

**HARRIS COUNTY, GEORGIA  
FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

## TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT .....	Page 1 - 2
FINANCIAL STATEMENTS	
Management's Discussion and Analysis .....	3 - 12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets .....	13 - 14
Statement of Activities .....	15 - 16
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	17 - 18
Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds .....	19 - 20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -	
General Fund .....	21 - 22
Statement of Net Assets - Proprietary Funds .....	23
Statement of Revenues, Expenses, and Changes in	
Fund Net Assets - Proprietary Funds .....	24
Statement of Cash Flows - Proprietary Funds .....	25
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds .....	26
Notes to Financial Statements .....	27 - 57
OTHER FINANCIAL INFORMATION	
Schedule of Projects Constructed with Special Sales Tax Proceeds .....	58 - 59
Defined Benefit Pension Plan Required Supplementary Information .....	60
COMPLIANCE AND INTERNAL CONTROL SECTION	
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 .....	61 - 62
Schedule of Findings and Responses .....	63

Independent Auditors' Report

Harris County Board of Commissioners  
Harris County, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Georgia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Georgia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2010, on our consideration of Harris County, Georgia'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The accompanying schedules (pages 58 - 60) are presented for purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Robinson, Grimes & Company, P.C.*

Certified Public Accountants

November 9, 2010



## **HARRIS COUNTY BOARD OF COMMISSIONERS**

**104 North College Street • Post Office Box 365**

**Hamilton, Georgia 31811-0365**

**Phone: 706-628-4958 • Fax: 706-628-4223**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the financial performance of Harris County, Georgia (the "County") provides an overview of its financial performance for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements' related notes to enhance their understanding of the County's financial performance.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Harris County, Georgia as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how these services were financed in the short-term as well as what remains for future spending. The fund financial statements also report on the County's most significant funds with all other non-major funds presented in total in one column. In the case of Harris County, the General Fund is by far the most significant fund.

The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

## **REPORTING ON THE COUNTY AS A WHOLE**

### *Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the County to provide programs and activities, this view of the County as a whole looks at all financial transactions. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. Net assets, the difference between assets and liabilities, are one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. The causes of this change may be the result of many factors, some financial, some not. Readers will need to consider non-financial factors, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

**Governmental activities**—Most of the County's programs and basic services are reported here, including the human services, public safety, public works, parks, and general government. These services are funded primarily by taxes, intergovernmental revenues, and include state and federal grants.

**Business-type activities**—The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The County's water and garbage collection, landfill operations, and airport are reported here.

**Component units**—The County includes two separate legal entities in its report - the Harris County Health Department and the Development Authority of Harris County.

## **REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS**

### *Fund Financial Statements*

Fund financial statements provide detailed information about the most significant funds, not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the County can be divided into three fund categories: governmental, proprietary and fiduciary.

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

Proprietary funds—When the County charges customers for the services it provides—whether to outside customers or to other units of the County—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The County's proprietary funds include the activities of the following enterprise funds: Solid Waste, Water Works, and Airport. These are reported as business-type activities in the government-wide statements.

Fiduciary Funds – Fiduciary funds of the County include various agency funds as described in the financial statements. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## FINANCIAL RESULTS - GOVERNMENT-WIDE

The following statements present certain condensed financial information as of and for the years ended June 30, 2010 and 2009.

	Governmental activities		Business activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Current and other assets	\$ 19,324,151	\$ 19,552,984	\$ 19,917,310	\$ 6,606,806	\$ 39,241,461	\$ 26,159,790
Capital assets	36,659,432	36,034,699	5,240,638	20,210,299	41,900,070	56,244,998
Total assets	\$ 55,983,583	\$ 55,587,683	\$ 25,157,948	\$ 26,817,105	\$ 81,141,531	\$ 82,404,788
Current and other liabilities	\$ 1,507,725	\$ 1,694,596	\$ 1,021,335	\$ 2,827,855	\$ 2,529,060	\$ 4,522,451
Noncurrent liabilities	2,038,569	2,143,247	8,856,956	9,217,706	10,895,525	11,360,953
Total liabilities	3,546,294	3,837,843	9,878,291	12,045,561	13,424,585	15,883,404
Net assets						
Invested in capital assets, net of related debt	36,581,577	35,883,057	11,077,157	11,042,209	47,658,734	46,925,266
Restricted	4,434,901	4,690,244	225,299	222,017	4,660,200	4,912,261
Unrestricted	11,420,811	11,176,539	3,977,201	3,507,318	15,398,012	14,683,857
Total net assets	52,437,289	51,749,840	15,279,657	14,771,544	67,716,946	66,521,384
Total liabilities and net assets	\$ 55,983,583	\$ 55,587,683	\$ 25,157,948	\$ 26,817,105	\$ 81,141,531	\$ 82,404,788
	For the year ended June 30, 2010	For the year ended June 30, 2009	For the year ended June 30, 2010	For the year ended June 30, 2009	For the year ended June 30, 2010	For the year ended June 30, 2009
Revenues						
Program revenues						
Charges for services	\$ 4,695,671	\$ 4,205,586	\$ 5,929,822	\$ 5,888,812	\$ 10,625,493	\$ 10,094,398
Operating grants and contributions	176,762	109,534	0	0	176,762	109,534
Capital grants and contributions	388,871	2,716,450	155,525	2,208,681	544,396	4,925,131
General Revenues						
Property taxes	7,144,966	7,269,450	0	0	7,144,966	7,269,450
Sales taxes	4,350,019	4,145,016	0	0	4,350,019	4,145,016
Other taxes and revenues	2,278,527	2,581,124	34,059	42,809	2,312,586	2,623,933
Total program and general revenues	19,034,816	21,027,160	6,119,406	8,140,302	25,154,222	29,167,462
Expenses						
General government	5,325,369	4,569,828	0	0	5,325,369	4,569,828
Judicial	902,695	897,920	0	0	902,695	897,920
Public safety	7,848,427	7,445,666	0	0	7,848,427	7,445,666
Public works	2,395,588	5,242,653	0	0	2,395,588	5,242,653
Health and welfare	295,915	288,558	0	0	295,915	288,558
Culture and recreation	541,358	2,582,091	0	0	541,358	2,582,091
Housing and development	402,308	4,864,856	0	0	402,308	4,864,856
Intergovernmental	515,966	187,532	0	0	515,966	187,532
Interest	61,832	35,507	0	0	61,832	35,507
Water	0	0	4,101,805	4,103,242	4,101,805	4,103,242
Solid Waste	0	0	1,382,342	1,470,590	1,382,342	1,470,590
Airport	0	0	185,055	56,933	185,055	56,933
Total expenses	18,289,458	26,114,611	5,669,202	5,630,765	23,958,660	31,745,376
Excess (deficiency) before transfers	745,358	(5,087,451)	450,204	2,509,537	1,195,562	(2,577,914)
Transfers in (out)	(57,909)	(338,890)	57,909	338,890	0	0
Change in net assets	687,449	(5,426,341)	508,113	2,848,427	1,195,562	(2,577,914)
Net assets, beginning	51,749,840	57,176,181	14,771,544	11,923,117	66,521,384	69,099,298
Net assets, ending	\$ 52,437,289	\$ 51,749,840	\$ 15,279,657	\$ 14,771,544	\$ 67,716,946	\$ 66,521,384



### *Government Wide*

The government-wide change in net assets totaled \$1.2 million for the year ended June 30, 2010 compared to June 30, 2009. This increase was a result of the following:

#### *Government Activities*

Governmental activities experienced a \$.7 million increase in net assets during the year ended June 30, 2010 with no single significant activity or group of activities resulting in this increase. As of June 30, 2010, net assets were approximately \$52.4 million, of which \$36.6 million is invested in fixed assets net of related debt and \$4.4 million is restricted for future capital projects.

#### *Business-type Activities*

Net assets for business-type activities increased \$.5 million during the year ended June 30, 2010. Operations of the County's garbage collection system (Solid Waste) contributed \$566,000 while the County's water system (Water Works) reduced net assets by \$153,000. The airport added \$95,000 to net assets in its second year of operation. As of June 30, 2010, net assets were approximately \$15.3 million of which \$11.1 million is invested in fixed assets net of related debt and \$225,000 is restricted for future debt service.

### **FINANCIAL RESULTS – FUND LEVEL**

These factors affecting net assets of the governmental and business-type activities of the County are discussed in greater detail below.

Comparative information of various specific funds is as follows:

	<u>2010</u>	<u>2009</u>
<b>General Fund</b>		
Revenues	\$ 15,310,106	\$ 15,523,275
Expenditures	<u>(15,138,545)</u>	<u>(18,540,925)</u>
Excess of revenues over expenditures	171,561	(3,017,650)
Other financing sources (uses)	<u>(75,162)</u>	<u>(306,879)</u>
Excess of revenues over expenditures and other financing sources	<u>\$ 96,399</u>	<u>\$ (3,324,529)</u>

General Fund- Actual revenues decreased \$213,000, or 1.4%, in 2010 over 2009, for the County's General Fund and was primarily the result of decreases in Intergovernmental Revenues, Property Taxes, Taxes and License, and Interest Income. Intergovernmental Revenues decreased \$412,000, or 85.3%, due to funds donated in 2009 for the purchase of two fire trucks. Property Taxes decreased a slight \$105,000, or 1.43% from the prior year. Taxes and License decreased \$87,000, or 2.1% with decreases in Vehicle Ad Valorem Taxes and Intangible Taxes offset by a small increase in LOST revenue. Decreased investment rates were the main factors contributing to the \$61,000, or 39.4%, decrease in Interest Income.

Increases in Charge for Services and Other Income partially offset the above decreases in total revenues. A \$171,000, or 8.1% increase in Charge for Services was primarily due to an increase in fees collected for Inmate Boarding and Ambulance Services. Other Income increased \$134,000, or 68.4% due to the sale of Surplus Equipment and the first year operation of the County Pool.

Expenditures for the year 2010 decreased \$3.4 million, or 18.4% from the year 2009. This is primarily due to some projects at the business park being completed in 2009. In fact, business park expenses were approximately \$3.7 million less in the current year over the prior year. A \$326,000 decrease in fire equipment purchases also contributed to the current year decrease in expenses. Decreases in expenses were partially offset by the \$730,000 purchase of land for a future sports complex, the \$438,000 purchase of heavy road equipment for the public works department, and a \$96,000, or 19.2% increase in Pension expense from the prior year.

	<u>2010</u>	<u>2009</u>
<b>Water Works</b>		
Operating revenues	\$ 3,935,605	\$ 3,926,210
Operating expenses	<u>(3,689,299)</u>	<u>(3,681,665)</u>
Operating income	246,306	244,545
Nonoperating expenses	<u>(399,432)</u>	<u>(401,921)</u>
Change in net assets	<u>\$ (153,126)</u>	<u>\$ (157,376)</u>

Water Works- The Water Works reported a \$9,000, or .2% increase in operating revenues in 2010 over 2009. A slight increase in Water sales was offset by a decrease in Miscellaneous Income. Operating expenses for the year increased \$8,000, or .2%. Increases in Repairs and Maintenance, Chemicals, and Bad Debt were offset by decreases in Water Purchases and Depreciation. In 2010, a Bad Debt Allowance was set up in the amount of \$37,053 which represents 50% of receivables over 120 days old. In general, current year operations were comparable to the prior year. The above items combined to result in a \$2,000 increase in Operating Income. Non-operating expenses for the year were relatively flat compared to the prior year.

	2010	2009
<b>Solid Waste</b>		
Operating revenues	\$ 1,927,393	\$ 1,935,650
Operating expenses	(1,382,342)	(1,470,590)
Operating income	545,051	465,060
Nonoperating revenues	20,985	23,153
Change in net assets	\$ 566,036	\$ 488,213

Solid Waste- Solid Waste operating revenues increased \$8,000, or .4% in 2010 over 2009 due to a slight increase in Garbage Fees offset by a decrease in Tipping Fees. Operating expenses decreased by \$88,000, or 6.0%. This was primarily due to a \$56,000 decrease in Vehicle Repair and Fuel Costs, and decreases in Employee Expenses, and Tipping Fees. These decreases were partially offset by a \$12,000 expense for drilling additional monitoring wells. The decrease in Nonoperating revenue was completely due to decreases in interest income resulting from the decreasing interest rate environment.

	2010	2009
<b>Airport</b>		
Operating revenues	\$ 66,824	\$ 26,952
Operating expenses	(185,055)	(56,933)
Operating loss	(118,231)	(29,981)
Nonoperating revenues	155,525	2,463,701
Transfers in	57,909	83,870
Change in net assets	\$ 95,203	\$ 2,517,590

Airport – Revenues at the Airport increased significantly in 2010 due to the 2009 expansion of the Airport to include hangars for lease and improved runway facilities. These improvements have increased the amount of traffic in and out of the Airport as compared to the prior year. Operating expense also increased in the current year due to expanded facilities and the first year depreciation of these expanded facilities. Non operating revenues decreased significantly due to grant funds received in 2009 for capital improvements as compared to 2010.

## GENERAL FUND BUDGET RESULTS

The Board of Commissioners adopts the annual operating budget of the County by June 30 of each year for the following year. For all major special revenue funds, changes from the original to the final budget have been minimal. The most significant variances between the original and final budget for the County's General Fund was the approval of \$726,000 for the purchase of land for a recreational park and \$438,369 for the purchase of heavy road equipment. Other noteworthy adjustments to the budget include the sale of a piece of heavy road equipment and an increase in the amount budgeted for medical care of inmates.

Revenues of the County were \$270,000, or 1.8% more than budgeted. Positive budget variances were in inmate boarding fees, fees and fines from Probate Court, and ambulance fees. The County also received \$95,000 from the Department of Transportation for state roadway improvements which was not budgeted. Negative budget variances offsetting these increases include vehicle ad valorem taxes, sales tax revenue, and interest income.

Expenditures for the year 2010 were lower than budgeted amounts by \$1,192,000, or 7.3%. This amount is due to several functions reporting under budget for the year. The most significant positive budget variance is approximately \$438,000 which represents budgeted funds in the current and prior years that were not spent. These funds have been appropriated to supplement the 2011 budget. The 2010 budget also included \$137,000 for lease purchase payments which was not used due to the decision to purchase new equipment. Funds for this purchase were budgeted separately. Expenses as compared the amounts budgeted were also less for employee related health insurance expenses and economic development.

## **CAPITAL ASSET AND LONG TERM DEBT ACTIVITY**

At the end of 2010, the County had \$56.6 million invested in its governmental and business-type activities and included a broad range of capital assets. Additional information can be found in the Notes to the financial statements.

### *Governmental Activities*

At June 30, 2010, \$36.7 million was invested in capital assets. Net depreciation expense for the year was \$1.9 million. Acquisitions during the year totaled \$3.0 million and \$.4 million in disposals. The major acquisitions are detailed below:

(In Millions)

Ridgeway Property	\$ .73
Business Park Improvements	.39
Roads	.88
Public Works Heavy Equipment	.63
Public Safety Vehicles	.04
Recreation Vehicle	.01
Fuel System	.01
CIP – Pate Park	.11
CIP – Community Center	.18
	<u>\$2.98</u>

In the fiscal year ended 2009, the County entered into a contract with GEFA to receive \$2,000,000. These funds were used as required for the acquisition of a conservation easement. No additional debt was obtained during the current year and principal payments of \$86,183 were made on these funds. In addition, the costs related to this debt are reimbursed by the Ida Cason Callaway Foundation. In previous years, the County has entered into lease agreements to facilitate the acquisition of various pieces of equipment. In 2010, a total of \$73,788 in principal payments was made on these leases and no new leases were entered into. Additional information can be found in the Notes to the financial statements.

#### *Business-type Activities*

At June 30, 2010, a total of \$19.9 million was invested in capital assets with the majority of this being at the Water Works. Depreciation expense on these assets amounted to \$716,000 for the year. Acquisitions for the year totaled \$.4 million. Approximately \$140,000 of this amount is due to completed water systems during the year and \$175,000 is due to completed construction at the county airport. Solid Waste contributed \$123,000 with the purchase of a garbage truck.

In the fiscal year ended 2004, a total of \$10.7 million in Harris County Water System Revenue Bonds was sold and used to retire approximately \$6.5 million in debt. The remaining funds from this debt issue were used to fund current and future water system expansion, alterations, and improvements. No additional debt was obtained during the current year and principal payments of \$315,000 were made on the revenue bonds mentioned above. Additional information can be found in the Notes to the financial statements.

#### *Component Units*

In the fiscal year ended 2009, the Development Authority of Harris County issued \$6.0 million in bonds to construct a building for a manufacturing company in the County's business park. No additional debt was obtained during the current year and principal payments of \$275,000 were made on the bonds mentioned above. This facility currently is in a ten year operating lease. Additional information can be found in the Notes to the financial statements.

## **ECONOMIC FACTORS AND FINANCIAL OUTLOOK**

The Board of Commissioners considers many factors when setting the fiscal year budget, tax rates, and fees charged for various services. One of the greatest factors is the economy. Harris County is primarily a rural community with a number of small business and retail outlets. In spite of the current nationwide economic trends, current economic conditions are not expected to result in any significant effects in the County's services or financial performance.

Careful analysis of the County's financials reveals that the County is in a sound financial position for the future. The County carries little debt as recent capital expansions have been paid from current funds or through proceeds from a one percent special use sales tax. This special use sales tax is currently approved to extend to 2014 and will be used to fund a number of planned capital projects along with road maintenance.

This financial information should be read in conjunction with the audited financial statements and related note disclosure contained herein.

---

Daniel B. Bridges, County Manager

HARRIS COUNTY, GEORGIA  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,888,049	\$ 3,925,783	\$ 19,813,832
Restricted cash and cash equivalents	89,280	638,197	727,477
Receivables			
Accounts	188,892	436,008	624,900
Taxes	279,687	0	279,687
Notes	1,864,547	0	1,864,547
Due from other funds	144,432	(144,432)	0
Due from other governments	434,563	0	434,563
Prepaid expenses	166,355	0	166,355
Other assets	0	219,715	219,715
Inventories-parts and supplies	268,346	165,367	433,713
Capital assets, non depreciable	13,847,638	1,153,887	15,001,525
Capital assets, depreciable, net of accumulated depreciation	22,811,794	18,763,423	41,575,217
<b>Total assets</b>	<b>55,983,583</b>	<b>25,157,948</b>	<b>81,141,531</b>
<b>LIABILITIES</b>			
Accounts payable	671,138	157,114	828,252
Other accrued expenses	614,377	113,902	728,279
Due to component unit	50,050	0	50,050
Due to other governments	0	0	0
Customer deposits	0	388,353	388,353
Interest payable	0	0	0
Noncurrent liabilities:			
Due within one year	172,160	361,966	534,126
Due after one year	2,038,569	8,856,956	10,895,525
<b>Total liabilities</b>	<b>3,546,294</b>	<b>9,878,291</b>	<b>13,424,585</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	36,581,577	11,077,157	47,658,734
Restricted for:			
Capital projects	4,410,371	0	4,410,371
Debt service	24,530	225,299	249,829
Restricted for special use	0	0	0
Unrestricted	11,420,811	3,977,201	15,398,012
<b>Total net assets</b>	<b>\$ 52,437,289</b>	<b>\$ 15,279,657</b>	<b>\$ 67,716,946</b>

The Notes to the Financial Statements are an Integral Part of this Statement.

DISCRETELY PRESENTED  
COMPONENT UNITS

HEALTH DEPARTMENT	DEVELOPMENT AUTHORITY
\$ 309,607	\$ 25,681
0	104,685
0	0
0	0
0	0
0	50,050
7,603	0
0	0
0	200,068
0	0
0	3,179,472
0	6,887,592
317,210	10,447,548
0	0
0	0
0	0
7,603	0
0	0
0	51,429
4,347	290,664
39,125	5,373,044
51,075	5,715,137
0	4,403,356
0	0
0	104,685
148,917	0
117,218	224,370
\$ 266,135	\$ 4,732,411

The Notes to the Financial Statements are an Integral Part of this Statement.



HARRIS COUNTY, GEORGIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>Functions/Programs</b>				
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 5,325,369	\$ 1,048,108	\$ 32,256	\$ 0
Judicial	902,695	1,098,983	0	0
Public safety	7,848,427	2,305,387	7,108	0
Public works	2,395,588	33,872	42,061	308,941
Health and welfare	295,915	14,372	0	79,930
Culture and recreation	541,358	475	0	0
Housing and development	402,308	137,132	0	0
Intergovernmental	515,966	0	95,337	0
Interest	61,832	57,342	0	0
Total governmental activities	18,289,458	4,695,671	176,762	388,871
Business-type activities:				
Water Works	4,101,805	3,935,605	0	0
Solid Waste	1,382,342	1,927,393	0	0
Airport	185,055	66,824	0	155,525
Total business-type activities	5,669,202	5,929,822	0	155,525
Total primary government	\$ 23,958,660	\$ 10,625,493	\$ 176,762	\$ 544,396
<b>Component unit:</b>				
Health Department	\$ 639,268	\$ 276,394	\$ 397,155	\$ 0
Development Authority	542,295	568,908	0	662,303
Total component units	\$ 1,181,563	\$ 845,302	\$ 397,155	\$ 662,303

General Revenues  
 Property taxes  
 Vehicle ad valorem and tags  
 Sales taxes  
 Insurance premium tax  
 Other taxes  
 Unrestricted investment earnings  
 Transfers in (out)  
 Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The Notes to the Financial Statements are an Integral Part of this Statement.

**NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS**

PRIMARY GOVERNMENT			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	HEALTH DEPARTMENT	DEVELOPMENT AUTHORITY
\$ (4,245,005)	\$ 0	\$ (4,245,005)	\$ 0	\$ 0
196,288	0	196,288	0	0
(5,535,932)	0	(5,535,932)	0	0
(2,010,714)	0	(2,010,714)	0	0
(201,613)	0	(201,613)	0	0
(540,883)	0	(540,883)	0	0
(265,176)	0	(265,176)	0	0
(420,629)	0	(420,629)	0	0
(4,490)	0	(4,490)	0	0
(13,028,154)	0	(13,028,154)	0	0
0	(166,200)	(166,200)	0	0
0	545,051	545,051	0	0
0	37,294	37,294	0	0
0	416,145	416,145	0	0
(13,028,154)	416,145	(12,612,009)	0	0
			34,281	0
			0	688,916
			34,281	688,916
7,144,966	0	7,144,966	0	0
561,948	0	561,948	0	0
4,350,019	0	4,350,019	0	0
994,450	0	994,450	0	0
610,273	0	610,273	0	0
111,856	34,059	145,915	0	0
(57,909)	57,909	0	0	0
13,715,603	91,968	13,807,571	0	0
687,449	508,113	1,195,562	34,281	688,916
51,749,840	14,771,544	66,521,384	231,854	4,043,495
\$ 52,437,289	\$ 15,279,657	\$ 67,716,946	\$ 266,135	\$ 4,732,411

The Notes to the Financial Statements are an Integral Part of this Statement.

HARRIS COUNTY, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	GENERAL FUND	CAPITAL PROJECTS FUND		CAPITAL PROJECTS FUND 2009 SPLOST	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
		2004 SPLOST				
ASSETS						
Cash and cash equivalents	\$ 10,824,735	\$ 2,174,172	\$ 2,098,281	\$	790,861	\$ 15,888,049
Cash and cash equivalents, restricted	64,750	0	0		24,530	89,280
Receivables, net						
Accounts	68,191	0	0		120,701	188,892
Taxes	279,687	0	0		0	279,687
Due from other funds	240,152	96,201	575		10,789	347,717
Due from other governments	217,495	0	211,926		5,142	434,563
Prepaid expenses	166,355	0	0		0	166,355
Inventories-parts and supplies	268,346	0	0		0	268,346
Total assets	\$ 12,129,711	\$ 2,270,373	2,310,782	\$	952,023	\$ 17,662,889
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	112,190	538,589	1,708		18,651	671,138
Other accrued expenses	592,415	0	0		21,962	614,377
Deferred revenue	118,124	0	0		0	118,124
Due to other funds	112,638	0	0		90,647	203,285
Due to component unit	50,050	0	0		0	50,050
Total liabilities	985,417	538,589	1,708		131,260	1,656,974

The Notes to the Financial Statements are an Integral Part of this Statement.

HARRIS COUNTY, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	GENERAL FUND	CAPITAL PROJECTS FUND 2004 SPLOST	CAPITAL PROJECTS FUND 2009 SPLOST	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Fund balances:					
Reserved for:					
Prepaid expenses and inventories	434,701	0	0	0	434,701
Capital projects	64,750	1,731,784	2,309,074	304,763	4,410,371
Unreserved, reported in:					
General fund-designated	438,591	0	0	0	438,591
General fund-undesignated	10,206,252	0	0	0	10,206,252
Special revenue funds	0	0	0	516,000	516,000
Total fund balances	11,144,294	1,731,784	2,309,074	820,763	16,005,915
Total liabilities and fund balances	\$ 12,129,711	\$ 2,270,373	\$ 2,310,782	\$ 952,023	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					36,659,432
Other long-term assets (receivables) are not available to pay for current period expenditures and therefore are deferred in the funds:					
Callaway Foundation (Note 6)				1,864,547	
Deferred tax revenue				118,124	1,982,671
Long-term liabilities, including capital lease payments and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:					
Callaway Foundation (Note 11)				(1,879,139)	
Capital leases				(77,855)	
Accrued compensated absences				(253,735)	(2,210,729)
Net assets of governmental activities					\$ 52,437,289

The Notes to the Financial Statements are an Integral Part of this Statement.

HARRIS COUNTY, GEORGIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	GENERAL FUND	CAPITAL PROJECTS FUND		CAPITAL PROJECTS FUND		OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
		2004 SPLOST	0	2009 SPLOST	0		
REVENUES							
Fees and fines	\$ 1,192,685	\$	0	\$	0	\$ 118,655	\$ 1,311,340
Property taxes	7,131,287		0		0	0	7,131,287
Taxes and licenses	4,130,152	6,923		2,481,383		61,604	6,680,062
Intergovernmental	166,281		0		0	79,930	246,211
Charges for services	2,266,300		0		0	578,422	2,844,722
Interest income	94,022	17,259			575	57,342	169,198
Other income	329,379	0			0	86,616	415,995
Total revenues	15,310,106	24,182		2,481,958		982,569	18,798,815
EXPENDITURES							
Current:							
General government	4,734,946		0		0	43,551	4,778,497
Judicial	895,460		0		0	0	895,460
Public safety	6,399,334		0		0	650,011	7,049,345
Public works	1,867,775		0		0	0	1,867,775
Health and welfare	291,899		0		0	109,980	401,879
Culture and recreation	506,849		0		0	0	506,849
Housing and development	364,438		0		0	0	364,438
Intergovernmental	0	21,700		494,266		0	515,966
Debt Service:							
Principal	73,787		0		0	86,183	159,970
Interest	4,057		0		0	57,775	61,832
Capital projects	0	2,236,266			0	0	2,236,266
Total expenditures	15,138,545	2,257,966		494,266		947,500	18,838,277
Excess (deficiency) of revenues over (under) expenditures	171,561	(2,233,784)		1,987,692		35,069	(39,462)

HARRIS COUNTY, GEORGIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

OTHER FINANCING SOURCES (USES)	CAPITAL PROJECTS FUND		CAPITAL PROJECTS FUND 2009 SPLOST		OTHER GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	2004 SPLOST	2009 SPLOST	2009 SPLOST	GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS	
Transfers in	18,252	0	0	0	35,505	53,757	
Transfers out	(93,414)	0	0	0	(18,252)	(111,666)	
Total other financing sources (uses)	(75,162)	0	0	0	17,253	(57,909)	
Net change in fund balances	96,399	(2,233,784)	1,987,692		52,322	(97,371)	
Fund balances, beginning	11,047,895	3,965,568	321,382		768,441		
Fund balances, ending	\$ 11,144,294	\$ 1,731,784	\$ 2,309,074	\$	\$ 820,763		

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The detail of the amount by which capital outlays exceed depreciation in the current period is as follows:

Capital outlay	2,989,999
Depreciation expense	(2,148,715)
Distributions and other disposal of capital assets	(216,551)

Net adjustment

624,733

Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Therefore, they do not provide current financial resources and are not reported as revenues in the fund. However, they are reported in the Statement of Activities. This amount represents the change in these taxes.

13,676

Long-term liabilities for compensated absences are not due and payable in the current period and therefore are not reported in the funds. This amount is the net increase for the year.

(20,918)

Payments of principal received on long term note receivables is current income in the governmental funds, but decreases the receivable in the Statement of Net Assets. (Note 6)

(86,616)

Payments of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.

86,183

The payment of capital leases is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.

73,787

Other - net

93,975

Change in net assets of governmental activities

\$ 687,449

The Notes to the Financial Statements are an Integral Part of this Statement.

HARRIS COUNTY, GEORGIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES</b>				
Fees and fines	\$ 976,500	\$ 976,500	\$ 1,192,685	\$ 216,185
Property taxes	7,075,000	7,075,000	7,131,287	56,287
Taxes and licenses	4,481,000	4,481,000	4,130,152	(350,848)
Intergovernmental	7,200	7,200	166,281	159,081
Charges for services	1,999,853	1,999,853	2,266,300	266,447
Interest income	200,000	200,000	94,022	(105,978)
Other income	112,000	300,889	329,379	28,490
Total revenues	14,851,553	15,040,442	15,310,106	269,664
<b>EXPENDITURES</b>				
General government				
Administration	680,663	694,844	647,738	47,106
Tax commissioner	336,382	344,018	326,253	17,765
Extension services	67,332	68,130	66,617	1,513
Tax assessor	364,347	375,028	360,762	14,266
Facilities maintenance	443,139	446,095	426,002	20,093
Voter registration	33,074	42,224	41,006	1,218
Insurance expenditures	1,973,000	1,973,000	1,861,084	111,916
Operations	761,215	1,438,644	1,005,484	433,160
Total general government	4,659,152	5,381,983	4,734,946	647,037
Judicial				
Clerk of Superior Court	283,348	289,483	260,556	28,927
Probate court	134,868	140,926	139,309	1,617
Court services	300,653	310,653	293,899	16,754
Magistrate court	161,356	151,871	145,447	6,424
Assistant district attorney	56,250	56,250	56,249	1
Total judicial	936,475	949,183	895,460	53,723
Public safety				
Emergency medical services	1,324,958	1,402,462	1,391,389	11,073
Sheriff's department	2,194,554	2,259,109	2,242,749	16,360
Jail	1,189,508	1,297,006	1,261,115	35,891
Correctional institute	1,128,632	1,149,193	1,109,785	39,408
Fire protections	403,100	403,100	394,296	8,804
Total public safety	6,240,752	6,510,870	6,399,334	111,536
Public works				
Road maintenance	1,183,258	1,645,810	1,652,243	(6,433)
Vehicle maintenance operations	176,837	181,875	177,998	3,877
Animal shelter	38,704	39,846	37,534	2,312
Total public works	1,398,799	1,867,531	1,867,775	(244)

The Notes to the Financial Statements are an Integral Part of this Statement.

HARRIS COUNTY, GEORGIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Health and welfare				
Coroner	31,393	31,393	29,923	1,470
Child support	5,979	5,979	5,976	3
Health department	256,000	256,000	256,000	0
Total health and welfare	293,372	293,372	291,899	1,473
Culture and recreation				
Library	174,186	176,743	175,843	900
Recreation department	404,826	409,200	331,006	78,194
Total culture and recreation	579,012	585,943	506,849	79,094
Housing and development				
County engineer	43,377	44,305	24,389	19,916
Building inspection	258,730	269,724	225,155	44,569
Economic development	0	187,288	92,244	95,044
Planning	0	25,000	22,650	2,350
Total housing and development	302,107	526,317	364,438	161,879
Debt service				
Principal and interest	215,000	215,000	77,844	137,156
 Total expenditures	 14,624,669	 16,330,199	 15,138,545	 1,191,654
 Excess (deficiency) of revenues over (under) expenditures	 226,884	 (1,289,757)	 171,561	 1,461,318
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	18,252	(1,748)
Transfers out	(246,884)	(259,589)	(93,414)	166,175
Total other financing uses	(226,884)	(239,589)	(75,162)	164,427
 Net change in fund balance	 0	 (1,529,346)	 96,399	 1,625,745
FUND BALANCE, BEGINNING	11,047,895	11,047,895	11,047,895	0
FUND BALANCE, ENDING	<u>\$ 11,047,895</u>	<u>\$ 9,518,549</u>	<u>\$ 11,144,294</u>	<u>\$ 1,625,745</u>

The Notes to the Financial Statements are an Integral Part of this Statement.



HARRIS COUNTY, GEORGIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTAL
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,650,415	\$ 2,275,368	\$ 0	\$ 3,925,783
Receivables, net	425,793	10,215	0	436,008
Due from other funds	0	0	5,073	5,073
Other assets	168,301	48,789	2,625	219,715
Inventories	138,738	0	26,629	165,367
Total current assets	2,383,247	2,334,372	34,327	4,751,946
Noncurrent assets:				
Restricted cash and cash equivalents	638,197	0	0	638,197
Capital assets, net	16,680,821	629,887	2,606,602	19,917,310
Total noncurrent assets	17,319,018	629,887	2,606,602	20,555,507
Total assets	19,702,265	2,964,259	2,640,929	25,307,453
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	137,796	19,187	131	157,114
Construction contracts payable	0	0	0	0
Other accrued expenses	90,603	21,923	1,376	113,902
Due to other funds	185	122,691	26,629	149,505
Customer deposits	388,353	0	0	388,353
Total current liabilities	616,937	163,801	28,136	808,874
Noncurrent liabilities:				
Compensated absences	36,377	14,692	0	51,069
Revenue bonds including premium	8,701,691	0	0	8,701,691
Other loans payable	138,462	0	0	138,462
Landfill closure/postclosure liability	0	327,700	0	327,700
Total noncurrent liabilities	8,876,530	342,392	0	9,218,922
Total liabilities	9,493,467	506,193	28,136	10,027,796
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,840,668	629,887	2,606,602	11,077,157
Restricted for debt service	225,299	0	0	225,299
Unrestricted	2,142,831	1,828,179	6,191	3,977,201
Total net assets	\$ 10,208,798	\$ 2,458,066	\$ 2,612,793	\$ 15,279,657

The Notes to the Financial Statements are an Integral Part of this Statement.

HARRIS COUNTY, GEORGIA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTAL
OPERATING REVENUES				
Charges for services	\$ 3,935,605	\$ 1,927,393	\$ 66,824	\$ 5,929,822
OPERATING EXPENSES				
Salaries and related expenses	997,754	443,438	37,507	1,478,699
Utilities	173,140	8,208	13,026	194,374
Water purchases	787,610	0	0	787,610
Fuel, oil, and tires	52,377	110,391	43,140	205,908
Repairs and maintenance	564,910	50,056	9,710	624,676
Chemicals, small tools and supplies	147,872	1,393	0	149,265
Legal and professional	7,950	6,000	0	13,950
Tipping fees	0	513,891	0	513,891
Other general and administrative fees	396,694	157,847	8,264	562,805
Depreciation and amortization	560,992	91,118	73,408	725,518
Total operating expenses	3,689,299	1,382,342	185,055	5,256,696
Operating income (loss)	246,306	545,051	(118,231)	673,126
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	0	0	155,525	155,525
Interest income	13,074	20,985	0	34,059
Interest expense	(412,506)	0	0	(412,506)
Total nonoperating revenues (expenses)	(399,432)	20,985	155,525	(222,922)
Income before transfers	(153,126)	566,036	37,294	450,204
Transfers in	0	0	57,909	57,909
Change in net assets	(153,126)	566,036	95,203	508,113
Total net assets, beginning	10,361,924	1,892,030	2,517,590	14,771,544
Total net assets, ending	\$ 10,208,798	\$ 2,458,066	\$ 2,612,793	\$ 15,279,657

The Notes to the Financial Statements are an Integral Part of this statement.

HARRIS COUNTY, GEORGIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 3,903,451	\$ 1,918,784	\$ 66,824	\$ 5,889,059
Payments to suppliers	(2,145,345)	(877,508)	(77,455)	(3,100,308)
Payments to employees	(987,583)	(444,518)	(38,055)	(1,470,156)
Transfers (to) / from other funds	0	(1,364)	48,686	47,322
Net cash provided by operating activities	<u>770,523</u>	<u>595,394</u>	<u>0</u>	<u>1,365,917</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from federal grant	0	0	155,525	155,525
Transfers from other funds	0	0	4,150	4,150
Purchases of capital assets	(140,682)	(123,000)	(159,675)	(423,357)
Principal paid on capital debt	(325,256)	0	0	(325,256)
Interest paid on capital debt	(415,975)	0	0	(415,975)
Net cash used in capital and related financing activities	<u>(881,913)</u>	<u>(123,000)</u>	<u>0</u>	<u>(1,004,913)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and dividends received	11,650	18,243	0	29,893
Net cash provided by investing activities	<u>11,650</u>	<u>18,243</u>	<u>0</u>	<u>29,893</u>
Net increase (decrease) in cash and cash equivalents	(99,740)	490,637	0	390,897
Cash and cash equivalents, beginning (including \$631,784 reported in restricted accounts)	<u>2,388,352</u>	<u>1,784,731</u>	<u>0</u>	<u>4,173,083</u>
Cash and cash equivalents, ending (including \$638,197 reported in restricted accounts)	<u>\$ 2,288,612</u>	<u>\$ 2,275,368</u>	<u>\$ 0</u>	<u>\$ 4,563,980</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 246,306	\$ 545,051	\$ (118,231)	\$ 673,126
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	560,992	91,118	73,408	725,518
Changes in:				
Receivables, net	(1,608)	(8,609)	0	(10,217)
Inventories	(4,875)	0	0	(4,875)
Accounts payable	(46,901)	(7,544)	(4,760)	(59,205)
Other accrued expenses	8,017	(20,389)	(548)	(12,920)
Transfers to (from) other funds	185	(1,364)	48,686	47,507
Customer deposits	6,507	0	0	6,507
Other (net)	1,900	(2,869)	1,445	476
Total adjustments	<u>524,217</u>	<u>50,343</u>	<u>118,231</u>	<u>692,791</u>
Net cash provided by operating activities	<u>\$ 770,523</u>	<u>\$ 595,394</u>	<u>\$ 0</u>	<u>\$ 1,365,917</u>

HARRIS COUNTY, GEORGIA  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2010

	AGENCY FUNDS
<b>ASSETS</b>	
Cash and cash equivalents	\$ 627,017
Receivables	377,370
Total assets	<u>\$ 1,004,387</u>
<b>LIABILITIES</b>	
Payable to others	\$ 1,004,387
Total liabilities	<u>\$ 1,004,387</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1: Reporting Entity

Harris County ("the County") is a political subdivision of the State of Georgia governed by a five member Board of County Commissioners, elected from single-member districts. The Board has no powers other than those expressly vested in it by state statute and its governmental powers cannot be delegated.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the County's accounting policies are in Note 2.

As required by GAAP these financial statements present the government and its component units. The two discretely presented component units of the County are reported in separate columns in the combined financial statements to emphasize that they are legally separate from the government. The discretely presented component units each have a June 30 year-end.

The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's governing board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is a fiscal dependency by the organization on the County

*Discretely Presented Component Units.*

The Harris County Health Department (the "Health Department") is responsible for providing healthcare to the citizens of the County that have no health insurance. The Health Department is considered a component unit of the primary government based on the aforementioned criteria. Specifically, a voting majority of the Health Department is appointed by the Harris County Board of Commissioners ("the Board") and the Board can impose its will on the Health Department. Complete financial statements may be obtained from the Health Department in Hamilton, Georgia.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1: Reporting Entity (Continued)

The Harris County Development Authority (the "Authority") is responsible for promoting industrial and commercial development within Harris County. The Authority is considered a component unit of the primary government based on the aforementioned criteria.

Specifically, a voting majority of the Authority is appointed by the Board, and it can impose its will on the Authority. There are no separately issued financial statements available for the Authority.

*Related Organization.* The County appoints the entire Board of the Housing Authority of Harris County. The County's accountability for this organization does not extend beyond making appointments. Therefore, the Housing Authority of Harris County is a related organization.

Certain County officials collect and disburse taxes, fees, fines, etc. Separate records of accountability are maintained for such receipts. For purposes of this report, these records are included as a part of agency funds with remittances to the General Fund from these officials recorded as revenue. Operating costs for these officials are included as a part of the County's General Fund. These units include:

- Tax Commissioner
- Sheriff
- Clerk of Superior Court
- Probate Court
- Magistrate Court

Based on the GASB criteria, the following units are legally separate organizations and the County is not financially accountable for them. Therefore, their operations are not included in this report:

- Harris County Board of Education
- Harris County Board of Family and Children Services
- Harris County Agricenter

Disbursements to these units based on contractual agreements have been budgeted and expended as a part of the regular operations of the County.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1: Reporting Entity (Continued)

*Joint Venture.* The County is a member of the River Valley Regional Commission ("RC") located in Columbus, Georgia and is required to pay dues thereto. During the year ended June 30, 2010, the County paid \$26,396 in dues to the RC. The RC Board membership includes the chief elected official of each county and municipality of the area. State law provides that member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

River Valley Regional Commission  
1428 Second Avenue  
Columbus, GA 31902

NOTE 2: Summary of Significant Accounting Policies

Basis of Presentation

**Government-wide Financial Statements:** The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to omit the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County'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. Program revenues include (a) fees, fines, and 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 County's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2: Summary of Significant Accounting Policies (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

The County reports the following major governmental funds:

**General Fund.** This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Capital Projects Fund - 2004 SPLOST.** This fund accounts for the amounts collected from the special local option sales tax beginning in 2004 and related expenditures used for various capital improvements of the County.

**Capital Projects Fund - 2009 SPLOST.** This fund accounts for the amounts collected from the special local option sales tax beginning in 2009 and related expenditures used for various capital improvements of the County. This fund was included with the other governmental funds in the prior year.

The County reports the following major enterprise funds:

**Water Works.** This fund accounts for the operation and maintenance of the County's water distribution system.

**Solid Waste.** This fund accounts for the operation, maintenance, and development of various landfills and disposal sites.

**Airport.** This fund accounts for the operation, maintenance, and development of the County's Airport.

The County reports the following fiduciary funds:

**Agency Funds.** These funds account for monies collected through the courts, property taxes collected on behalf of other governments, and funds collected on behalf of other organizations.



HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting

**Government-wide, Proprietary, and Fiduciary Fund Financial Statements.** The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. Fiduciary funds have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using 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 County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2: Summary of Significant Accounting Policies (Continued)

The County has purchased certain fire equipment that was capitalized in the government-wide financial statements in prior years. Since this expenditure will be used to reduce stipends otherwise paid from the General Fund to local volunteer fire departments, the cost has been expensed in the General Fund in 2010. Accordingly, the amount reflected in "other-net" on page 18 represents the current expense charged in the General Fund.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

All governmental and business-type activities and enterprise funds of the County follow GAAP issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Budgetary Accounting - The County's annual budget is prepared based on anticipated revenues and appropriated expenditures. Revenue anticipations, generally conservative, are designed to help insure fiscal responsibility and maintain a balanced budget. The responsibility of budgeting lies with the County Commissioners.

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized in the governmental funds of the County. However, any encumbrances outstanding at year-end would be reported as reservations of fund balance since they do not constitute expenditures or liabilities. See Note 13.

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. The short-term investments are reported at cost which approximates fair market value.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2: Summary of Significant Accounting Policies (Continued)

Receivables - The County utilizes the services of the County Attorney in pursuing and collecting delinquent past due taxes receivable. Upon approval of the Board of Commissioners, the direct write-off method is used to write off taxes which are deemed uncollectible.

The County's Enterprise Funds have elected to record bad debts using the allowance method. These accounts receivable are uncollateralized customer obligations due under normal trade terms generally requiring payment within 30 days from the invoice date. After 30 days, a late charge is assessed. After 40 days, water meters are shut off.

GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method in the County's governmental funds is not materially different from the results that would be obtained under the allowance method. The balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

Short-Term Interfund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental fund balance sheet. These amounts are eliminated on the government-wide Statement of Net Assets.

Inventories and Prepaid Items - Inventories of both the governmental funds and the enterprise funds are priced at the lower of cost or market, with cost being determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized but are expensed currently. However, major renewals and betterments are capitalized. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets are depreciated using the straight-line method. General infrastructure includes roads and bridges placed into service since July 1, 1980.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2: Summary of Significant Accounting Policies (Continued)

The estimated useful lives and standard thresholds for capitalizing assets for each major class of assets are detailed below:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Threshold</u>
Buildings	40	\$ 5,000
Equipment and personal property	3-20	5,000
Water system, filter plant and waterlines	20-50	5,000
Infrastructure	20-30	100,000

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. In accordance with the provisions of Government Accounting Standards Board, Statement No. 16, "Accounting for Compensated Absences", no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Long-Term Obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Fund Equity - In the fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Tax - Revenue Recognition - The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The County's property tax was levied July 17, 2009, on the assessed value for all real and personal property as of January 1, 2009 and is recorded as revenue for the year ended June 30, 2010. Taxes were due December 20, 2009 following the levy date and became delinquent on December 21, 2009.

Statement of Cash Flows - Enterprise Funds - For purposes of the statement of cash flows, the County considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2: Summary of Significant Accounting Policies (Continued)

Subsequent Events – Management has evaluated subsequent events through November 9, 2010, which is the date the financial statements were available to be issued.

NOTE 3: Component Unit – Development Authority of Harris County

The County has partnered with the Authority in the development of the Northwest Harris Business Park (the "Business Park"). The County purchased the land that makes up the Business Park during 2005 and 2007. According to an intergovernmental agreement, the County will transfer the land to the Authority for development and subsequent sale of the property with proceeds being remitted to the County. Land associated with the development of the Business Park was transferred from the County to the Authority during fiscal year ended June 30, 2009 for a value of \$673,497.

The Authority has continued construction on the Progress Parkway project. The purpose of this project is to construct a road in the Business Park. Construction began during the fiscal year ended June 30, 2009. During the current year, the Authority continued construction of the road with funding provided by the County's 2004 SPLOST fund. Funding provided by the County in the amount of \$612,197 was treated as a SPLOST Fund expenditure and a capital contribution to the Authority. Costs of the road are included in the Authority's construction in progress at June 30, 2010.

During 2009, a building was constructed for Johnson Controls, Inc. ("JCI") for a total cost of approximately \$7.06 million. The purpose of the JCI project was to assist in the location of the manufacturing company in the Business Park. The building was funded by bonds issued by the Authority, grant revenue, and County funds. Charges for services in the amount of \$555,158 are lease payments received from JCI (See Note 11).

NOTE 4: Budget

A budget is adopted by the Board of Commissioners each fiscal year for the General Fund. The budget is prepared on the cash basis, except for property tax revenues which are budgeted on the accrual basis. For comparative purposes, the actual results of operations of the General Fund presented in the "Budget to Actual" financial statement have been restated to be in conformity with budget classification of various expenditures. Budgets for each special revenue fund and a project-length balanced budget for each capital projects fund are also adopted.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4: Budget (Continued)

Legal budgetary control is maintained at the department level. All supplemental appropriations and transfers among departments must be enacted by the Board of Commissioners. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund reflects these revisions. Actual expenditures should not legally exceed "budget" appropriations at the individual department level.

For the year ended June 30, 2010, road maintenance expenditures exceeded budget by \$6,433. The over expenditure in the General Fund was funded by revenue from additional state highway contracts, included in intergovernmental revenues.

NOTE 5: Cash and Cash Equivalents

Deposits- Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that deposits be secured by an amount equal to or not less than 110 percent of the deposited funds. Statutes exclude demand deposit checking accounts from the security requirements if the funds are not on deposit for more than ten days. The County does not have a deposit policy for custodial risk that is more restrictive than required by State statutes.

Investments- Statutes authorize the County to invest in obligations of the State of Georgia or other state; obligations issued by the U.S. Government, obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States, obligations of any corporation of the U.S. Government, prime bankers' acceptances, the local government investment pool established by Georgia law, repurchase agreements and obligations of other political subdivision of the State of Georgia, and additionally, certificates of deposit, NOW accounts and money market accounts of banks which have deposits insured by the Federal Deposit Insurance Corporation, provided, however that portions of such investments shall be secured by direct obligation of the State of Georgia or the United States which are of a par value equal to 110 percent of funds on deposit at the institution.

The County does not have an investment policy more restrictive than the one authorized by State statutes. The County does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Due to the nature of the County's investment, the County's investments are not subject to custodial credit risk or concentration of credit risk.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 5: Cash and Cash Equivalents (Continued)

The entire bank balance of \$21,168,326 (bank deposits and certificates of deposit, restricted and unrestricted) in deposits as of the balance sheet date of the County's reporting entity was either insured or collateralized with securities held by the County's agent in the County's name. The deposits of the discretely presented component units were also either completely insured or collateralized.

The County has considered all bank deposits, certificates of deposit and money market funds currently owned as cash and cash equivalents as follows:

Type	Bank Deposits	Certificates of Deposit	Money Market Funds	Less Restricted Cash	Unrestricted Cash and Cash Equivalents
General Fund	\$ 1,996,711	\$ 8,892,774	\$ 0	\$ (64,750)	\$ 10,824,735
2004 SPLOST	674,172	1,500,000	0	0	2,174,172
2009 SPLOST	1,098,281	1,000,000	0	0	2,098,281
Other Governmental Funds	815,391	0	0	(24,530)	790,861
Water Works	442,346	1,620,967	225,299	(638,197)	1,650,415
Solid Waste	560,368	1,715,000	0	0	2,275,368
Total Government-wide	5,587,269	14,728,741	225,299	(727,477)	19,813,832
Agency Funds	627,017	0	0	0	627,017
Total	<u>\$ 6,214,286</u>	<u>\$ 14,728,741</u>	<u>\$ 225,299</u>	<u>\$ (727,477)</u>	<u>\$ 20,440,849</u>

NOTE 6: Note Receivable

The note receivable of \$1,864,547 is the result of an agreement entered into by the County and the Ida Cason Callaway Foundation (the "Foundation"). During the year ended June 30, 2009, the County acquired a land conservation easement from the Foundation with the funding it received from the Georgia Environmental Facilities Authority, including a \$2,000,000 land conservation grant and a \$2,000,000 loan from the Clean Water State Revolving Fund for Land Conservation (see Note 11).

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 6: Note Receivable (Continued)

Under the agreement between the County and the Foundation, the Foundation will reimburse the County for costs related to the loan as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2011	\$ 88,804	\$ 55,153	\$ 143,957
2012	91,421	52,536	143,957
2013	94,367	49,590	143,957
2014	97,156	46,801	143,957
2015	100,111	43,846	143,957
2016-2020	548,075	171,710	719,785
2021-2025	636,743	83,042	719,785
2026-2028	207,870	5,599	213,469
Totals	<u>\$ 1,864,547</u>	<u>\$ 508,277</u>	<u>\$ 2,372,824</u>

NOTE 7: Interfund Receivables, Payables and Transfers

During the course of normal operations, transactions take place between funds such as expenditures or transfers of resources to provide services, purchase assets or construct assets. These interfund transactions are not eliminated and no interest is charged on such advances on the fund level statements. These interfund transactions have been eliminated on the government-wide statements.



HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 7: Interfund Receivables, Payables and Transfers (Continued)

Interfund receivable and payable balances at June 30, 2010 are reflected in the financial statements as due from other funds and due to other funds and are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 90,647
	Water Works Fund	185
	Solid Waste Fund	122,691
	Airport Fund	26,629
		<u>\$ 240,152</u>
2004 SPLOST	General Fund	\$ 96,201
2009 SPLOST	General Fund	575
Other Governmental Funds	General Fund	10,789
Airport Fund	General Fund	5,073
		<u>\$ 112,638</u>

Due to/from primary government and component units is as follows:

Due to / from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component unit - Development Authority	Primary government - General Fund	\$ 50,050

Due to/from balances are the result of short term borrowings between the funds. It is the County's intent to repay these interfund balances during the next fiscal year.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 7: Interfund Receivables, Payables and Transfers (Continued)

Transfers from the General Fund to other governmental funds represent transfers to E-911 Special Revenue fund of \$35,505 for operations.

Transfers from the General Fund to the Airport enterprise fund represent transfers of \$9,223 for construction and \$48,686 for operations. A total of \$57,909 was transferred from the General Fund to the Airport as shown on the Statement of Activities and on the Proprietary Fund statements.

Transfers from other governmental funds represent transfers from the hotel motel tax fund to the General Fund of \$18,252.

	Transfers In:			Total
	General Fund	Other Governmental Funds	Airport Enterprise Fund	
<u>Transfers out:</u>				
General fund	\$ 0	\$ 35,505	\$ 57,909	\$ 93,414
Other governmental funds	18,252	0	0	18,252
Total	<u>\$ 18,252</u>	<u>\$ 35,505</u>	<u>\$ 57,909</u>	<u>\$ 111,666</u>

NOTE 8: Due From Other Governments

Amounts due from (to) other governments are summarized as follows:

	General Fund	2009 SPLOST	Other Governmental Funds
State of Georgia			
Department of Revenue-Sales Tax	\$ 158,563	\$ 211,926	\$ 0
Department of Transportation	3,292	0	0
State Board of Corrections	60,780	0	0
Department of Natural Resources	(5,140)	0	0
Department of Community Affairs	0	0	5,142
Net due from other governments	<u>\$ 217,495</u>	<u>\$ 211,926</u>	<u>\$ 5,142</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 9: Other Accrued Expenses

Other accrued expenses are summarized as follows:

	General Fund	Other Governmental Funds	Water Works	Solid Waste	Airport
Accrued payroll and withholdings	\$ 592,415	\$ 21,962	\$ 50,894	\$ 21,923	\$ 1,376
Accrued interest payable	0	0	34,047	0	0
Deposits	0	0	5,662	0	0
Total other accrued expenses	<u>\$ 592,415</u>	<u>\$ 21,962</u>	<u>\$ 90,603</u>	<u>\$ 21,923</u>	<u>\$ 1,376</u>

NOTE 10: Capital Assets

**Primary Government** - Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance at June 30, 2009	Additions	Disposals	Reclassifications	Balance at June 30, 2010
<b>Governmental activities:</b>					
Capital assets not depreciable:					
Land	\$ 12,038,425	\$ 1,124,695	\$ 0	\$ 0	\$ 13,163,120
Construction in progress	417,774	286,885	(20,141)	0	684,518
Total assets not depreciable	<u>12,456,199</u>	<u>1,411,580</u>	<u>(20,141)</u>	<u>0</u>	<u>13,847,638</u>
Capital assets depreciable:					
Buildings	12,122,839	0	0	0	12,122,839
Equipment and personal property	14,510,559	698,645	(465,935)	0	14,743,269
Infrastructure	20,667,811	879,774	0	0	21,547,585
Total assets depreciable	<u>47,301,209</u>	<u>1,578,419</u>	<u>(465,935)</u>	<u>0</u>	<u>48,413,693</u>
Less accumulated depreciation:					
Buildings	(3,369,706)	(310,070)	0	0	(3,679,776)
Equipment and personal property	(10,350,981)	(974,004)	269,525	0	(11,055,460)
Infrastructure	(10,002,022)	(864,641)	0	0	(10,866,663)
Total accumulated depreciation	<u>(23,722,709)</u>	<u>(2,148,715)</u>	<u>269,525</u>	<u>0</u>	<u>(25,601,899)</u>
Total assets depreciable, net	<u>23,578,500</u>	<u>(570,296)</u>	<u>(196,410)</u>	<u>0</u>	<u>22,811,794</u>
Capital assets (net)	<u>\$ 36,034,699</u>	<u>\$ 841,284</u>	<u>\$ (216,551)</u>	<u>\$ 0</u>	<u>\$ 36,659,432</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 10: Capital Assets (Continued)

	Balance at June 30, 2009	Additions	Disposals	Reclassifications	Balance at June 30, 2010
<b>Business-type activities:</b>					
Capital assets not depreciable:					
Land	\$ 564,294	\$ 0	\$ 0	\$ 0	\$ 564,294
Construction in progress	2,142,198	140,683	0	(1,693,288)	589,593
Total assets not depreciable	2,706,492	140,683	0	(1,693,288)	1,153,887
Capital assets depreciable:					
Buildings and land improvements	447,721	0	(15,326)	629,206	1,061,601
Equipment and personal property	4,018,433	298,000	0	100,000	4,416,433
Water system, filter plant and waterlines	23,257,853	0	0	964,082	24,221,935
Total assets depreciable	27,724,007	298,000	(15,326)	1,693,288	29,699,969
Less accumulated depreciation :					
Buildings and land improvements	(194,966)	(22,302)	0	0	(217,268)
Equipment and personal property	(2,172,358)	(179,151)	0	0	(2,351,509)
Water system, filter plant and waterlines	(7,852,876)	(514,893)	0	0	(8,367,769)
Total accumulated depreciation	(10,220,200)	(716,346)	0	0	(10,936,546)
Total assets depreciable, net	17,503,807	(418,346)	(15,326)	1,693,288	18,763,423
Capital assets (net)	\$ 20,210,299	\$ (277,663)	\$ (15,326)	\$ 0	\$ 19,917,310

Depreciation expense was charged to governmental and business-type activities as follows:

Governmental activities	
General government	\$ 152,418
Judicial	7,235
Public safety	871,717
Public works	1,061,519
Culture and recreation	40,667
Housing and development	15,159
Total depreciation expense - governmental activities	<u>\$ 2,148,715</u>
Business-type activities	
Water works	\$ 551,820
Solid waste	91,118
Airport	73,408
Total depreciation expense - business-type activities	<u>\$ 716,346</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 10: Capital Assets (Continued)

**Discretely Presented Component Units - Capital asset activity for the year ended June 30, 2010 was as follows:**

	Balance at				Balance at
	June 30, 2009	Additions	Disposals	Reclassifications	June 30, 2010
<b>Discretely presented component unit:</b>					
<b>Harris County Development Authority</b>					
Capital assets not depreciable:					
Land	\$ 338,443	\$ 0	\$ 0	\$ 0	\$ 338,443
Construction in progress	2,228,832	612,197	0	0	2,841,029
Total assets not depreciable	2,567,275	612,197	0	0	3,179,472
Capital assets depreciable:					
Buildings and land improvements	7,064,197	0	0	0	7,064,197
Total assets depreciable	7,064,197	0	0	0	7,064,197
Less accumulated depreciation :					
Buildings and land improvements	0	(176,605)	0	0	(176,605)
Equipment and personal property	0	0	0	0	0
Total accumulated depreciation	0	(176,605)	0	0	(176,605)
Total assets depreciable, net	7,064,197	(176,605)	0	0	6,887,592
Capital assets (net)	\$ 9,631,472	\$ 435,592	\$ 0	\$ 0	\$ 10,067,064

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 11: Noncurrent Liabilities

A summary of changes in noncurrent liabilities for 2010 follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due within</u> <u>one year</u>	<u>Due after</u> <u>one year</u>
<b>Primary Government</b>						
Governmental Activities:						
Loans payable	\$ 1,965,322	\$ 0	\$ (86,183)	\$ 1,879,139	\$ 88,804	\$ 1,790,335
Capital lease obligations	151,642	0	(73,787)	77,855	32,609	45,246
Compensated absences	232,817	20,918	0	253,735	50,747	202,988
Totals	<u>2,349,781</u>	<u>20,918</u>	<u>(159,970)</u>	<u>2,210,729</u>	<u>172,160</u>	<u>2,038,569</u>
Business-Type Activities:						
Revenue bonds including premium	\$ 9,019,372	\$ 0	\$ (317,681)	\$ 8,701,691	\$ 320,000	\$ 8,381,691
Other loans payable	148,718	0	(10,256)	138,462	10,256	128,206
Compensated absences	52,422	0	(1,353)	51,069	10,214	40,855
Postclosure liability	349,878	0	(22,178)	327,700	21,496	306,204
Totals	<u>9,570,390</u>	<u>0</u>	<u>(351,468)</u>	<u>9,218,922</u>	<u>361,966</u>	<u>8,856,956</u>
Totals - primary government	<u>\$ 11,920,171</u>	<u>\$ 20,918</u>	<u>\$ (511,438)</u>	<u>\$ 11,429,651</u>	<u>\$ 534,126</u>	<u>\$ 10,895,525</u>
Discretely presented component unit - Development Authority:						
Bond payable	<u>\$ 5,938,629</u>	<u>\$ 0</u>	<u>\$ (274,921)</u>	<u>\$ 5,663,708</u>	<u>\$ 290,664</u>	<u>\$ 5,373,044</u>

Compensated Absences

The County accrues compensated absences for its employees. Governmental compensated absences are paid through the general fund. Business type compensated absences are paid through the Water Works fund or Solid Waste fund respectively.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 11: Noncurrent Liabilities (Continued)

Revenue Bonds – Primary Government

During the year ended June 30, 2003, the County issued the Harris County Water System Revenue Bonds, Series 2002 in the amount of \$10,665,000. Proceeds from the 2002 Series Bonds were used to refund the outstanding Revenue Bonds, Series 1995A, 1995B, 1995C and 1995D; make additions, alterations and improvements to the County's water system; provide for a debt service reserve; and to pay the costs of issuing and insuring the Series 2002 Bonds. The Series 2002 Bonds do not constitute a debt of the County or a pledge of faith and credit of the County. The Series 2002 Bonds are limited obligations of the County payable solely from and secured by a first lien on the pledged revenues of the County's water system. The bonds bear interest from November 1, 2002, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2003 at rates ranging from 1.35% to 5.00%. Annual principal payments began December 1, 2003. The bonds are not subject to optional redemption prior to December 1, 2012.

The annual maturity of the Series 2002 revenue bonds subsequent to June 30, 2010 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2011	\$ 320,000	\$ 403,368	\$ 723,368
2012	335,000	392,516	727,516
2013	345,000	380,825	725,825
2014	355,000	365,913	720,913
2015	375,000	347,663	722,663
2016-2020	2,165,000	1,431,565	3,596,565
2021-2025	2,760,000	821,371	3,581,371
2026-2028	2,000,000	145,588	2,145,588
Totals	8,655,000	<u>\$ 4,288,809</u>	<u>\$ 12,943,809</u>
Unamortized bond premium	<u>46,691</u>		
Revenue bonds including premium	<u>\$ 8,701,691</u>		

Under provisions of the Bond Resolution the County, is required to maintain certain restricted funds. These funds include a revenue fund, sinking fund, debt service reserve account, rebate fund, and renewal and extension fund.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 11: Noncurrent Liabilities (Continued)

Revenue Bonds -- Component Unit

During the fiscal year ended June 30, 2009, the Authority issued bonds for \$6,000,500 to construct a building for a manufacturing company in the Business Park (see Note 3). The bonds bear interest from September 25, 2008 with a portion of the issue at 5.45% and the remainder at 6.45%. Payments of principal and interest are payable quarterly on November 1, February 1, May 1 and August 1 of each year, commencing November 1, 2008. The annual maturity of the bonds subsequent to June 30, 2010 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2011	\$ 290,664	\$ 327,858	\$ 618,522
2012	307,313	312,115	619,428
2013	324,920	295,466	620,386
2014	343,540	277,859	621,399
2015	363,232	259,239	622,471
2016-2019	4,034,039	628,374	4,662,413
Totals	<u>\$ 5,663,708</u>	<u>\$ 2,100,911</u>	<u>\$ 7,764,619</u>

The company executed a ten year operating lease for the facility with monthly payments of \$50,469 due to the Authority.

Loans

During the year ended June 30, 2003, the County entered into a contract with the Georgia Environmental Facilities Authority ("GEFA") under which it received certain funds made available through the Drinking Water State Revolving Loan Fund. In connection with the contract, the County signed a promissory note in the amount of \$700,000. However, under the terms of the note, the County is only required to repay principal in the amount of \$200,000. The other \$500,000 was reported as grant revenue.

Proceeds were required to be used to reimburse construction costs for specified projects related to the County's water system. Additionally, the County was required to meet certain covenants related to commencement and completion of construction. As of June 30, 2010 the County was in compliance with these covenants. The loan is payable quarterly in seventy-eight equal installments of \$2,564 with principal maturities as follows:



HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 11: Noncurrent Liabilities (Continued)

Loans (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2011	\$ 10,256	\$ 0	\$ 10,256
2012	10,256	0	10,256
2013	10,256	0	10,256
2014	10,256	0	10,256
2015	10,256	0	10,256
2016-2020	51,280	0	51,280
2021-2024	35,902	0	35,902
Totals	<u>\$ 138,462</u>	<u>\$ 0</u>	<u>\$ 138,462</u>

During the year ended June 30, 2009, the County entered into a contract with GEFA under which it received certain funds made available through the Clean Water State Revolving Loan Fund. In connection with the contract, the County signed a promissory note in the amount of \$2,000,000 with interest at 3%. Proceeds were required to be used for the acquisition of the conservation easement discussed in Note 6. The loan is payable monthly in two-hundred sixteen equal installments of \$11,996 commencing on February 1, 2009 with the final installment due January 1, 2027 as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2011	\$ 88,804	\$ 55,153	\$ 143,957
2012	91,421	52,536	143,957
2013	94,367	49,590	143,957
2014	97,156	46,801	143,957
2015	100,111	43,846	143,957
2016-2020	548,075	171,710	719,785
2021-2025	636,743	83,042	719,785
2026-2028	222,462	5,599	228,061
Totals	<u>\$ 1,879,139</u>	<u>\$ 508,277</u>	<u>\$ 2,387,416</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 11: Noncurrent Liabilities (Continued)

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of various items of equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms), and therefore have been recorded at the present value of the future minimum lease payments as of the date of their inception. The cost of assets under capital leases and related accumulated depreciation as of June 30, 2010 totaled \$549,621 and \$352,990, respectively.

The present value of future minimum capital lease payments as of June 30, 2010 is:

June 30:	
2011	\$ 34,635
2012	24,188
2013	<u>24,188</u>
Total minimum payments	83,011
Less amounts representing interest	<u>(5,156)</u>
Present value of minimum capital lease payments	<u>\$ 77,855</u>

Other Long-Term Obligations:

Enterprise Fund - Landfill Postclosure Care - The County owned and operated a landfill site from 1980 to 1994. State and Federal laws and regulations required the closure of this landfill once its capacity was reached in 1994. Federal law required that wells be put in the ground to comply with post closure requirements and be monitored for five years. During that five-year period the results of the monitoring indicated the existence of methane and leachate in some of the wells; therefore, those wells were required to be monitored for 30 years starting from the date they were placed in the ground (1995). As of June 30, 2010, the County has recorded a liability totaling \$327,700, which is the estimated liability for continued well monitoring for the remaining thirty-year period ending in 2024. This liability is recorded in the Solid Waste Enterprise Fund and will be expended over the remaining postclosure period using the modified accrual basis of accounting. The estimated monitoring costs will be evaluated each year and are subject to change based upon the effects of inflation, technology, revision of laws or regulations, and other variables.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 12: Hotel/Motel Lodging Tax

The County has levied a 3% excise tax upon the furnishing for value of rooms, lodgings or accommodations. All revenues and expenses relating to this tax are reported in a separate special revenue fund. The County has contracted with the Harris County Chamber of Commerce (the "Chamber") and the Georgia Department of Natural Resources (the "DNR") to remit to them a portion of the total amount of taxes collected. The funds are to be spent on promoting the County as a tourist and meeting destination and to encourage the use of businesses in the County by visitors and tourists. During the year ended June 30, 2010, the County collected \$61,604 and remitted \$43,551, or 71% of the receipts to the Chamber and the DNR.

NOTE 13: Fund Balance - Designated

At June 30, 2010, the unreserved designated fund balance of the General Fund totaling \$438,591 represents funds set aside by the County for specific items which had not been acquired by year end and have been designated to supplement the 2011 budget.

NOTE 14: Risk Management

The County is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in the Interlocal Risk Management Agency risk pool operated by the Association County Commissioners of Georgia (ACCG) as a risk management and insurance program. The county pays an annual premium to ACCG for its general insurance coverage. The above entity risk pool is self-sustaining through member premiums.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, Harris County became a member of the Association of County Commissioners Workers' Compensation Self-Insurance Fund. The liability of the fund to the employees of any employer (Harris County) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 14: Risk Management (Continued)

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

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

The County carries commercial insurance for other risks of loss such as employee health insurance.

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

NOTE 15: Pension Plans and Other Retirement Benefits

Defined Contribution Plans

Deferred Compensation Plan - The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which was administered by Nationwide Retirement Solutions and VALIC for the year ended June 30, 2010, is available to all full-time employees and all permanent part-time employees at their option and permits participants to defer a portion of their salary until future years. The County retains the authority to amend the adoption agreement and change contribution requirements based on the plan document. At June 30, 2010, there were 195 participants in the plan. The employees are 100 percent vested in their contributions. Plan assets are not available to participants until termination, retirement, death, or unforeseeable emergency. For the year ended June 30, 2010, contributions totaled \$151,359.

It is the opinion of the County's management that the County has no fiduciary responsibility for plan assets once they are deposited with the plan administrator. Consequently, under the provisions of GASB standards, plan assets are not reported in the financial statements. These assets totaled \$2,129,819 at June 30, 2010. Investments are participant-directed from a choice of 77 mutual funds. Investments in 6 of the mutual funds each represented 5 percent or more of the net assets of the plan as of June 30, 2010.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 15: Pension Plans and Other Retirement Benefits (Continued)

Defined Contribution Money Purchase Pension Plan - The County offers its employees a defined contribution money purchase pension plan in accordance with Internal Revenue Code Section 401(a). The plan, which is administered by Pension Service Company, Inc., is available to all full-time permanent employees with six months of service. The County retains the authority to amend the adoption agreement and change contribution requirements based on the plan document.

The County has no fiduciary responsibility for plan assets once they are deposited with the plan administrator. Consequently, under the provisions of GASB standards, plan assets are not reported in the financial statements. These assets totaled \$1,746,253 at June 30, 2010. Investments are participant-directed from a choice of a guaranteed interest account and 15 mutual funds. Investments in 3 of the mutual funds and the guaranteed interest account each represented 5 percent or more of the net assets of the plan as of June 30, 2010.

Employees are 100 percent vested in the County's contributions after three years of service. At June 30, 2010, there were 271 participants in the plan. The contributions are not available to participants until termination, retirement, death, disability, or unforeseen emergency. The County contributes an amount equal to 2.25 percent of compensation not exceeding \$30,000 each plan year. In addition, for every employee dollar contributed to the deferred compensation plan, the County contributes a 100 percent matching contribution to the Money Purchase Pension Plan up to a maximum of \$660. This discretionary matching contribution may increase or decrease annually. For the year ended June 30, 2010, there were no employee contributions and the County's expense totaled \$237,412.

Defined Benefit Pension Plan

Plan Description

The County sponsors the Association County Commissioners of Georgia Restated Pension Plan for Harris County Employees (the "Plan"), which is a defined benefit pension plan.

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan is affiliated with the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (the "ACCG Plan"), an agent multiple-employer pension plan administered by GEBCorp. The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of the ACCG Plan, as provided in Section 19.03 of the ACCG Plan document. The County retains the authority to amend the adoption agreement, which defines the specific operational provisions of the Plan, as provided in Section 19.02 of the ACCG Plan document.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 15: Pension Plans and Other Retirement Benefits (Continued)

GEBCorp issues a publicly available financial report that includes financial statements and required supplementary information for ACCG. That report may be obtained by writing to GEBCorp, 400 Galleria Parkway, Suite 1250, Atlanta, Georgia 30339 or by calling (800)736-7166.

All full-time County employees are eligible to participate in the Plan after completing three years of service. Benefits vest after five years of service. Participants become eligible to retire at age 65 with 3 years of participation in the Plan. Upon eligibility to retire, participants are entitled to a monthly benefit in the amount of 0.75 percent of average annual compensation up to \$6,600, plus 1.25 percent of average annual compensation over \$6,600, plus \$36 for each year of service payable as a life annuity. Service is limited to 35 years. Compensation is averaged over the highest consecutive five-year period out of the last ten years prior to retirement or termination. These benefit provisions were established by an adoption agreement executed by the County Board of Commissioners.

Funding Policy

The Plan is divided into two solo plans, Plan A, which is non-contributory and Plan B which is contributory.

Plan A

County employees are not required to contribute to the Plan. The County, however, is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code sets forth the minimum funding standards for local municipal defined benefit pension plans. Administrative expenses are based on total covered compensation of active plan participants and are added to the state-required annual funding requirement.

Plan B

The required employee contribution is currently 1.75% of earnings.

The Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish, and amend from time-to-time the contribution rates for the County and its plan participants.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 15: Pension Plans and Other Retirement Benefits (Continued)

Participant counts as of January 1, 2009 (the most recent actuarial valuation date) and covered compensation (based on covered earnings for the preceding year) are shown below:

Retirees and beneficiaries receiving benefits	50
Terminated plan participants entitled to future benefits	71
Active employees participating in the Plan	<u>175</u>
Total number of Plan participants	<u>296</u>
 Covered compensation for active participants	 <u>\$ 6,284,342</u>

Contributions - The County made the required contribution of \$481,363 during the year ending June 30, 2010 which represents 7.7% of covered payroll.

Annual Pension Cost - The annual pension cost is determined using the calculation methodology defined in GASB 27. The annual pension cost equals the County's annual required contribution (per GASB 27), plus any adjustments required by GASB 27 to reflect defined minimum and maximum amortization period differences between the required contribution and the annual pension cost.

ACCG Plan funding policy provides for making required actuarially determined periodic contributions under the "Projected Unit Credit" actuarial cost method. This cost method determines plan liabilities consistent with the standardized measure of pension obligation described in Statement No. 27 of the Governmental Accounting Standards Board. This method measures past service liabilities as the actuarial present value of benefits accrued for service up to the valuation date, but based on salaries projected to the date of assumed retirement for the plan. The current year accrual is based on benefits accrued for the year of service beginning on the valuation date, but based on salaries projected to the date of assumed retirement for the plan.

The actuarial accrued liability was computed as part of an actuarial valuation as of January 1, 2009. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually; (b) projected salary increases of 6 percent per year compounded annually, and (c) post retirement benefit increases of 2.5 percent annually (cost of living adjustments). Both (a) and (b) include an inflation component of 3 percent per year. The actuarial value of plan assets is determined by the market value of the assets. The unfunded actuarial accrued liability is being amortized over 10 years under the level percentage of projected payroll method.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 15: Pension Plans and Other Retirement Benefits (Continued)

Summary of Significant Accounting Policies

The Plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and incremental changes in the cash value of pre-retirement life insurance policies owned by the trust.

Plan member contributions are recognized in the period in which contributions are due. County contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

Investments in securities are valued at current market prices. The trust fund is invested, approximately, in 60 percent equities and 40 percent fixed income securities on a cost basis.

Plan assets do not include any loans, notes, bonds, or other instruments or securities of the County or related parties.

Funding Status and Progress - Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker; generally, the greater this percentage, the stronger the Plan.

Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress in accumulating sufficient assets to pay benefits when due; generally, the smaller this percentage, the stronger the Plan.

Historical Trend Information - Historical trend information, designed to provide information about public employee retirement system's progress made in accumulating sufficient assets to pay benefits when due, is presented on the following table. The information is presented for the December 31, 2009 Plan year-end.



HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 16: Pension Plans and Other Retirement Benefits (Continued)

Three Year Trend Information

<u>Fiscal Beginning January 1,</u>	<u>Annual Pension Costs (APC)</u>	<u>Annual County Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>Decrease in Net Pension Obligation</u>
2007	\$ 344,826	\$ 358,873	104%	\$ (3,072)	\$ 57,370
2008	392,635	370,970	94%	(17,119)	(14,047)
2009	489,727	481,363	98%	4,546	21,665

Annual pension cost for 2009 includes interest of \$352, and amortization of net pension obligation of (\$377).

Other Retirement Benefits

The following other retirement benefits are in effect but are not under the direct control of the County:

(A) PROBATE JUDGES' RETIREMENT FUND OF GEORGIA

The Probate Judge is covered under a pension plan which requires that certain sums from marriage licenses and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

(B) CLERK OF SUPERIOR COURT RETIREMENT FUND

The Clerk of Superior Court is covered under a pension plan which requires that certain sums from fees and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

(C) SHERIFF'S RETIREMENT FUND/PEACE OFFICER'S ANNUITY AND BENEFIT

The Sheriff and sheriff deputies are covered under separate pension plans which require that certain sums from fines or bond forfeitures be remitted by the Probate Judge or Clerk of Superior Court to the pension plans before the payment of any costs or other claims.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 17: Commitments and Contingencies

In April, 1997, the County committed to put \$185,000 in escrow for the Mountain Hill School project. The funds were transferred in July 1997 and are held in the names of the Harris County Board of Commissioners and the Georgia Department of Transportation (DOT). The money will be held in escrow through the term of a grant from the DOT (20 years). If the project should fail to proceed as planned, a prorated amount of the escrow funds would become the property of the DOT, while the County would retain title to the property. At June 30, 2010, the prorated amount totaled \$64,750.

The County's agreement with the Georgia Department of Corrections (the "Department") provides that the County will expand its correctional facility and provide housing to State prisoners for a period of ten years. If during this ten-year period the County terminates the agreement, the County must reimburse the Department for all sums received from the Department for the expansion. The amount to be reimbursed will be prorated over the ten-year period in increments of ten percent. The base amount on which the calculation will be made is \$2,342,560. The ten-year period commenced upon completion of the facility in August 2001. As of June 30, 2010, the estimated remaining potential reimbursement was \$234,256.

During 2002, the County completed construction of a Mental Health Substance Abuse Center, which was, in part, funded by a Community Development Block Grant in the amount of \$500,000. Special stipulations in the grant provide that in the event the facility is converted to an ineligible use during the first five subsequent years, the entire grant must be refunded. Following that five-year period, an amortized amount must be repaid upon such conversion over the next fifteen years. At the end of twenty years, the County will have no contingent obligations for these funds. As of June 30, 2010, the remaining potential reimbursement was \$400,000.

During 2009, the County made improvements to the Health Department. Funding was obtained, in part, by a Community Development Block Grant in the amount of \$500,000 of which \$421,909 was required to complete the project with the remainder being de-obligated. Special stipulations in the grant provide that in the event the facility is converted to an ineligible use during its useful life, the Department of Community Affairs ("DCA") will require repayment of the funds. The repayment will be based on 20-year straight-line depreciation, except 100% repayment of grant funds will be required to be repaid during the first 5 years after the grant closeout date of August 9, 2010. At the end of twenty years, the County will have no contingent obligations for these funds. As of the grant closeout date, the potential reimbursement was \$421,909.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 17: Contingencies (Continued)

Due to ongoing regulations enforced by the Environmental Protection Division (EPD) regarding the closing of the County's landfill, there is a possibility the County may have to perform additional procedures in the future to ensure the safety of the groundwater. The cost associated with any additional monitoring or procedures needed based on the results of future testing cannot be determined at this time.

The County is involved in various litigation arising out of the normal course of its operations. It is the opinion of management and legal counsel that the County has adequate legal defenses or insurance coverage and these actions will not materially affect the County's results of operations or financial position.

HARRIS COUNTY, GEORGIA  
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS  
FOR THE YEAR ENDED JUNE 30, 2010

During fiscal year 1999, the County began collections of a five year special sales tax, which expired in 2004. The County has ceased collection of these funds, but previously collected funds are still being expended.

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		Total
		Prior Years	Current Year	
Road improvements	\$ 5,207,000	\$ 3,302,511	\$ 0	\$ 3,302,511
Parking deck	250,000	46,411	0	46,411
Fire trucks and equipment	878,000	993,490	0	993,490
Courthouse renovation	700,000	713,380	0	713,380
Courthouse renovation-furniture	130,000	121,669	0	121,669
800 Mhz Radios	600,000	623,114	0	623,114
Radio Tower	1,250,000	1,246,289	0	1,246,289
Water line extension	600,000	600,000	0	600,000
Parks	500,000	500,000	0	500,000
Cities				
Shiloh	25,000	25,000	0	25,000
Pine Mountain	200,000	124,350	0	124,350
Waverly Hall	200,000	200,277	0	200,277
Computers	360,000	360,000	0	360,000
Mtn Hill Library	100,000	99,874	0	99,874
Totals	\$ 11,000,000	\$ 8,956,365	\$ 0	\$ 8,956,365

During fiscal year 2004, the County began collections of a five year special sales tax which expired in May 2009. The County has ceased collection of these funds, but previously collected funds are still being expended.

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		Total
		Prior Years	Current Year	
Cities				
Hamilton	\$ 173,000	\$ 173,000	\$ 0	\$ 173,000
Pine Mountain	436,000	435,981	0	435,981
Shiloh	165,000	158,228	2,450	160,678
Waverly Hall	276,000	275,999	0	275,999
West Point	276,000	0	19,250	19,250
Parks	600,000	14,201	109,626	123,827
Economic Development	3,500,000	3,514,523	22,710	3,537,233
Walking Trail	100,000	0	0	0
Community Center	800,000	162,473	177,259	339,732
EMS & Fire Services	500,000	283,693	0	283,693
Roads	7,174,000	4,168,403	1,926,671	6,095,074
Totals	\$ 14,000,000	\$ 9,186,501	\$ 2,257,966	\$ 11,444,467

HARRIS COUNTY, GEORGIA  
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS  
FOR THE YEAR ENDED JUNE 30, 2010

During fiscal year 2009, the County began collections of a five year special sales tax. As of June 30, 2010, the fund has an estimated \$18,086,417 remaining to be collected.

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		
		Prior Years	Current Year	Total
Economic Development	\$ 2,000,000	\$ 0	\$ 0	\$ 0
Library	1,500,000	0	0	0
Recreation	2,200,000	0	0	0
EMS/Fire	2,000,000	0	0	0
Roads	10,930,000	0	0	0
Cities		0	0	0
Hamilton	350,000	0	89,086	89,086
Pine Mountain	765,000	0	191,250	191,250
Shiloh	290,000	0	81,905	81,905
Waverly Hall	500,000	110,818	15,775	126,593
West Point	465,000	0	116,250	116,250
Totals	<u>\$ 21,000,000</u>	<u>\$ 110,818</u>	<u>\$ 494,266</u>	<u>\$ 605,084</u>

The table below reflects the status of the above sales tax projects:

Year began	Estimated amount to be collected	Amount collected to date	Interest collected to date	Expenditures to date	Amount available for future expenditures
1999	<u>\$ 11,000,000</u>	<u>\$ 8,904,142</u>	<u>\$ 356,986</u>	<u>\$ 8,956,365</u>	<u>\$ 304,763</u>
2004	<u>\$ 14,000,000</u>	<u>\$ 12,558,478</u>	<u>\$ 617,773</u>	<u>\$ 11,444,467</u>	<u>\$ 1,731,784</u>
2009	<u>\$ 21,000,000</u>	<u>2,913,583</u>	<u>\$ 575</u>	<u>\$ 605,084</u>	<u>\$ 2,309,074</u>

HARRIS COUNTY, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010

Defined Benefit Pension Plan

Required Supplementary Information Analysis of Funding Progress

Measurement Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered Payroll (Prior Year)	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
2007	\$ 4,889,242	\$ 5,729,608	52.30%	\$ 840,366	\$ 5,048,562	16.60%
2008	4,912,016	6,408,106	76.70%	1,496,090	5,412,781	27.60%
2009	5,537,880	7,264,988	76.20%	1,727,108	6,284,342	27.50%

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

Harris County Board of Commissioners  
Harris County, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Georgia, as of and for the year ended June 30, 2010, which collectively comprise Harris County, Georgia's basic financial statements and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses (item 10-1) that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

Harris County Board of Commissioners  
Harris County, Georgia  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 determination of financial statement amounts. 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.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Grimes + Company, P.C.*

Certified Public Accountants

November 9, 2010



HARRIS COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**SIGNIFICANT DEFICIENCIES**

10-1 Limited Segregation of Duties

**Condition and Criteria** – Limited segregation of duties in certain County offices is presently in place.

**Cause** – Due to the limited number of accounting employees and the size of certain County offices, there is not adequate segregation of duties as it relates to certain accounting procedures and the year end financial reporting process.

**Effect** – The resulting effect is increased risk of errors and irregularities that could lead to misstatement of the financial statements.

**Recommendation** – The Board of Commissioners should be conscious of this limited segregation of duties and provide for adequate review of all financial information.

**Response** – Management concurs with the auditors' recommendation and will continue to provide appropriate oversight.