will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2145.

Sensitivity of the 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	$ 13,568,019.00	$ 11,868,204.00	$ 10,445,298.00

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 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 or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the Net OPEB liability	$ 10,070,631.00	$ 11,868,204.00	$ 14,115,311.00

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 19.64% of payroll was required from the School District and 0.17% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $2,492,143.41 and $21,234.28 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 $31,987.00.

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 $8,489,675.00 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	$	8,489,675.00
State of Georgia's proportionate share of the net pension liability associated with the School District		70,932.00
Total	$	8,560,607.00

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 0.095990%, which was a decrease of 0.002076% 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 $34,209.00.

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 $335,525.00 for TRS and $360.00 for PSERS and revenue of $32,512.00 for TRS and $360.00 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	$ 2,025,906.00	$ -
Changes of assumptions	1,643,149.00	-
Net difference between projected and actual earnings on pension plan investments	-	12,417,997.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	337,530.00	404,940.00
School District contributions subsequent to the measurement date	2,492,143.41	-
Total	$ 6,498,728.41	$ 12,822,937.00

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	$ (1,665,207.00)
2024	$ (1,577,888.00)
2025	$ (2,449,379.00)
2026	$ (3,123,878.00)

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, 2013 – June 30, 2018.

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 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 inlation

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 non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS pension 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 calculated using the discount rate of 7.25%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

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	$ 22,868,936.00	$ 8,489,675.00	$ (3,293,137.00)

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

On July 1, 2021, the School District began an employer matching 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 School District selected VALIC as the provider of this plan. For each employee covered under this plan, the Board began contributing to the plan an amount equal to 3%-19.81% of the employee's base pay depending on how much the employee chose to contribute. Employer contribution amount is exact amount of employee's contribution amount.

The employee becomes vested in the plan with 3 years of experience. Employees who had already achieved 3 years of experience at the time the plan was implemented were vested upon enrollment.

Funds accumulated in this employer matching plan are only available to the employee upon termination of employment and 3 years of service to Heard County School District. If an employee terminates employment prior to achieving 3 years of service, matching funds paid on behalf of the non-vested employee are credited back to the School District.

Employer contributions for the current fiscal year is as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2022	100%	$ 22,659.98

NOTE 15: TAX ABATEMENTS

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

For the fiscal year ended June 30, 2022, Heard County abated property taxes due to the School District that were levied on September 24, 2021, and due on December 1, 2021 totaling $12,314.56. Included in that amount abated, is a 55 percent property tax abatement to a manufacturing plant increasing employment. The abatement amounted to $12,314.56.

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HEARD 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	0.095990%	$ 8,489,675.00	$ 70,932.00	$ 8,560,607.00	$ 12,594,158.97	67.41%	92.03%
2021	0.098066%	$ 23,755,424.00	$ 215,593.00	$ 23,971,017.00	$ 12,755,346.81	186.24%	77.01%
2020	0.096343%	$ 20,716,350.00	$ 74,829.00	$ 20,791,179.00	$ 11,802,145.30	175.53%	78.56%
2019	0.094184%	$ 17,482,568.00	$ 117,127.00	$ 17,599,695.00	$ 11,274,902.07	155.06%	80.27%
2018	0.096183%	$ 17,875,907.00	$ 11,895.00	$ 17,887,802.00	$ 11,040,014.16	161.92%	79.33%
2017	0.096292%	$ 19,866,113.00	$ -	$ 19,866,113.00	$ 10,639,491.38	186.72%	76.06%
2016	0.098514%	$ 14,997,778.00	$ -	$ 14,997,778.00	$ 10,538,100.61	142.32%	81.44%
2015	0.099389%	$ 12,556,489.00	$ -	$ 12,556,489.00	$ 10,140,583.22	123.82%	84.03%

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

HEARD 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	$ 2,492,143.41	$ 2,492,143.41	$ -	$ 12,688,749.00	19.64%
2021	$ 2,380,559.60	$ 2,380,559.60	$ -	$ 12,594,158.97	18.90%
2020	$ 2,675,008.49	$ 2,675,008.49	$ -	$ 12,755,346.81	20.97%
2019	$ 2,448,880.16	$ 2,448,880.16	$ -	$ 11,802,145.30	20.75%
2018	$ 1,883,930.35	$ 1,883,930.35	$ -	$ 11,274,902.07	16.71%
2017	$ 1,575,410.02	$ 1,575,410.02	$ -	$ 11,040,014.16	14.27%
2016	$ 1,518,255.42	$ 1,518,255.42	$ -	$ 10,639,491.38	14.27%
2015	$ 1,385,760.23	$ 1,385,760.23	$ -	$ 10,538,100.61	13.15%
2014	$ 1,245,263.62	$ 1,245,263.62	$ -	$ 10,140,583.22	12.28%
2013	$ 1,184,828.00	$ 1,184,828.00	$ -	$ 10,384,119.19	11.41%

HEARD 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%	$ -	$ 34,209.00	$ 34,209.00	$ 531,777.88	N/A	98.00%
2021	0.00%	$ -	$ 208,300.00	$ 208,300.00	$ 531,777.88	N/A	84.45%
2020	0.00%	$ -	$ 171,791.00	$ 171,791.00	$ 540,074.43	N/A	85.02%
2019	0.00%	$ -	$ 158,239.00	$ 158,239.00	$ 460,048.69	N/A	85.26%
2018	0.00%	$ -	$ 151,119.00	$ 151,119.00	$ 469,260.85	N/A	85.69%
2017	0.00%	$ -	$ 189,241.00	$ 189,241.00	$ 447,889.30	N/A	81.00%
2016	0.00%	$ -	$ 135,239.00	$ 135,239.00	$ 456,167.00	N/A	87.00%
2015	0.00%	$ -	$ 146,771.00	$ 146,771.00	$ 605,419.75	N/A	88.29%

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

HEARD 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	0.109578%	$ 11,868,204.00	$ -	$ 11,868,204.00	$ 10,758,910.09	110.31%	6.14%
2021	0.112534%	$ 16,528,624.00	$ -	$ 16,528,624.00	$ 11,131,782.18	148.48%	3.99%
2020	0.116090%	$ 14,246,734.00	$ -	$ 14,246,734.00	$ 10,454,857.42	136.27%	4.63%
2019	0.112565%	$ 14,306,667.00	$ -	$ 14,306,667.00	$ 10,294,401.92	138.98%	2.93%
2018	0.114281%	$ 16,056,434.00	$ -	$ 16,056,434.00	$ 10,177,604.27	157.76%	1.61%

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

HEARD 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	$ 396,564.00	$ 396,564.00	$ -	$ 11,502,749.21	3.45%
2021	$ 407,611.00	$ 407,611.00	$ -	$ 10,758,910.09	3.79%
2020	$ 380,563.00	$ 380,563.00	$ -	$ 11,131,782.18	3.42%
2019	$ 625,224.00	$ 625,224.00	$ -	$ 10,454,857.42	5.98%
2018	$ 583,411.00	$ 583,411.00	$ -	$ 10,294,401.92	5.67%
2017	$ 595,868.00	$ 595,868.00	$ -	$ 10,177,604.27	5.85%

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 of mortality, retirement, disability, and withdrawal. This also included a change to the long-term assumed investment rate of return to 7.00%. These assumption changes are reflected in the calculation of the June 30, 2021 Total Pension Liability.

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 emloyees 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 asssumptions 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% as of June 30, 2019, and to 2.22% as of June 30, 2020.

HEARD 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 (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 7,270,000.00	$ 7,270,000.00	$ 8,956,904.22	$ 1,686,904.22
Sales Taxes	40,000.00	40,000.00	138,423.08	98,423.08
State Funds	13,870,105.40	13,877,688.40	15,393,784.66	1,516,096.26
Federal Funds	7,497,662.55	6,243,598.55	6,324,535.64	80,937.09
Charges for Services	531,259.77	531,259.77	249,875.45	(281,384.32)
Investment Earnings	12,450.00	12,450.00	13,074.19	624.19
Miscellaneous	674,000.00	674,000.00	1,182,849.11	508,849.11
Total Revenues	29,895,477.72	28,648,996.72	32,259,446.35	3,610,449.63
EXPENDITURES				
Current				
Instruction	15,575,196.92	16,438,190.11	16,161,650.40	276,539.71
Support Services				
Pupil Services	800,773.47	800,778.57	780,104.84	20,673.73
Improvement of Instructional Services	518,103.41	706,129.25	446,233.53	259,895.72
Educational Media Services	410,972.31	644,476.64	483,041.67	161,434.97
General Administration	844,360.08	981,626.90	945,422.56	36,204.34
School Administration	1,703,937.06	1,745,638.28	1,859,929.90	(114,291.62)
Business Administration	256,459.96	250,514.55	257,126.85	(6,612.30)
Maintenance and Operation of Plant	2,323,927.78	2,642,508.78	2,559,253.95	83,254.83
Student Transportation Services	2,850,693.93	1,275,343.11	1,171,057.10	104,286.01
Central Support Services	513,138.83	519,683.83	443,510.58	76,173.25
Other Support Services	2,881.00	2,881.00	707,210.66	(704,329.66)
Enterprise Operations	291,000.00	291,000.00	345,256.43	(54,256.43)
Food Services Operation	1,503,357.13	1,501,851.13	1,692,083.22	(190,232.09)
Capital Outlay	-	665,444.00	535,689.81	129,754.19
Total Expenditures	27,594,801.88	28,466,066.15	28,387,571.50	78,494.65
Excess of Revenues over (under) Expenditures	2,300,675.84	182,930.57	3,871,874.85	3,688,944.28
OTHER FINANCING SOURCES(USES)				
Other Sources	323,430.00	439,343.00	-	(439,343.00)
Other Uses	(323,430.00)	(439,343.00)	-	439,343.00
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	2,300,675.84	182,930.57	3,871,874.85	3,688,944.28
Fund Balances - Beginning	9,429,894.83	10,957,372.94	11,178,560.32	221,187.38
Adjustments	22,898.71	50,529.68	-	(50,529.68)
Fund Balances - Ending	$ 11,753,469.38	$ 11,190,833.19	$ 15,050,435.17	$ 3,859,601.98

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

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts.
The actual revenues and expenditures of the various principal accounts are $254,140.22 and $ 206,552.64, respectively.

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

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	$ 653,312.07
National School Lunch Program	10.555	225GA324N1199	848,690.88
COVID-19 - National School Lunch Program	10.555	225GA324N1199	96,673.41
Total U. S. Department of Agriculture			1,598,676.36
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	18,687.00
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210012	1,030,782.81
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210012	1,684,522.81
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W	S425W210011	67,187.00
Total Education Stabilization Fund			2,801,179.62
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027A	H027A200073	62,335.00
Grants to States	84.027A	H027A210073	369,629.00
COVID-19 - American Rescue Plan - Grants to States	84.027X	H027X210073	100,496.69
Preschool Grants	84.173A	H173A200081	3,578.00
Preschool Grants	84.173A	H173A210081	29,866.85
COVID-19 - American Rescue Plan - Preschool	84.173X	H173X210081	6,235.00
Total Special Education Cluster			572,140.54
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048A	V048A200010	2,170.00
Career and Technical Education - Basic Grants to States	84.048A	V048A210010	23,383.03
Rural and Low-Income School Program	84.358B	S358B200010	11,155.77
Student Support and Academic Enrichment Program	84.424A	S424A210011	41,866.00
Supporting Effective Instruction State Grants	84.367A	S367A200001	9,270.00
Supporting Effective Instruction State Grants	84.367A	S367A210001	82,777.00
Title I Grants to Local Educational Agencies	84.010A	S010A200010	68,609.00
Title I Grants to Local Educational Agencies	84.010A	S010A210010-21A	486,599.53
Total Other Programs			725,830.33
Total U. S. Department of Education			4,099,150.49
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	2110GACCC5	24,348.00
Total Expenditures of Federal Awards			$ 5,722,174.85

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 Heard 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.

Note 4. Donated Personal Protective Equipment

For the year ended June 30, 2022, the amount reflected on the Schedule for the American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ALN 84.425U) includes $15,000.00 of approved eligible expenditures that were incurred in a prior fiscal year.

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 637,133.50
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	576,562.00
Kindergarten Program - Early Intervention Program	294,322.00
Primary Grades (1-3) Program	1,310,278.00
Primary Grades - Early Intervention (1-3) Program	764,269.00
Upper Elementary Grades (4-5) Program	469,458.00
Upper Elementary Grades - Early Intervention (4-5) Program	466,635.00
Middle School (6-8) Program	1,303,194.00
High School General Education (9-12) Program	1,233,991.00
Vocational Laboratory (9-12) Program	562,214.00
Students with Disabilities	1,791,133.00
Gifted Student - Category VI	785,791.00
Remedial Education Program	279,422.00
Alternative Education Program	104,017.00
English Speakers of Other Languages (ESOL)	29,312.00
Media Center Program	249,054.00
20 Days Additional Instruction	76,253.00
Staff and Professional Development	46,672.00
Principal Staff and Professional Development	1,443.00
Indirect Cost	
Central Administration	457,503.00
School Administration	665,636.00
Facility Maintenance and Operations	538,538.00
Amended Formula Adjustment	77,010.00
Categorical Grants	
Pupil Transportation	
Regular	388,540.88
Nursing Services	45,000.00
Sparsity	143,439.00
Education Equalization Funding Grant	1,410,318.00
Other State Programs	
Food Services	91,163.00
Hygiene Products	1,418.00
Math and Science Supplements	2,078.00
One Time QBE Adjustment	451,633.00
Preschool Disability Services	48,833.00
Teachers Retirement	21,234.28
Vocational Education	38,300.00
Office of the State Treasurer	
Public School Employees Retirement	31,987.00
	$ 15,393,784.66

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HEARD 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
Series 2018	$ 30,000,000.00	$ 30,049,113.16	
i) Adding to, renovating, improving, equipping and furnishing existing school buildings and facilities, transportation facilities, physical education/athletic fields and facilities, classrooms, agricultural facilities and other facilities;	-	-	January 2023
a) CES Circulation Project	-	-	Complete
b) Fieldhouse	-	-	Complete
ii) Acquiring, constructing, equipping and furnishing new school buildings and facilities;			
a) New Gym and Fine Arts Center at HHS	-	-	Complete
b) New Board of Education Building	-	-	On Hold
c) Weightroom and Covered Practice Arena at HHS	-	-	January 2024
d) Pressbox/Concessions at HMS Softball Field	-	-	February 2024
iii) Acquiring technology equipment, computer hardware and software, safety and security equipment and other school equipment.	-	-	January 2023
iv) Acquiring school buses and other school vehicles.	-	-	January 2023
v) Acquiring textbooks and band instruments.	-	-	January 2023
vi) Acquiring any capital property necessary or desirable for the foregoing purposes, both real and personal.	-	-	January 2023
Total	$ 30,000,000.00	$ 30,049,113.16	

PROJECT	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST
Series 2018	$ -	$ -	$ -
i) Adding to, renovating, improving, equipping and furnishing existing school buildings and facilities, transportation facilities, physical education/athletic fields and facilities, classrooms, agricultural facilities and other facilities;	174,859.68	849,432.54	-
a) CES Circulation Project	-	468,837.12	468,837.12
b) Fieldhouse	-	245,647.25	245,647.25
ii) Acquiring, constructing, equipping and furnishing new school buildings and facilities;			
a) New Gym and Fine Arts Center at HHS	3,887,062.70	15,908,921.55	19,795,984.25
b) New Board of Education Building	-	162,588.35	162,588.35
c) Weightroom and Covered Practice Arena at HHS	20,250.00	-	-
d) Pressbox/Concessions at HMS Softball Field	13,125.00	-	-
iii) Acquiring technology equipment, computer hardware and software, safety and security equipment and other school equipment.	368,547.86	2,636,422.79	-
iv) Acquiring school buses and other school vehicles.	62,711.00	4,994,157.81	-
v) Acquiring textbooks and band instruments.	-	79,476.57	-
vi) Acquiring any capital property necessary or desirable for the foregoing purposes, both real and personal.	-	177,072.94	-
Total	$ 4,526,556.24	$ 25,522,556.92	$ 20,673,056.97

(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 Heard 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) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding as follows:

Prior Years	$ 726,091.67
Current Year	690,750.00
Total	$ 1,416,841.67

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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. Rodney Kay, Superintendent and Members of the
Heard County Board of Education

We have audited the financial statements of the governmental activities, each major fund, and fiduciary activities of the Heard 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 July 14, 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

July 14, 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. Rodney Kay, Superintendent and Members of the
Heard County Board of Education

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Heard 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 the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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

July 14, 2023

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Section III

Auditee's Response to Prior Year Findings and Questioned Costs

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HEARD 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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HEARD 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, Each Major Fund, and Fiduciary Activities	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?	None Reported
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)?	No

Identification of major programs:

Assistance Listing Number	Assistance Listing Program or Cluster Title
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000.00
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.