

**HARRIS COUNTY, GEORGIA  
FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**



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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 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, 2011, 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, 2011, 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 8, 2011, 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.

Harris County Board of Commissioners  
Harris County, Georgia  
Page Two

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 64 - 67) 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 8, 2011



## **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, 2011. 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 three separate legal entities in its report - the Harris County Health Department, the Harris County Development Authority, and the Harris County Public Improvements Authority.

## 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, 2011 and 2010.

	Governmental activities		Business activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Current and other assets	\$ 27,797,919	\$ 19,324,151	\$ 5,965,593	\$ 5,240,638	\$ 33,763,512	\$ 24,564,789
Capital assets	37,404,344	36,659,432	19,251,176	19,917,310	56,655,520	56,576,742
Total assets	\$ 65,202,263	\$ 55,983,583	\$ 25,216,769	\$ 25,157,948	\$ 90,419,032	\$ 81,141,531
Current and other liabilities	\$ 1,606,348	\$ 1,507,725	\$ 1,048,881	\$ 1,021,335	\$ 2,655,229	\$ 2,529,060
Noncurrent liabilities	9,727,901	2,038,569	8,514,479	8,856,956	18,242,380	10,895,525
Total liabilities	11,334,249	3,546,294	9,563,360	9,878,291	20,897,609	13,424,585
Net assets						
Invested in capital assets, net of related debt	35,645,023	36,581,577	10,743,960	11,077,157	46,388,983	47,658,734
Restricted	5,474,439	4,434,901	233,496	225,299	5,707,935	4,660,200
Unrestricted	12,748,552	11,420,811	4,675,953	3,977,201	17,424,505	15,398,012
Total net assets	53,868,014	52,437,289	15,653,409	15,279,657	69,521,423	67,716,946
Total liabilities and net assets	\$ 65,202,263	\$ 55,983,583	\$ 25,216,769	\$ 25,157,948	\$ 90,419,032	\$ 81,141,531
	For the year ended June 30, 2011	For the year ended June 30, 2010	For the year ended June 30, 2011	For the year ended June 30, 2010	For the year ended June 30, 2011	For the year ended June 30, 2010
Revenues						
Program revenues						
Charges for services	\$ 4,524,680	\$ 4,695,671	\$ 6,403,315	\$ 5,929,822	\$ 10,927,995	\$ 10,625,493
Operating grants and contributions	262,848	176,762	0	0	262,848	176,762
Capital grants and contributions	593,103	388,871	0	155,525	593,103	544,396
General Revenues						
Property taxes	7,235,215	7,144,966	0	0	7,235,215	7,144,966
Sales taxes	4,504,985	4,350,019	0	0	4,504,985	4,350,019
Other taxes and revenues	2,313,805	2,278,527	41,048	34,059	2,354,853	2,312,586
Total program and general revenues	19,434,636	19,034,816	6,444,363	6,119,406	25,878,999	25,154,222
Expenses						
General government	4,426,880	5,325,369	0	0	4,426,880	5,325,369
Judicial	880,439	902,695	0	0	880,439	902,695
Public safety	7,911,245	7,848,427	0	0	7,911,245	7,848,427
Public works	2,531,461	2,395,588	0	0	2,531,461	2,395,588
Health and welfare	289,140	295,915	0	0	289,140	295,915
Culture and recreation	615,972	541,358	0	0	615,972	541,358
Housing and development	247,642	402,308	0	0	247,642	402,308
Intergovernmental	826,324	515,966	0	0	826,324	515,966
Interest	254,704	61,832	0	0	254,704	61,832
Water	0	0	4,381,764	4,101,805	4,381,764	4,101,805
Solid Waste	0	0	1,419,822	1,382,342	1,419,822	1,382,342
Airport	0	0	289,129	185,055	289,129	185,055
Total expenses	17,983,807	18,289,458	6,090,715	5,669,202	24,074,522	23,958,660
Excess before transfers	1,450,829	745,358	353,648	450,204	1,804,477	1,195,562
Transfers in (out)	(20,104)	(57,909)	20,104	57,909	0	0
Change in net assets	1,430,725	687,449	373,752	508,113	1,804,477	1,195,562
Net assets, beginning	52,437,289	51,749,840	15,279,657	14,771,544	67,716,946	66,521,384
Net assets, ending	\$ 53,868,014	\$ 52,437,289	\$ 15,653,409	\$ 15,279,657	\$ 69,521,423	\$ 67,716,946

### *Government Wide*

The government-wide change in net assets totaled \$1.8 million for the year ended June 30, 2011 compared to June 30, 2010. This increase was a result of the following:

#### *Government Activities*

Governmental activities experienced a \$1.4 million increase in net assets during the year ended June 30, 2011 with no single significant activity or group of activities resulting in this increase. As of June 30, 2011, net assets were approximately \$53.9 million, of which \$35.6 million is invested in fixed assets net of related debt and \$5.5 million is restricted for future capital projects and debt service.

#### *Business-type Activities*

Net assets for business-type activities increased \$.4 million during the year ended June 30, 2011. Operations of the County's garbage collection system ("Solid Waste") contributed \$543,000 while the County's water system ("Water Works") reduced net assets by \$86,000. The airport reduced net assets by \$84,000. As of June 30, 2011, net assets were approximately \$15.7 million of which \$10.7 million is invested in fixed assets net of related debt and \$233,000 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>2011</u>	<u>2010</u>
<b>General Fund</b>		
Revenues	\$ 15,620,943	\$ 15,310,106
Expenditures	<u>(14,338,694)</u>	<u>(15,138,545)</u>
Excess of revenues over expenditures	1,282,249	171,561
Other financing sources (uses)	<u>(76,436)</u>	<u>(75,162)</u>
Excess of revenues over expenditures and other financing sources	<u>\$ 1,205,813</u>	<u>\$ 96,399</u>

General Fund - Actual revenues increased \$311,000, or 2.0%, in 2011 over 2010, for the County's General Fund and was primarily the result of increases in intergovernmental revenues, taxes and licenses, and property taxes. Intergovernmental revenues increased \$265,000 due to a \$174,800 grant received for the purchase of a fire truck, \$37,000 received in grant funds for improvements in the criminal court system and an increase in grant funding from the Department of Transportation ("DOT") of \$71,000 for state highway contracts. These increases were offset by decreases in other grant funding of approximately \$17,000. Taxes and licenses increased \$126,000, or 3.0%, due to increases in both local option sales tax ("LOST") revenue and cable television franchise taxes.

General Fund (continued) - Property taxes increased a slight \$95,000, or 1.3% from the prior year. Charges for Services also increased a slight \$49,000, or 2.2%, due to increases in ambulance fees, and tax collection commissions, offset by a decrease in inmate boarding fees. These increases were offset by decreases in other income and interest income. Other income decreased \$218,000, or 66.2%, in 2011 primarily due to a \$161,700 gain posted in 2010 from the sale of surplus equipment and a decrease in telephone commissions of \$29,000 or 4.6%. Decreased investments rates were the main factors contributing to the \$23,000, or 24.8%, decrease in interest income.

Expenditures for the year 2011 decreased \$800,000, or 5.3% from the year 2010. This is primarily due to large purchases in 2010 which included a \$730,000 land purchase and \$438,000 for heavy road equipment. These decreases were offset by the following purchases in 2011: \$175,000 for a fire truck, \$152,000 for the construction of a fire training facility, and \$125,000 for the purchase of five public safety vehicles. Changes to the employee health care program in 2011 also contributed \$57,000 to the decrease in expenses.

	2011	2010
<b>Water Works</b>		
Operating revenues	\$ 4,282,644	\$ 3,935,605
Operating expenses	(3,979,262)	(3,689,299)
Operating income	303,382	246,306
Nonoperating expenses	(389,049)	(399,432)
Change in net assets	\$ (85,667)	\$ (153,126)

Water Works- The Water Works reported a \$347,000, or 8.8% increase in operating revenues in 2011 over 2010. An increase in water sales related to increased usage accounts for the majority of this increase. Operating expenses for the year increased \$290,000, or 7.9%, primarily due to increased water purchases which correspond to the increase in water sales. Other items with moderate increases include utilities and repairs and maintenance. In 2010, a bad debt allowance was set up in the amount of \$37,053 which represents 50% of receivables over 120 days old. This compares to only a \$3,000 expense in 2011 to adjust the bad debt allowance at year end. The above items combined to result in a \$57,000 increase in operating income. Non-operating expenses for the year were relatively flat compared to the prior year.

	2011	2010
<b>Solid Waste</b>		
Operating revenues	\$ 1,935,507	\$ 1,927,393
Operating expenses	(1,419,822)	(1,382,342)
Operating income	515,685	545,051
Nonoperating revenues	27,595	20,985
Change in net assets	\$ 543,280	\$ 566,036

**Solid Waste**- Solid Waste operating revenues increased \$8,000, or 0.4% in 2011 over 2010 due to an increase in salvage sales and an \$11,000 gain on sale of fixed assets. Operating expenses increased by \$37,000, or 2.7%. This was primarily due to a \$49,000 increase in vehicle repair and fuel costs, offset by decreases in employee expenses and tipping fees. The decrease in non-operating revenue was completely due to decreases in interest income resulting from the decreasing interest rate environment.

	2011	2010
<b>Airport</b>		
Operating revenues	\$ 185,164	\$ 66,824
Operating expenses	(289,129)	(185,055)
Operating loss	(103,965)	(118,231)
Nonoperating revenues	0	155,525
Transfers in	20,104	57,909
Change in net assets	\$ (83,861)	\$ 95,203

**Airport** - Revenues at the Airport increased significantly in 2011. The 2009 and 2010 expansion of the Airport to include hangars for lease, a self-serve fuel pump system, and improved runway facilities improvements have continued to increase the amount of traffic in and out of the Airport as compared to the prior year. Operating expense also increased significantly in the current year due to fuel purchases which correspond to the increase in fuel sales. Non-operating revenues decreased due to the final grant funds received for expansion in 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 variance between the original and final budget for the County's General Fund was the approval of \$166,000 for state roadway improvements reimbursable by the DOT. Another noteworthy adjustment to the budget included an increase for fuel costs.

Revenues of the County were \$780,000, or 5.3% more than budgeted. Positive budget variances were in property taxes, grant income, LOST revenue, fees and fines from Probate Court, and ambulance fees. Negative budget variances offsetting these increases include vehicle ad valorem taxes, insurance premium tax, and interest income.

Expenditures for the year 2011 were lower than budgeted amounts by \$977,000, or 6.4%. This amount is due to several functions reporting under budget for the year. The most significant positive budget variance is approximately \$314,000 which represents budgeted funds in the current and prior years that were not spent. These funds have been appropriated to supplement the 2012 budget. Expenses as compared to the amounts budgeted were also less for employee related health insurance expenses and road maintenance operations.

## CAPITAL ASSET AND LONG TERM DEBT ACTIVITY

At the end of 2011, the County had \$56.7 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, 2011, \$37.4 million was invested in capital assets. Net depreciation expense for the year was \$2.2 million. Acquisitions during the year totaled \$2.98 million. There were no disposals. The major acquisitions are detailed below:

(In Millions)

Community Center Land	\$ .25
Fire Training Building	.15
Phone System	.05
Public Safety Vehicles	.49
Public Safety Equipment	.03
Jail Roof	.08
Misc	.01
CIP – Community Center	<u>1.92</u>
	<u>\$2.98</u>

In the fiscal year ended 2009, the County entered into a contract with the Georgia Environmental Finance Authority ("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 \$88,804 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 2011, a total of \$31,175 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, 2011, a total of \$19.3 million was invested in capital assets with the majority of this being at the Water Works. Net depreciation expense on these assets amounted to \$673,000 for the year. Acquisitions to construction in progress totaling \$73,000 originated at the Water Works. The disposal of \$66,000 was due to the sale of a truck at Solid Waste. The reclassification of \$.22 million from construction in progress was due to completed projects at the Water Works.

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 \$320,000 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 Harris County Development Authority issued \$6.0 million in bonds to construct a building for a manufacturing company in the County's business park. An additional \$5.5 million in bonds were sold in the current year to fund an expansion of this building. Principal payments of \$291,000 were made on the bonds mentioned above. This facility currently is in a seven year capital lease. Additional information can be found in the notes to the financial statements.

In the fiscal year ended 2011, the Harris County Public Improvements Authority issued \$8.2 million in bonds to construct a community center building for the County. No principal payments were made in the current year. The County plans to initially service the debt with special purpose local option sales tax ("SPLOST") proceeds. Additional information can be found in the notes to the financial statements.

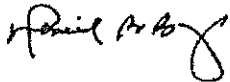


## **ECONOMIC FACTORS AND FINANCIAL OUTLOOK**

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.

A handwritten signature in dark ink, appearing to read "Daniel B. Bridges", with a stylized flourish at the end.

Daniel B. Bridges, County Manager

HARRIS COUNTY, GEORGIA  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,857,057	\$ 4,569,093	\$ 21,426,150
Restricted cash and cash equivalents	7,225,931	649,916	7,875,847
Receivables			
Accounts	176,973	562,374	739,347
Taxes	331,055	0	331,055
Notes	1,775,298	0	1,775,298
Lease	0	0	0
Due (to) from other funds	205,881	(205,881)	0
Due from component unit	5,841	0	5,841
Due from other governments	543,115	0	543,115
Prepaid expenses	166,159	0	166,159
Other assets	166,422	211,445	377,867
Inventories-parts and supplies	344,187	178,646	522,833
Capital assets, non depreciable	16,017,044	1,007,923	17,024,967
Capital assets, depreciable, net of accumulated depreciation	21,387,300	18,243,253	39,630,553
Total assets	65,202,263	25,216,769	90,419,032
<b>LIABILITIES</b>			
Accounts payable	535,817	230,057	765,874
Other accrued expenses	358,219	64,035	422,254
Due to primary government	0	0	0
Due to other governments	0	0	0
Customer deposits	0	398,828	398,828
Interest payable	150,069	0	150,069
Deferred revenue	0	0	0
Noncurrent liabilities:			
Due within one year	562,243	355,961	918,204
Due after one year	9,727,901	8,514,479	18,242,380
Total liabilities	11,334,249	9,563,360	20,897,609
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	35,645,023	10,743,960	46,388,983
Restricted for:			
Capital projects	5,089,148	0	5,089,148
Debt service	385,291	233,496	618,787
Restricted for special use	0	0	0
Unrestricted	12,748,552	4,675,953	17,424,505
Total net assets	\$ 53,868,014	\$ 15,653,409	\$ 69,521,423

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

DISCRETELY PRESENTED  
COMPONENT UNITS

HEALTH DEPARTMENT		DEVELOPMENT AUTHORITY	
\$	308,221	\$	449,438
	0		1,537,502
	0		0
	0		0
	0		0
			14,344,829
	0		0
	0		0
			0
	0		0
	0		0
	0		0
	0		3,059,216
	0		0
	<u>308,221</u>		<u>19,390,985</u>
	0		1,157,674
	0		0
	0		5,841
			0
	0		0
	0		172,944
	0		3,837,414
	4,632		307,313
	<u>41,690</u>		<u>10,580,732</u>
	<u>46,322</u>		<u>16,061,918</u>
	0		3,059,216
	0		1,254,465
	0		283,037
	147,531		0
	<u>114,368</u>		<u>(1,267,651)</u>
\$	<u>261,899</u>	\$	<u>3,329,067</u>

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, 2011

Functions/Programs	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary government:				
Governmental activities:				
General government	\$ 4,426,880	\$ 916,612	\$ 45,834	\$ 0
Judicial	880,439	1,090,934	0	0
Public safety	7,911,245	2,265,229	7,109	275,677
Public works	2,531,461	28,479	209,905	0
Health and welfare	289,140	15,254	0	0
Culture and recreation	615,972	21,605	0	249,500
Housing and development	247,642	131,507	0	0
Intergovernmental	826,324	0	0	0
Interest	254,704	55,060	0	67,926
Total governmental activities	17,983,807	4,524,680	262,848	593,103
Business-type activities:				
Water Works	4,381,764	4,282,644	0	0
Solid Waste	1,419,822	1,935,507	0	0
Airport	289,129	185,164	0	0
Total business-type activities	6,090,715	6,403,315	0	0
Total primary government	\$ 24,074,522	\$ 10,927,995	\$ 262,848	\$ 593,103
Component unit:				
Health Department	\$ 622,024	\$ 212,169	\$ 405,619	\$ 0
Development Authority	335,922	578,561	0	141,437
Total component units	\$ 957,946	\$ 790,730	\$ 405,619	\$ 141,437

General Revenues  
 Property taxes  
 Vehicle ad valorem and tags  
 Sales taxes  
 Insurance premium tax  
 Other taxes  
 Unrestricted investment earnings  
 Gain (loss) on sale of assets  
 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
\$ (3,464,434)	\$ 0	\$ (3,464,434)	\$ 0	\$ 0
210,495	0	210,495	0	0
(5,363,230)	0	(5,363,230)	0	0
(2,293,077)	0	(2,293,077)	0	0
(273,886)	0	(273,886)	0	0
(344,867)	0	(344,867)	0	0
(116,135)	0	(116,135)	0	0
(826,324)	0	(826,324)	0	0
(131,718)	0	(131,718)	0	0
(12,603,176)	0	(12,603,176)	0	0
0	(99,120)	(99,120)	0	0
0	515,685	515,685	0	0
0	(103,965)	(103,965)	0	0
0	312,600	312,600	0	0
(12,603,176)	312,600	(12,290,576)	0	0
			(4,236)	0
			0	384,076
			(4,236)	384,076
7,235,215	0	7,235,215	0	0
588,189	0	588,189	0	0
4,504,985	0	4,504,985	0	0
967,174	0	967,174	0	0
677,994	0	677,994	0	0
80,448	29,757	110,205	0	0
0	11,291	11,291	0	(1,787,420)
(20,104)	20,104	0	0	0
14,033,901	61,152	14,095,053	0	(1,787,420)
1,430,725	373,752	1,804,477	(4,236)	(1,403,344)
52,437,289	15,279,657	67,716,946	266,135	4,732,411
\$ 53,868,014	\$ 15,653,409	\$ 69,521,423	\$ 261,899	\$ 3,329,067

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

HARRIS COUNTY, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	CAPITAL PROJECTS FUNDS			OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
ASSETS					
Cash and cash equivalents	\$ 11,462,723	\$ 0	\$ 3,802,698	\$ 1,591,636	\$ 16,857,057
Cash and cash equivalents, restricted	0	7,201,401	0	24,530	7,225,931
Receivables, net					
Accounts	59,471	0	719	116,783	176,973
Taxes	331,055	0	0	0	331,055
Due from other funds	326,179	0	0	10,789	336,968
Due from component unit	0	0	0	5,841	5,841
Due from other governments	246,440	0	244,691	0	491,131
Prepaid expenses	166,159	0	0	0	166,159
Inventories-parts and supplies	344,187	0	0	0	344,187
Total assets	<u>\$ 12,936,214</u>	<u>\$ 7,201,401</u>	<u>4,048,108</u>	<u>1,749,579</u>	<u>\$ 25,935,302</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	91,703	417,878	0	26,236	535,817
Other accrued expenses	351,303	0	0	6,916	358,219
Deferred revenue	127,239	0	0	0	127,239
Due to other funds	15,862	0	0	115,225	131,087
Due to component unit	0	0	0	0	0
Total liabilities	<u>586,107</u>	<u>417,878</u>	<u>0</u>	<u>148,377</u>	<u>1,152,362</u>

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

HARRIS COUNTY, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	CAPITAL PROJECTS FUNDS			OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
Fund balances:					
Nonspendable:					
Inventories	344,187	0	0	0	344,187
Prepaid expenses	166,159	0	0	0	166,159
Restricted for:					
Debt service	0	479,241	0	24,530	503,771
Capital projects	0	6,304,282	4,048,108	1,041,040	11,393,430
Specific purposes	0	0	0	402,781	402,781
Assigned	281,453	0	0	132,851	414,304
Unassigned	11,558,308	0	0	0	11,558,308
Total fund balances	12,350,107	6,783,523	4,048,108	1,601,202	24,782,940
Total liabilities and fund balances	\$ 12,936,214	\$ 7,201,401	\$ 4,048,108	\$ 1,749,579	

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.

37,404,344

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)

1,775,298

  Deferred tax revenue

127,239

1,902,537

Federal credit subsidy receivable

51,984

Bond issuance costs, net

166,422

Interest payable on long term debt

(150,069)

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:

  Public Improvement Authority Build America Bonds, including discount net of accumulated amortization

(8,188,704)

  Loan payable - Callaway Foundation

(1,790,334)

  Capital leases

(46,680)

  Accrued compensated absences

(264,426)

(10,290,144)

Net assets of governmental activities

\$ 53,868,014

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, 2011

	CAPITAL PROJECTS FUNDS			OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
REVENUES					
Fees and fines	\$ 1,209,885	0	\$ 0	\$ 122,804	\$ 1,332,689
Property taxes	7,226,100	0	0	0	7,226,100
Taxes and licenses	4,255,877	0	2,576,925	58,044	6,890,846
Intergovernmental	431,456	0	0	0	431,456
Charges for services	2,315,589	0	0	563,728	2,879,317
Interest income	70,734	16,294	6,139	58,283	151,450
Other income	111,302	0	0	89,250	200,552
Total revenues	15,620,943	16,294	2,583,064	892,109	19,112,410
EXPENDITURES					
Current:					
General government	4,183,536	0	0	41,383	4,224,919
Judicial	878,896	0	0	(3,839)	875,057
Public safety	6,721,239	0	0	663,721	7,384,960
Public works	1,423,663	0	0	0	1,423,663
Health and welfare	285,591	0	0	55,481	341,072
Culture and recreation	577,099	0	0	0	577,099
Housing and development	234,034	0	0	0	234,034
Intergovernmental	0	0	568,134	258,190	826,324
Debt Service:					
Principal	31,175	0	0	88,805	119,980
Interest	3,461	46,021	0	55,153	104,635
Capital outlay	0	1,883,425	142,375	365,098	2,390,898
Total expenditures	14,338,694	1,929,446	710,509	1,523,992	18,502,641
Excess (deficiency) of revenues over (under) expenditures	1,282,249	(1,913,152)	1,872,555	(631,883)	609,769
OTHER FINANCING SOURCES (USES)					
Other financing source - bond proceeds	0	8,240,000	0	0	8,240,000
Other financing use - bond discount	0	(52,640)	0	0	(52,640)
Transfers in	16,661	509,315	0	72,993	598,969
Transfers out	(93,097)	0	(133,521)	(392,455)	(619,073)
Total other financing sources (uses)	(76,436)	8,696,675	(133,521)	(319,462)	8,167,256

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, 2011

		CAPITAL PROJECTS FUNDS			
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Net change in fund balances	1,205,813	6,783,523	1,739,034	(951,345)	8,777,025
Fund balances, beginning	11,144,294	0	2,309,074	2,552,547	
Fund balances, ending	<u>\$ 12,350,107</u>	<u>\$ 6,783,523</u>	<u>\$ 4,048,108</u>	<u>\$ 1,601,202</u>	

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	2,976,200
Depreciation expense	(2,231,288)
Net adjustment	744,912

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.

9,116

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.

(10,691)

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)

(89,250)

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.

88,805

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.

31,175

Face amount of bonds issued by the Harris County Public Improvements Authority ("HCPIA") are reported as current year financial resources on the

(8,240,000)

Interest accrued on the HCPIA bonds is not recorded as a current year expenditure on fund statements because it is not payable within 30 days and funds for payments are not held in a debt service fund. The expense is accrued on the Statement of Activities.

(150,069)

Federal interest credit payments received in relation to the HCPIA bonds offset interest payable on the bonds. Revenue is recognized when the corresponding expense is recognized. Therefore, the receivable is accrued in the Statement of Activities but is not considered current financial resources on the fund statements. (Note 3)

51,984

Bond discount net of current year amortization. Bond discount on HCPIA bonds is an expenditure on the fund financial statements. On the Statement of Net Assets, the discount is capitalized & amortized over the life of the bonds.

51,296

Bond issuance costs related to the HCPIA bonds are reported as an expenditure on the fund financial statements whereas on the government wide statements they are reported in other assets and amortized over life of the bonds. The amount represents the issuance cost net of current year amortization expense.

166,422

Change in net assets of governmental activities

\$ 1,430,725

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES</b>				
Fees and fines	\$ 1,025,000	\$ 1,025,000	\$ 1,209,885	\$ 184,885
Property taxes	7,060,000	7,060,000	7,226,100	166,100
Taxes and licenses	4,100,950	4,136,473	4,255,877	119,404
Intergovernmental	7,100	210,804	431,456	220,652
Charges for services	2,066,822	2,202,900	2,315,589	112,689
Interest income	100,000	100,000	70,734	(29,266)
Other income	105,500	105,500	111,302	5,802
Total revenues	14,465,372	14,840,677	15,620,943	780,266
<b>EXPENDITURES</b>				
General government				
Administration	679,560	681,713	632,167	49,546
Tax commissioner	339,094	342,324	321,231	21,093
Extension services	76,516	78,131	65,944	12,187
Tax assessor	361,988	385,234	374,954	10,280
Facilities maintenance	442,380	458,995	438,879	20,116
Voter registration	76,449	76,449	66,185	10,264
Insurance expenditures	2,052,000	2,052,000	1,816,636	235,364
Operations	369,852	781,403	467,540	313,863
Total general government	4,397,839	4,856,249	4,183,536	672,713
Judicial				
Clerk of Superior Court	281,334	284,564	281,592	2,972
Probate court	146,810	149,047	148,619	428
Court services	291,685	291,685	280,742	10,943
Magistrate court	146,456	147,533	143,541	3,992
Assistant district attorney	56,250	56,250	24,402	31,848
Total judicial	922,535	929,079	878,896	50,183
Public safety				
Emergency medical services	1,409,390	1,434,308	1,423,310	10,998
Sheriff's department	2,321,145	2,422,752	2,416,035	6,717
Jail	1,256,266	1,300,031	1,231,078	68,953
Correctional institute	1,122,283	1,145,432	1,108,963	36,469
Fire protection	417,945	417,945	541,853	(123,908)
Total public safety	6,527,029	6,720,468	6,721,239	(771)
Public works				
Road maintenance	1,188,345	1,362,439	1,214,767	147,672
Vehicle maintenance operations	179,055	180,670	169,352	11,318
Animal shelter	39,395	39,933	39,544	389
Total public works	1,406,795	1,583,042	1,423,663	159,379

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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and welfare				
Coroner	30,693	30,693	23,685	7,008
Child support	5,979	5,979	5,906	73
Health department	256,000	256,000	256,000	0
Total health and welfare	292,672	292,672	285,591	7,081
Culture and recreation				
Library	176,243	177,968	177,494	474
Pool	0	25,700	20,988	4,712
Recreation department	395,976	397,590	378,617	18,973
Total culture and recreation	572,219	601,258	577,099	24,159
Housing and development				
County engineer	44,055	44,055	8,517	35,538
Building inspection	211,406	214,096	187,422	26,674
Economic development	0	40,000	38,095	1,905
Planning	0	0	0	0
Total housing and development	255,461	298,151	234,034	64,117
Debt service				
Principal and interest	34,648	34,648	34,636	12
Total expenditures	14,409,198	15,315,567	14,338,694	976,873
Excess (deficiency) of revenues over (under) expenditures	56,174	(474,890)	1,282,249	1,757,139
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	16,661	1,661
Transfers out	(248,174)	(255,172)	(93,097)	162,075
Total other financing uses	(233,174)	(240,172)	(76,436)	163,736
Net change in fund balance	(177,000)	(715,062)	1,205,813	1,920,875
FUND BALANCE, BEGINNING	11,144,294	11,144,294	11,144,294	0
FUND BALANCE, ENDING	\$ 10,967,294	\$ 10,429,232	\$ 12,350,107	\$ 1,920,875

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

HARRIS COUNTY, GEORGIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTAL
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,648,339	\$ 2,920,754	\$ 0	\$ 4,569,093
Receivables, net	553,083	9,291	0	562,374
Due from other funds	0	0	5,073	5,073
Other assets	158,392	50,428	2,625	211,445
Inventories	118,287	0	60,359	178,646
Total current assets	2,478,101	2,980,473	68,057	5,526,631
Noncurrent assets:				
Restricted cash and cash equivalents	649,916	0	0	649,916
Capital assets, net	16,206,392	523,067	2,521,717	19,251,176
Total noncurrent assets	16,856,308	523,067	2,521,717	19,901,092
Total assets	19,334,409	3,503,540	2,589,774	25,427,723
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	212,707	17,350	0	230,057
Other accrued expenses	55,186	8,366	483	64,035
Due to other funds	65	150,530	60,359	210,954
Customer deposits	398,828	0	0	398,828
Total current liabilities	666,786	176,246	60,842	903,874
Noncurrent liabilities:				
Compensated absences	37,276	16,248	0	53,524
Revenue bonds including premium	8,379,011	0	0	8,379,011
Other loans payable	128,205	0	0	128,205
Landfill closure/postclosure liability	0	309,700	0	309,700
Total noncurrent liabilities	8,544,492	325,948	0	8,870,440
Total liabilities	9,211,278	502,194	60,842	9,774,314
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,699,176	523,067	2,521,717	10,743,960
Restricted for debt service	233,496	0	0	233,496
Unrestricted	2,190,459	2,478,279	7,215	4,675,953
Total net assets	\$ 10,123,131	\$ 3,001,346	\$ 2,528,932	\$ 15,653,409

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, 2011

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTAL
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,282,644	\$ 1,935,507	\$ 185,164	\$ 6,403,315
<b>OPERATING EXPENSES</b>				
Salaries and related expenses	1,020,664	433,245	30,066	1,483,975
Utilities	206,036	9,736	9,267	225,039
Water purchases	1,001,493	0	0	1,001,493
Fuel, oil, and tires	53,519	142,268	149,285	345,072
Repairs and maintenance	656,131	66,932	8,164	731,227
Chemicals, small tools and supplies	120,471	3,970	0	124,441
Legal and professional	7,100	3,000	0	10,100
Tipping fees	0	498,721	0	498,721
Other general and administrative fees	356,769	155,130	7,462	519,361
Depreciation and amortization	557,079	106,820	84,885	748,784
Total operating expenses	3,979,262	1,419,822	289,129	5,688,213
Operating income (loss)	303,382	515,685	(103,965)	715,102
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on sale of assets	0	11,291	0	11,291
Interest income	13,453	16,304	0	29,757
Interest expense	(402,502)	0	0	(402,502)
Total nonoperating revenues (expenses)	(389,049)	27,595	0	(361,454)
Income before transfers	(85,667)	543,280	(103,965)	353,648
Transfers in	0	0	20,104	20,104
Change in net assets	(85,667)	543,280	(83,861)	373,752
Total net assets, beginning	10,208,798	2,458,066	2,612,793	15,279,657
Total net assets, ending	\$ 10,123,131	\$ 3,001,346	\$ 2,528,932	\$ 15,653,409

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, 2011

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 4,165,829	\$ 1,931,405	\$ 185,164	\$ 6,282,398
Payments to suppliers	(2,305,822)	(899,594)	(174,309)	(3,379,725)
Payments to employees	(1,054,771)	(445,246)	(30,959)	(1,530,976)
Transfers from other funds	0	27,839	20,104	47,943
Net cash provided by operating activities	<u>805,236</u>	<u>614,404</u>	<u>0</u>	<u>1,419,640</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Sales (purchases) of capital assets	(73,477)	11,291	0	(62,186)
Principal paid on capital debt	(330,257)	0	0	(330,257)
Interest paid on capital debt	(406,048)	0	0	(406,048)
Net cash provided by / (used in) capital and related financing activities	<u>(809,782)</u>	<u>11,291</u>	<u>0</u>	<u>(798,491)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and dividends received	14,189	19,691	0	33,880
Net cash provided by investing activities	<u>14,189</u>	<u>19,691</u>	<u>0</u>	<u>33,880</u>
Net increase in cash and cash equivalents	9,643	645,386	0	655,029
Cash and cash equivalents, beginning (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>
Cash and cash equivalents, ending (including \$649,916 reported in restricted accounts)	<u>\$ 2,298,255</u>	<u>\$ 2,920,754</u>	<u>\$ 0</u>	<u>\$ 5,219,009</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	<u>\$ 303,382</u>	<u>\$ 515,685</u>	<u>\$ (103,965)</u>	<u>\$ 715,102</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	557,079	106,820	84,885	748,784
Changes in:				
Receivables, net	(127,290)	(4,102)	0	(131,392)
Inventories	20,451	0	0	20,451
Accounts payable	74,911	(1,837)	(131)	72,943
Other accrued expenses	(34,551)	(31,557)	(893)	(67,001)
Transfers to (from) other funds	(120)	27,839	20,104	47,823
Customer deposits	10,475	0	0	10,475
Other (net)	899	1,556	0	2,455
Total adjustments	<u>501,854</u>	<u>98,719</u>	<u>103,965</u>	<u>704,538</u>
Net cash provided by operating activities	<u>\$ 805,236</u>	<u>\$ 614,404</u>	<u>\$ 0</u>	<u>\$ 1,419,640</u>

HARRIS COUNTY, GEORGIA  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2011

	AGENCY FUNDS
ASSETS	
Cash and cash equivalents	\$ 784,082
Receivables	473,358
Total assets	<u>\$ 1,257,440</u>
LIABILITIES	
Payable to others	\$ 1,257,440
Total liabilities	<u>\$ 1,257,440</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, 2011

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. 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 County also reports a blended component unit which is reported as a major fund in the fund financial statements and included in governmental activities on the combined financial statements. It also has 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, 2011

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.

*Blended Component Unit*

The main purpose of the Harris County Public Improvements Authority (the "HCPIA") is to provide basic infrastructure and recreational facilities, improvements and services to the citizens of the County in order to promote the growth and development of the County and the general welfare of the citizens. The HCPIA is a component unit based on the aforementioned criteria, specifically in that it has a separate governing body that is appointed by the Board and the Board can impose its will upon the HCPIA. The HCPIA is presented as a blended component unit since its purpose is to construct and improve facilities for the County that are assets of the County and it is fiscally dependent upon the County. There are no separately issued financial statements issued for the HCPIA.

*Related Organizations*

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

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1: Reporting Entity (Continued)

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.

*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, 2011, 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 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.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 and blended component units. 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.

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.

**Public Improvements Authority.** This blended component unit accounts for capital projects of the County, specifically for the construction of a recreational facility for the County during the fiscal year end June 30, 2011 and the related debt associated with the project.

**Capital Projects Fund - 2009 SPLOST.** This fund accounts for the amounts collected from the special local option sales tax ("SPLOST") beginning in 2009 and related expenditures used for various capital improvements of the County.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2: Summary of Significant Accounting Policies (Continued)

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.

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, donations, and interest credits on specified tax credit bonds. 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.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2: Summary of Significant Accounting Policies (Continued)

**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.

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.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 assignments of fund balance since they do not constitute expenditures or liabilities. See Note 14.

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.

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.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2: Summary of Significant Accounting Policies (Continued)

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.

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.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 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 Balance - Beginning with fiscal year 2011, the County implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance- The County's nonspendable fund balance consists solely of amounts that are not in a spendable form such as inventories and prepaid expenses;
- Restricted fund balance- Amounts constrained to specific purposes by their providers such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation;
- Committed fund balance- Amounts constrained to specific purposes by the County itself, using its highest level of decisions-making authority (the Board); to be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint;
- Assigned fund balance- Amounts the County intends to use for a specific purpose; intent can be expressed by the Board or by a designee to whom the Board delegates authority such as the County Manager;
- Unassigned fund balance- Amounts that are available for any legal purpose.

The Board establishes (and modifies or rescinds) fund balance commitments through adoptions and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes). When multiple categories of fund balance are available for expenditure, the County will start with the most restricted category and spend those funds first before moving down to the next category with available funds.



HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2: Summary of Significant Accounting Policies (Continued)

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, 2010, on the assessed value for all real and personal property as of January 1, 2010 and is recorded as revenue for the year ended June 30, 2011. Taxes were due December 20, 2010 following the levy date and became delinquent on December 21, 2010.

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.

Subsequent Events - Management has evaluated subsequent events through November 8, 2011, which is the date the financial statements were available to be issued.

NOTE 3: Component Units

*Harris County Development Authority*

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.

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 2009 SPLOST fund. Funding provided by the County in the amount of \$140,000 is shown as a capital contribution to the Authority in the government-wide financial statements. Costs of the road are included in the Authority's construction in progress at June 30, 2011.

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, County funds, and grant revenue of \$1 million. The building was then leased to JCI. Lease payments under the operating lease from JCI for the period July 1, 2010 through December 31, 2010 were reported as charges for services in the amount of \$302,814.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 3: Component Units (Continued)

During 2010, the County, in agreement with JCI, issued bonds in the amount of \$5.5 million to expand the building. The agreement requires JCI to lease the building from the County at a rate necessary to service both the 2008 and 2010 bond issues and to purchase the building at the end of the lease term. The lease is accounted for as a sales-type with a receivable established to account for the future payments of approximately \$14.8 million. The transaction resulted in a net loss of approximately \$1.7 million from the disposal of the land and building.

Subsequent to year end, the County, through the Valley Partnership Joint Development Authority was awarded an EDGE Grant from the OneGeorgia Authority of \$500,000 for road improvements to benefit the expansion of JCI.

*Harris County Public Improvements Authority*

The HCPIA Issued bonds in December 2010 to fund the construction of the Harris County Community Center, a recreational facility for the County. The building is included in construction in progress. Two series of revenue bonds were issued on December 15, 2010 for a total issue price of \$8.2 million and a discount of \$52,640. Underwriting and issuances costs totaled \$170,784 and are amortized over the life of the bond. Bond issuance costs are presented in other assets on the government wide statements net of accumulated amortization OF \$4,362. The 2010B Series were designated as Build America Bonds under the American Recovery and Reinvestment Act of 2009 ("ARRA"). Under Section 6431 to the Internal Revenue Code ("IRC") issuers of a Build America Bond may apply to receive interest subsidy payments directly from the Secretary of the United States Treasury. The amount of the subsidy is 35% of the corresponding interest payable on any interest payment date. The subsidy is applied for between 90 and 45 days prior to the corresponding interest payment date. The subsidy is recorded on the same basis as the corresponding interest expense. The County intends to dedicate approximately \$2.2 million of proceeds to come available from its SPLOST to service the debt.

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 accrual basis. For comparative purposes, the actual results of operations of the General Fund presented in the "Budget to Actual" financial statement have been presented 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, 2011

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, 2011, fire protection expenditures exceeded budget by \$123,908 as a result of a grant awarded subsequent to the adoption of the budget in the amount of \$174,800 for the purchase of equipment. The over expenditure in the General Fund was funded by this grant revenue which is 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, 2011

NOTE 5: Cash and Cash Equivalents (Continued)

Of the entire bank balance of \$30,086,079 (bank deposits, certificates of deposit and money market funds, restricted and unrestricted) in deposits as of the balance sheet date of the County's reporting entity \$22,884,678 was either insured or collateralized with securities held by the County's agent in the County's name. The remaining \$7,201,401 held by the County's blended component unit, the HCPIA, was uninsured and uncollateralized and found to be subject to custodial risk due to lack of collateral and depository insurance coverage. The deposits of the discretely presented component units were 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	\$ 6,195,390	\$ 5,267,333	\$ 0	\$ 0	\$ 11,462,723
Public Improvements Authority	0	0	7,201,401	(7,201,401)	0
2009 SPLOST	1,302,698	2,500,000	0	0	3,802,698
Other Governmental Funds	1,616,166	0	0	(24,530)	1,591,636
Water Works	429,965	1,634,794	233,496	(649,916)	1,648,339
Solid Waste	1,420,754	1,500,000	0	0	2,920,754
Total Government-wide	10,964,973	10,902,127	7,434,897	(7,875,847)	21,426,150
Agency Funds	784,082	0	0	0	784,082
Total	<u>\$ 11,749,055</u>	<u>\$ 10,902,127</u>	<u>\$ 7,434,897</u>	<u>\$ (7,875,847)</u>	<u>\$ 22,210,232</u>

NOTE 6: Note Receivable

*Primary Government – Governmental Activities*

The note receivable of \$1,775,298 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 ("GEFA"), 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 12).

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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:			
2012	\$ 91,420	\$ 52,536	\$ 143,956
2013	94,367	49,590	143,957
2014	97,156	46,801	143,957
2015	100,111	43,846	143,957
2016	103,091	40,867	143,958
2017-2021	564,851	154,935	719,786
2022-2026	656,070	63,716	719,786
2027-2029	68,232	1,279	69,511
Totals	<u>\$ 1,775,298</u>	<u>\$ 453,570</u>	<u>\$ 2,228,868</u>

NOTE 7: Lease Receivable

*Component Unit – Harris County Development Authority*

The note receivable as of June 30, 2011 of \$14,344,829 is the result of a capital lease entered into between the County and JCI as described in Note 3. The Authority issued bonds to support the construction and expansion of the building leased by JCI in fiscal years 2009 and 2011. The lease is accounted for as a sales-type lease with an initial present value of minimum payments of \$10,714,812 and unearned interest of \$4,108,290 for an initial gross capital lease receivable of \$14,823,103. Unearned revenue will be recognized and reported as interest income over the life of the lease. Interest income recognized in the current fiscal year is reported in charges for services in the amount of \$270,876. Lease payments support the debt service of the 2008 and 2010 revenue bonds (Note 12).

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7: Lease Receivable (Continued)

Under the agreement between the County and JCI, JCI will reimburse the County for costs related to the bonds through lease payments as follows:

June 30:		
2012	\$	905,044
2013		884,210
2014		884,210
2015		884,210
2016		884,210
2017-2019		<u>9,902,945</u>
Total minimum payments		14,344,829
Less amounts representing interest		<u>(3,837,414)</u>
Present value of minimum capital lease payments	\$	<u><u>10,507,415</u></u>

NOTE 8: 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.

Interfund receivable and payable balances at June 30, 2011 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	\$ 115,225
	Water Works Fund	65
	Solid Waste Fund	150,530
	Airport Fund	<u>60,359</u>
		<u>\$ 326,179</u>
Other Governmental Funds	General Fund	\$ 10,789
Airport Fund	General Fund	<u>5,073</u>
		<u>\$ 15,862</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 8: Interfund Receivables, Payables and Transfers (Continued)

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government -	Component unit -	
Other Governmental Funds	Development Authority	\$ 5,841

Due to/from balances are the result of short term temporary advances in the normal course of operations between the funds. It is the County's intent to repay these interfund balances during the next fiscal year.

Transfers from the General Fund to Other Governmental Funds represent transfers to E-911 Special Revenue fund of \$72,993 for operations.

Transfers from the General Fund to the Airport enterprise fund represent transfers of \$20,104 for operations. A total of \$20,104 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 \$16,661.

Transfers from the 2009 SPLOST and Other Governmental Funds represent transfers to the Public Improvements Authority for bond debt service related to the construction of the County's community center. The total transferred from the 2009 and 2004 SPLOSTS for debt service was \$509,315.

	<u>Transfers In:</u>			
	<u>General Fund</u>	<u>Public Improvements Authority</u>	<u>Other Governmental Funds</u>	<u>Airport Enterprise Fund</u>
<u>Transfers out:</u>				
General fund	\$ 0	\$ 0	\$ 72,993	\$ 20,104
2009 SPLOST	0	133,521	0	0
Other governmental funds	<u>16,661</u>	<u>375,794</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 16,661</u>	<u>\$ 509,315</u>	<u>\$ 72,993</u>	<u>\$ 20,104</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 9: Due From Other Governments

Amounts due from (to) other governments on the government-wide statements are summarized as follows:

	General Fund	Public Improvements Authority	2009 SPLOST	Total
State of Georgia				
Department of Revenue-				
Sales Tax	\$ 183,078	\$ 0	\$ 244,691	\$ 427,769
Department of				
Transportation	3,292	0	0	3,292
State Board of				
Corrections	64,100	0	0	64,100
Department of Natural				
Resources	(5,074)	0	0	(5,074)
Other receivable	1,044	0	0	1,044
Federal subsidy, Note 3	0	51,984	0	51,984
Net due from other governments	<u>\$ 246,440</u>	<u>\$ 51,984</u>	<u>\$ 244,691</u>	<u>\$ 543,115</u>

NOTE 10: Other Accrued Expenses

Other accrued expenses are summarized as follows:

	General Fund	Other Governmental Funds	Water Works	Solid Waste	Airport
Accrued payroll and withholdings	\$ 351,303	\$ 6,916	\$ 22,005	\$ 8,366	\$ 483
Accrued interest payable	0	0	33,181	0	0
Total other accrued expenses	<u>\$ 351,303</u>	<u>\$ 6,916</u>	<u>\$ 55,186</u>	<u>\$ 8,366</u>	<u>\$ 483</u>



HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 11: Capital Assets

**Primary Government** - Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance at June 30, 2010	Additions	Disposals	Reclassifications	Balance at June 30, 2011
<b>Governmental activities:</b>					
Capital assets not depreciable:					
Land	\$ 13,163,120	\$ 249,500	\$ 0	\$ 0	\$ 13,412,620
Construction in progress	684,518	1,919,906	0	0	2,604,424
Total assets not depreciable	13,847,638	2,169,406	0	0	16,017,044
Capital assets depreciable:					
Buildings	12,122,839	227,169	0	0	12,350,008
Equipment and personal property	14,743,269	579,625	0	0	15,322,894
Infrastructure	21,547,585	0	0	0	21,547,585
Total assets depreciable	48,413,693	806,794	0	0	49,220,487
Less accumulated depreciation:					
Buildings	(3,679,776)	(313,313)	0	0	(3,993,089)
Equipment and personal property	(11,055,460)	(1,028,021)	0	0	(12,083,481)
Infrastructure	(10,866,663)	(889,954)	0	0	(11,756,617)
Total accumulated depreciation	(25,601,899)	(2,231,288)	0	0	(27,833,187)
Total assets depreciable, net	22,811,794	(1,424,494)	0	0	21,387,300
Capital assets (net)	\$ 36,659,432	\$ 744,912	\$ 0	\$ 0	\$ 37,404,344

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 11: Capital Assets (Continued)

	Balance at June 30, 2010	Additions	Disposals	Reclassifications	Balance at June 30, 2011
<b>Business-type activities:</b>					
Capital assets not depreciable:					
Land	\$ 564,294	\$ 0	\$ 0	\$ 0	\$ 564,294
Construction in progress	589,593	73,477	0	(219,441)	443,629
Total assets not depreciable	<u>1,153,887</u>	<u>73,477</u>	<u>0</u>	<u>(219,441)</u>	<u>1,007,923</u>
Capital assets depreciable:					
Buildings and land improvements	1,061,601	0	0	0	1,061,601
Equipment and personal property	4,416,433	0	(66,320)	0	4,350,113
Water system, filter plant and waterlines	<u>24,221,935</u>	<u>0</u>	<u>0</u>	<u>219,441</u>	<u>24,441,376</u>
Total assets depreciable	<u>29,699,969</u>	<u>0</u>	<u>(66,320)</u>	<u>219,441</u>	<u>29,853,090</u>
Less accumulated depreciation :					
Buildings and land improvements	(217,268)	(25,720)	66,320	0	(176,668)
Equipment and personal property	(2,351,509)	(176,182)	0	0	(2,527,691)
Water system, filter plant and waterlines	<u>(8,367,769)</u>	<u>(537,709)</u>	<u>0</u>	<u>0</u>	<u>(8,905,478)</u>
Total accumulated depreciation	<u>(10,936,546)</u>	<u>(739,611)</u>	<u>66,320</u>	<u>0</u>	<u>(11,609,837)</u>
Total assets depreciable, net	<u>18,763,423</u>	<u>(739,611)</u>	<u>(66,320)</u>	<u>219,441</u>	<u>18,243,253</u>
Capital assets (net)	<u>\$ 19,917,310</u>	<u>\$ (666,134)</u>	<u>\$ (66,320)</u>	<u>\$ 0</u>	<u>\$ 19,251,176</u>

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

Governmental activities	
General government	\$ 155,203
Judicial	5,382
Public safety	921,408
Public works	1,096,548
Culture and recreation	39,139
Housing and development	<u>13,608</u>
Total depreciation expense - governmental activities	<u>\$ 2,231,288</u>
Business-type activities	
Water works	\$ 547,906
Solid waste	106,820
Airport	<u>84,885</u>
Total depreciation expense - business-type activities	<u>\$ 739,611</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 11: Capital Assets (Continued)

**Discretely Presented Component Units - Capital asset activity for the year ended June 30, 2011 was as follows:**

	Balance at				Balance at
	June 30, 2010	Additions	Disposals	Reclassifications	June 30, 2011
<b>Discretely presented component unit:</b>					
<b>Harris County Development Authority</b>					
Capital assets not depreciable:					
Land	\$ 338,443	\$ 0	\$ (304,102)	\$ 0	\$ 34,341
Construction in progress	2,841,029	183,846	0	0	3,024,875
Total assets not depreciable	<u>3,179,472</u>	<u>183,846</u>	<u>(304,102)</u>	<u>0</u>	<u>3,059,216</u>
Capital assets depreciable:					
Buildings and land improvements	7,064,197	0	(7,064,197)	0	0
Total assets depreciable	<u>7,064,197</u>	<u>0</u>	<u>(7,064,197)</u>	<u>0</u>	<u>0</u>
Less accumulated depreciation :					
Buildings and land improvements	(176,605)	(88,302)	264,907	0	0
Total accumulated depreciation	<u>(176,605)</u>	<u>(88,302)</u>	<u>264,907</u>	<u>0</u>	<u>0</u>
Total assets depreciable, net	<u>6,887,592</u>	<u>(88,302)</u>	<u>(6,799,290)</u>	<u>0</u>	<u>0</u>
Capital assets (net)	<u>\$ 10,067,064</u>	<u>\$ 95,544</u>	<u>\$ (7,103,392)</u>	<u>\$ 0</u>	<u>\$ 3,059,216</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12: Noncurrent Liabilities

A summary of changes in noncurrent liabilities for 2011 follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due within</u> <u>one year</u>	<u>Due after</u> <u>one year</u>
<b>Primary Government</b>						
Governmental Activities:						
Loan payable	\$ 1,879,139	\$ 0	\$ (88,805)	\$ 1,790,334	\$ 91,420	\$ 1,698,914
Revenue bond, net of discount	0	8,188,704	0	8,188,704	395,000	7,793,704
Capital lease obligations	77,855	0	(31,175)	46,680	22,938	23,742
Compensated absences	<u>253,735</u>	<u>10,691</u>	<u>0</u>	<u>264,426</u>	<u>52,885</u>	<u>211,541</u>
Totals	<u>2,210,729</u>	<u>8,199,395</u>	<u>(119,980)</u>	<u>10,290,144</u>	<u>562,243</u>	<u>9,727,901</u>
Business-Type Activities:						
Loan payable	\$ 138,462	\$ 0	\$ (10,257)	\$ 128,205	\$ 10,256	\$ 117,949
Revenue bonds, including premium	8,701,691	0	(322,680)	8,379,011	335,000	8,044,011
Compensated absences	51,069	0	2,455	53,524	10,705	42,819
Postclosure liability	<u>327,700</u>	<u>0</u>	<u>(18,000)</u>	<u>309,700</u>	<u>0</u>	<u>309,700</u>
Totals	<u>9,218,922</u>	<u>0</u>	<u>(348,482)</u>	<u>8,870,440</u>	<u>355,961</u>	<u>8,514,479</u>
Totals - primary government	<u>\$ 11,429,651</u>	<u>\$ 8,199,395</u>	<u>\$ (468,462)</u>	<u>\$ 19,160,584</u>	<u>\$ 918,204</u>	<u>\$ 18,242,380</u>
Discretely presented component unit - Development Authority:						
Bond payable	<u>\$ 5,663,708</u>	<u>\$ 5,515,000</u>	<u>\$ (290,663)</u>	<u>\$ 10,888,045</u>	<u>\$ 307,313</u>	<u>\$ 10,580,732</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12: Noncurrent Liabilities (Continued)

Loans Payable – Governmental Activities

*Other Governmental Funds*

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:			
2012	\$ 91,420	\$ 52,536	\$ 143,956
2013	94,367	49,590	143,957
2014	97,156	46,801	143,957
2015	100,111	43,846	143,957
2016	103,091	40,867	143,958
2017-2021	564,851	154,935	719,786
2022-2026	656,070	63,716	719,786
2027-2029	83,268	833	84,101
Totals	<u>\$ 1,790,334</u>	<u>\$ 453,124</u>	<u>\$ 2,243,458</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12: Noncurrent Liabilities (Continued)

Revenue Bonds – Blended Component Unit

*Harris County Public Improvements Authority*

At June 30, 2011, long-term debt consists of the following revenue bonds which were issued in 2010 to fund the construction of a community center for the County. The County intends to service the debt with SPLOST proceeds (Note 3). Under the bond resolution, certain debt covenants are required. The HCPIA is within all debt covenants with one exception. Bond proceeds were not invested in a permitted investment at June 30, 2011 and the funds were not collateralized (Note 5).

	<u>Current</u>	<u>Long-Term</u>
Tax Exempt Revenue Bonds Series 2010A due in semiannual installments commencing February 1, 2011 through August 1, 2011. Interest accrues at 2.0%.	\$ 185,000	\$ 0
Taxable Build America Revenue Bonds Series 2010B, due in semiannual installments commencing February 1, 2011 through August 1, 2030. Interest accrues at 1.45% to 6.0%. Principal is subject to redemption on or after August 1, 2010 at the option of the issuer, at direction of the County, in whole or in part at any time at a redemption price of 100%.	<u>210,000</u>	<u>7,845,000</u>
Bond discount, net of accumulated amortization	<u>0</u>	<u>(51,296)</u>
Total Revenue Bonds - HCPIA	<u>\$ 395,000</u>	<u>\$ 7,793,704</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12: Noncurrent Liabilities (Continued)

As of June 30, 2011, debt service requirements for principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2012	\$ 395,000	\$ 356,792	\$ 751,792
2013	320,000	350,700	670,700
2014	325,000	344,730	669,730
2015	330,000	337,438	667,438
2016	350,000	328,583	678,583
2017-2021	1,855,000	1,456,964	3,311,964
2022-2026	2,135,000	1,015,296	3,150,296
2027-2030	2,530,000	387,050	2,917,050
Totals	8,240,000	<u>\$ 4,577,553</u>	<u>\$ 12,817,553</u>
Amortized bond discount	(51,296)		
Revenue bonds including discount	<u>\$ 8,188,704</u>		

Capital Lease Obligations – Governmental Activities

*General Fund*

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, 2011 totaled \$159,982 and \$47,614, respectively.

The present value of future minimum capital lease payments as of June 30, 2011 is:

June 30:	
2012	\$ 24,188
2013	<u>24,188</u>
Total minimum payments	48,376
Less amounts representing interest	<u>(1,696)</u>
Present value of minimum capital lease payments	<u>\$ 46,680</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12: Noncurrent Liabilities (Continued)

Loans Payable – Business-type Activities

*Harris County Water Works*

During the year ended June 30, 2003, the Harris County Water Works (“HCWW”) entered into a contract with GEFA under which it received certain funds made available through the Drinking Water State Revolving Loan Fund. In connection with the contract, the HCWW signed a promissory note in the amount of \$700,000. However, under the terms of the note, the HCWW 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 HCWW’s water system. Additionally, the HCWW was required to meet certain covenants related to commencement and completion of construction. As of June 30, 2011 the HCWW was in compliance with these covenants. The loan is payable quarterly in seventy-eight equal installments of \$2,564 with principal maturities as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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	10,256	0	10,256
2017-2021	51,280	0	51,280
2022-2025	25,645	0	25,645
Totals	<u>\$ 128,205</u>	<u>\$ 0</u>	<u>\$ 128,205</u>



HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12: Noncurrent Liabilities (Continued)

Revenue Bonds – Business-type Activities

*Harris County Water Works*

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, 2011 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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	390,000	328,538	718,538
2017-2021	2,275,000	1,320,565	3,595,565
2022-2026	2,895,000	683,752	3,578,752
2027-2028	1,365,000	65,669	1,430,669
Totals	8,335,000	<u>\$ 3,885,441</u>	<u>\$ 12,220,441</u>
Amortized bond premium	44,011		
Revenue bonds including premium	<u>\$ 8,379,011</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, 2011

NOTE 12: Noncurrent Liabilities (Continued)

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.

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, 2011, the County has recorded a liability totaling \$309,700, 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, 2011

NOTE 12: Noncurrent Liabilities (Continued)

Revenue Bonds – Discretely Presented Component Unit

*Harris County Development Authority*

At June 30, 2011, long-term debt consists of the following revenue bonds which were issued in 2008 and 2010 to fund the construction and expansion of the JCI building. The Authority executed a seven year capital lease with JCI for the building with monthly payments of \$884,210 due to the Authority (Note 7).

	<u>Current</u>	<u>Long-Term</u>
Revenue Bonds Series 2008, due in quarterly installments commencing November 1, 2008 through August 1, 2018. Interest accrues at 5.45% - 6.45%.	\$ 307,313	\$ 5,065,732
Revenue Bonds Series 2010, due in semiannual installments commencing August 1, 2011 through August 1, 2031. Interest accrues at 4.49%.	<u>0</u>	<u>5,515,000</u>
Total Revenue Bonds - Authority	<u>\$ 307,313</u>	<u>\$ 10,580,732</u>

As of June 30, 2011, debt service requirements for principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2012	\$ 307,313	\$ 565,100	\$ 872,413
2013	354,920	524,809	879,729
2014	373,540	504,842	878,382
2015	393,232	483,803	877,035
2016	419,057	461,518	880,575
2017-2021	3,794,983	1,601,411	5,396,395
2022-2026	1,385,000	1,108,918	2,493,918
2027-2031	3,860,000	448,327	4,308,327
Totals	<u>\$ 10,888,045</u>	<u>\$ 5,698,728</u>	<u>\$ 16,586,774</u>

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 13: 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, 2011, the County collected \$58,044 and remitted \$41,383, or 71% of the receipts to the Chamber and the DNR.

NOTE 14: Fund Balance

At June 30, 2011, Other Governmental Funds include certain funds restricted by various external parties for specific purposes.

At June 30, 2011, the assigned fund balance of the General Fund totaling \$281,453 represents funds assigned by the County for specific expenditures which had not been incurred by year end and have been designated to supplement the 2012 budget. Also, certain funds of Other Governmental Funds have been assigned by the County for various purposes within the respective funds.

NOTE 15: 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, 2011

NOTE 15: 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 16: 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, 2011, 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, 2011, there were 162 participating 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, 2011, contributions totaled \$154,241.

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 \$2,391,351 at June 30, 2011. Investments are participant-directed from a choice of 64 mutual funds. Investments in 7 of the mutual funds each represented 5 percent or more of the net assets of the plan as of June 30, 2011.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 16: 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 \$2,107,500 at June 30, 2011. 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, 2011.

Employees are 100 percent vested in the County's contributions after three years of service. At June 30, 2011, there were 270 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, 2011, there were no employee contributions and the County's expense totaled approximately \$213,000.

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, 2011

NOTE 16: 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, 2011

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

Participant counts as of January 1, 2010 (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	61
Terminated plan participants entitled to future benefits	74
Active employees participating in the Plan	<u>178</u>
Total number of Plan participants	<u><u>313</u></u>
Covered compensation for active participants	<u><u>\$ 6,591,887</u></u>

Contributions - The County made the required contribution of \$502,999 during the year ending June 30, 2011 which represents 7.63% 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, 2010. Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually and projected salary increases of 5 – 7.75 percent per year compounded annually and both 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 and the amortization period is closed.



HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 16: 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 – As of January 1, 2010, the actuarial accrued liability for benefits was \$8,023,190, and the actuarial value of assets was \$6,097,661, resulting in an unfunded liability ("UAAL") of \$1,925,529. 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. An analysis of funding progress can be found on page 64

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, 2010 Plan year-end.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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

Three Year Trend Information

Fiscal Beginning January 1,	Annual Pension Costs (APC)	Annual County Contribution	Percentage of APC Contributed	Net Pension Obligation	(Increase) / Decrease in Net Pension Obligation
2008	\$ 392,635	\$ 370,970	94%	\$ (17,119)	\$ (14,047)
2009	489,727	481,363	98%	4,546	21,665
2010	515,148	502,999	98%	12,910	8,364

Annual pension cost for 2010 includes interest of \$1,001, and amortization of net pension obligation of (\$1,071).

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, 2011

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"). If the building is converted to an ineligible use, a prorated portion of the grant proceeds would be reimbursed to the DOT while the County would retain title to the property. At June 30, 2011, the prorated amount totaled \$55,500.

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 and ended in 2011. As of June 30, 2011, there is no remaining potential reimbursement related to this project.

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, 2011, the remaining potential reimbursement was \$366,667.

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 June 31, 2011, the potential reimbursement is \$421,909.

HARRIS COUNTY, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 17: Commitments and 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.

NOTE 18: Subsequent Events

The County was awarded grant funds of \$512,000 for the 2011-2012 fiscal year. The grant will be used to fund a portion of the Railroad Recreation Trail. The project will require match funding from the County of approximately \$128,000.

HARRIS COUNTY, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011

Defined Benefit Pension Plan

Required Supplementary Information Analysis of Funding Progress

Measurement Date <u>December 31,</u>	(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)
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%
2010	6,097,661	8,023,190	76.00%	1,925,529	6,951,887	27.70%

HARRIS COUNTY, GEORGIA  
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS  
FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 10,932	\$ 3,313,443
Parking deck	250,000	46,411	11,250	57,661
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	\$ 22,182	\$ 8,978,547

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	160,678	1,440	162,118
Waverly Hall	276,000	275,999	256,750	532,749
West Point	276,000	19,250	0	19,250
Parks	600,000	123,827	20,597	144,424
Economic Development	3,500,000	3,537,233	0	3,537,233
Walking Trail	100,000	0	26,230	26,230
Community Center	800,000	339,732	460,268	800,000
EMS & Fire Services	500,000	283,693	51,580	335,273
Roads	7,174,000	6,095,074	160,035	6,255,109
Totals	\$ 14,000,000	\$ 11,444,467	\$ 976,900	\$ 12,421,367

HARRIS COUNTY, GEORGIA  
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS  
FOR THE YEAR ENDED JUNE 30, 2011

During fiscal year 2009, the County began collections of a five year special sales tax. The fund will continue to collect these taxes through April 2014.

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	133,521	133,521
EMS/Fire	2,000,000	0	2,375	2,375
Roads	10,930,000	0	140,000	140,000
Cities		0	0	0
Hamilton	350,000	89,086	1,613	90,699
Pine Mountain	765,000	191,250	191,250	382,500
Shiloh	290,000	81,905	152,156	234,061
Waverly Hall	500,000	126,593	106,865	233,458
West Point	465,000	116,250	116,250	232,500
Totals	<u>\$ 21,000,000</u>	<u>\$ 605,084</u>	<u>\$ 844,030</u>	<u>\$ 1,449,114</u>

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

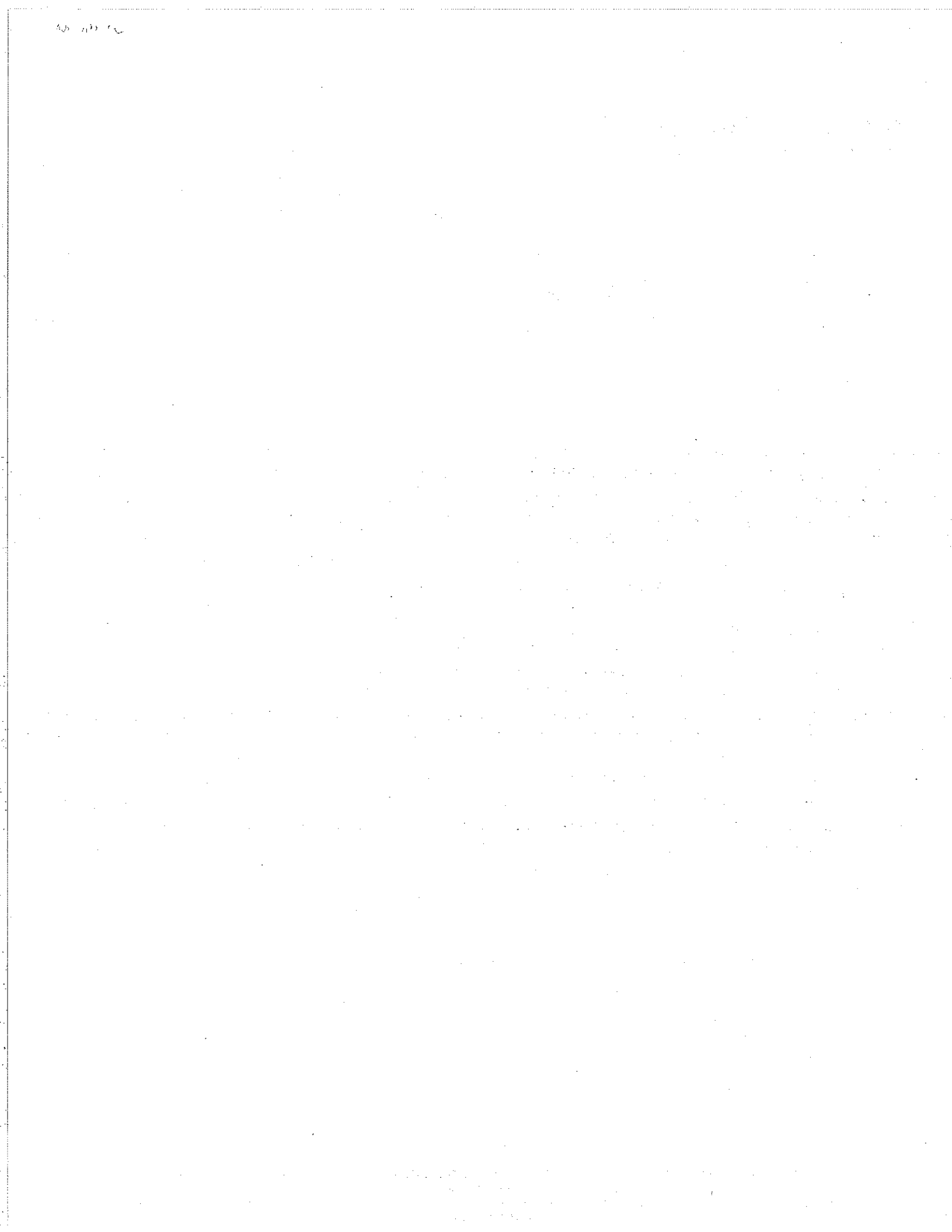
Year began	Estimated amount to be collected	Amount collected to date	Interest collected to date	Expenditures to date	Amount available for future expenditures
1999	<u>\$ 11,000,000</u>	<u>\$ 8,904,142</u>	<u>\$ 356,986</u>	<u>\$ 8,978,547</u>	<u>\$ 282,581</u>
2004	<u>\$ 14,000,000</u>	<u>\$ 12,558,478</u>	<u>\$ 621,348</u>	<u>\$ 12,421,367</u>	<u>\$ 758,459</u>
2009	<u>\$ 21,000,000</u>	<u>\$ 5,490,508</u>	<u>\$ 6,714</u>	<u>\$ 1,449,114</u>	<u>\$ 4,048,108</u>

DEVELOPMENT AUTHORITY OF HARRIS COUNTY  
HARRIS COUNTY, GEORGIA  
SCHEDULE OF EXPENDITURES OF ONEGEORGIA EDGE FUND AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

<u>DESCRIPTION</u>	<u>GRANT AMOUNT</u>	<u>6/30/2011 REVENUES</u>	<u>REVENUES TO DATE</u>	<u>6/30/2011 EXPENDITURES</u>	<u>EXPENDITURES TO DATE</u>	<u>GRANT BALANCE</u>
Department of Community Affairs of the State of Georgia OneGeorgia Edge Fund Award #09ge-072-3-4532 Activity G80-1301-I (4/3/2009-4/3/2011)	\$ 1,200,000	\$ 0	\$ 1,200,000	\$ 0	\$ 1,200,000	\$ 0
Department of Community Affairs of the State of Georgia OneGeorgia Edge Fund Award Award #10ge-072-3-4549 Activity G80-1101-I (10/5/2009-10/5/2011)	1,000,000	0	1,000,000	0	1,000,000	0
Department of Community Affairs of the State of Georgia OneGeorgia Edge Fund Award Award #11gq-072-3-4655 Activity G70-1405-I (6/14/2011-12/14/2012)	500,000	0	0	0	0	500,000

See Independent Auditors' Report.





Independent Auditor's Report on Internal Control over Financial Reporting  
And on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

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, 2011, which collectively comprise Harris County, Georgia's basic financial statements and have issued our report thereon dated November 8, 2011. 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.

Harris County Board of Commissioners  
Harris County, Georgia  
Page Two

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses (item 11-1) that we consider to be a significant deficiency 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.

#### 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 one instance of noncompliance (item 11-2) that is 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 8, 2011

HARRIS COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2011

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**SIGNIFICANT DEFICIENCIES**

11-1 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.

HARRIS COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2011

**FINDINGS RELATED TO COMPLIANCE**

**11-2 Pledges of Collateral and Compliance with Debt Covenants**

**Condition and Criteria** – State statutes and the related bond covenants require the market value of pledged securities to exceed 110% of the deposited public funds. At June 30, 2011, bond proceeds of the Public Improvement Authority Bonds, Series 2010A and 2010B were not collateralized or invested in permitted investments according to the bond resolution and Georgia law by approximately \$7.2 million.

**Cause** – During the month of December 2010, the Public Improvements Authority issued bonds and invested proceeds with Wells Fargo. Due to administrative error by Wells Fargo, the funds were invested in a money market account that was not collateralized and not included in the permitted investments as listed in the bond resolution. The County discovered the error subsequent to year end and the funds were transferred to permitted investments during September 2011.

**Effect** – The deposited public funds were subject to credit risk.

**Recommendation** – The County should have a procedure where investments are reviewed by the County on a timely basis for compliance with bond covenants and collateralization requirements. Legal advice should be obtained when necessary.

**Response** – Management concurs with the auditors' recommendation and will implement appropriate procedures.

