

**HARRIS COUNTY, GEORGIA
FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	Page 1 - 2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3 - 12
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	13 - 14
Statement of Activities	15 - 16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17 - 18
Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds	19 - 20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -	
General Fund	21 - 22
Statement of Net Assets - Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in	
Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	26
Notes to Financial Statements	27 - 63
REQUIRED SUPPLEMENTARY INFORMATION	
Defined Benefit Pension Plan Required Supplementary Information	64
OTHER FINANCIAL INFORMATION	
Schedule of Projects Constructed with Special Sales Tax Proceeds	65 - 66
Schedule of Expenditures of OneGeorgia EDGE Fund Awards	67
COMPLIANCE AND INTERNAL CONTROL SECTION	
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	
<u>Government Auditing Standards</u>	68 - 69
Schedule of Findings and Responses	70 - 71

Independent Auditor's 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 June 30, 2012 and for the year then ended, which collectively comprise Harris County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Harris County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Harris County Health Department, a discretely presented component unit of Harris County, Georgia, which represents 0.4% of the total net assets of the Harris County, Georgia and its component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Harris County Health Department, is based on the report of the other auditors.

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, based on our audit and the report of the other auditors, 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, 2012, 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 20, 2012, on our consideration of Harris County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 12 and certain other required supplementary information on page 64 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 Harris County, Georgia's basic financial statements. The accompanying supplementary schedules (pages 65 - 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 20, 2012



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, 2012. 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, 2012 and 2011.

	June 30, 2012		June 30, 2011		
Current and other assets	\$	24,992,209	\$	27,797,919	Governmental activities
Capital assets	\$	41,726,630	\$	37,404,344	
Total assets	\$	66,718,839	\$	65,202,263	
Current and other liabilities	\$	2,022,067	\$	1,606,348	Business activities
Noncurrent liabilities	\$	9,774,603	\$	9,727,901	
Total liabilities	\$	11,796,670	\$	11,334,249	
Net assets					
Invested in capital assets, net of related debt		33,964,301		35,645,023	
Restricted		7,319,309		5,474,439	
Unrestricted		13,638,559		12,748,552	
Total net assets		54,922,169		53,868,014	
Total liabilities and net assets	\$	66,718,839	\$	65,202,263	
Revenues					
Program revenues					
Charges for services	\$	4,603,334	\$	4,524,680	
Operating grants and contributions		357,449		262,848	
Capital grants and contributions		515,509		593,103	
General Revenues		7,000,452		7,235,215	
Property taxes		4,774,515		4,504,985	
Sales taxes		3,008,155		2,313,805	
Other taxes and revenues		20,259,414		19,434,636	
Expenditures					
General government		4,178,034		4,426,880	
Judicial		938,775		880,439	
Public safety		8,190,672		7,911,245	
Public works		3,422,305		2,531,461	
Health and welfare		295,915		289,140	
Culture and recreation		679,880		615,972	
Housing and development		567,451		247,642	
Intergovernmental		493,559		826,324	
Interest		414,633		254,704	
Water		0		0	
Solid Waste		0		0	
Airport		0		0	
Total expenditures		19,181,224		17,983,807	
Excess before transfers		1,078,190		1,450,829	
Transfers in (out)		(24,035)		(20,104)	
Change in net assets		1,054,155		1,430,725	
Net assets, beginning		53,868,014		52,437,289	
Net assets, ending		54,922,169		53,868,014	

Government Wide

The government-wide change in net assets totaled \$1.5 million for the year ended June 30, 2012 compared to June 30, 2011. This increase was a result of the following:

Government Activities

Governmental activities experienced a \$1.1 million increase in net assets during the year ended June 30, 2012 with no single significant activity or group of activities resulting in this increase. As of June 30, 2012, net assets were approximately \$54.9 million, of which \$34.0 million is invested in fixed assets net of related debt and \$7.3 million is restricted for future capital projects.

Business-type Activities

Net assets for business-type activities increased \$.4 million during the year ended June 30, 2012. Operations of the County's garbage collection system (Solid Waste) contributed \$475,000 while the County's water system (Water Works) reduced net assets by \$34,000. The airport reduced net assets by approximately \$3,500. As of June 30, 2012, net assets were approximately \$16.1 million of which \$10.4 million is invested in fixed assets net of related debt and \$238,000 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>2012</u>	<u>2011</u>
General Fund		
Revenues	\$ 15,795,394	\$ 15,620,943
Expenditures	<u>(15,469,611)</u>	<u>(14,338,694)</u>
Excess of revenues over expenditures	325,783	1,282,249
Other financing sources (uses)	<u>608,329</u>	<u>(76,436)</u>
Excess of revenues over expenditures and other financing sources	<u>\$ 934,112</u>	<u>\$ 1,205,813</u>

General Fund- Actual revenues increased \$174,000, or 1.1%, in 2012 over 2011, for the County's General Fund and was primarily the result of increases in Taxes and Licenses. Taxes and licenses increased \$311,000, or 7.3%, due to increases in both local option sales tax ("LOST") revenue and insurance premium taxes. Funding for state highways was also up \$129,000 in 2012 over 2011. These increases were offset by a decrease in grant funds received in 2012 as compared to the prior year when the County received \$174,800 for the purchase of a fire truck and \$37,000 for improvements in the criminal court system.

Property taxes decreased \$134,000 or 1.9% from the prior year. Charges for Service also decreased a slight \$39,000, or 1.7%, due to decreases in ambulance fees offset by an increase in Fees for Tax Collection.

Expenditures for the year 2012 increased \$1.1 million, or 7.9% from the year 2011. This is primarily due to a \$963,000 increase in road expenditures along with \$588,000 spent in 2012 for repairs due to damage incurred by a tornado to several County buildings. These increases were offset by a \$358,000 decrease in the acquisition of public safety equipment as compared to 2012. Changes to the employee health insurance program in 2012 contributed to decreased expenses along with decreases in other employee related insurances.

	<u>2012</u>	<u>2011</u>
Water Works		
Operating revenues	\$ 3,973,454	\$ 4,282,644
Operating expenses	<u>(3,622,856)</u>	<u>(3,979,262)</u>
Operating income	350,598	303,382
Nonoperating expenses	<u>(384,858)</u>	<u>(389,049)</u>
Change in net assets	<u>\$ (34,260)</u>	<u>\$ (85,667)</u>

Water Works- The Water Works reported a \$309,000, or 7.2% decrease in operating revenues in 2012 over 2011. This decrease is primarily due to decreased water usage by an industrial customer. Operating expenses for the year decreased \$356,000, or 9.0%, primarily due to decreased Water Purchases which correspond to the decrease in Water Sales. Contract negotiations in 2012 also lowered required minimums for Water Purchases due to the decreased demand. This decrease was offset by an increase in System Maintenance due to the expensing of projects in Construction in Progress. The above items combined to result in a \$47,000 decrease in Operating Income. Non-operating expenses for the year were relatively flat compared to the prior year.

	2012	2011
Solid Waste		
Operating revenues	\$ 1,953,204	\$ 1,935,507
Operating expenses	(1,498,491)	(1,419,822)
Operating income	454,713	515,685
Nonoperating revenues	19,997	27,595
Change in net assets	\$ 474,710	\$ 543,280

Solid Waste- Solid Waste operating revenues increased only \$18,000, or .9% in 2012 over 2011 due to slowed growth in the County as a result of the current economic climate. Operating expenses increased by \$79,000, or 5.5%. This was primarily due to substantial repairs made to the transfer station in 2012 totaling \$92,000. This increase in expenses was partially offset by lower employee costs due to retirements and employee turnover experienced in 2012. The decrease in Non-operating revenue of \$8,000 was due to a \$12,000 gain on surplus equipment in 2011 and a slight increase in interest income in the current year.

	2012	2011
Airport		
Operating revenues	\$ 244,689	\$ 185,164
Operating expenses	(352,660)	(289,129)
Operating loss	(107,971)	(103,965)
Nonoperating revenues	80,418	0
Transfers in	24,035	20,104
Change in net assets	\$ (3,518)	\$ (83,861)

Airport – Revenues at the Airport increased significantly in 2012. Improvements made to the Airport in 2009 continue 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 increased \$80,000 due to grant funds received in 2012 for additional proposed runway improvements.

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 \$1.0 million to be spent on road maintenance, \$647,000 for expense related to storm damage, and \$295,000 for state roadway improvements reimbursable by DOT.

Revenues of the County were \$597,000, or 3.9% more than budgeted. Positive budget variances were in LOST revenue, insurance premium tax, and reimbursements from the Department of Corrections. Negative budget variances offsetting these increases include intangible taxes, Probate Court fines and Fees, and interest income.

Expenditures for the year 2012 were lower than budgeted amounts by \$1,423,000, or 8.4%. This amount is due to several functions reporting under budget for the year. The most significant positive budget variance is approximately \$239,000 which represents budgeted funds in the current and prior years that were not spent. The majority of these funds have been appropriated to supplement the 2013 budget. Of the \$1.0 million budgeted for road maintenance, only \$835,000 was spent in 2012. Expense for road maintenance materials was also down \$126,000 in 2012 as compared to 2011. Equipment budgeted in the amount of \$115,000 for fire equipment was not purchased. Changes to the employee health insurance in 2012 resulted in \$230,000 less than budgeted expense while workers compensation insurance was \$87,000 less than budgeted for the year.

CAPITAL ASSET AND LONG TERM DEBT ACTIVITY

At the end of 2012, the County had \$60.3 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, 2012, \$41.7 million was invested in capital assets. Net depreciation expense for the year was \$2.2 million. Acquisitions during the year totaled \$6.58 million. There were no disposals. The major acquisitions are detailed below:

(In Millions)

Buildings	\$.41
Public Safety Vehicles	.67
CIP – Community Center	<u>5.50</u>
	<u>\$6.58</u>

In the fiscal year ended 2009, the County entered into a contract with GEFA to receive \$2,000,000. These funds were used as required for the acquisition of a conservation easement. No additional debt was obtained during the current year, and principal payments of \$91,420 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 2012, a total of \$22,938 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, 2012, a total of \$18.6 million was invested in capital assets with the majority of this being at the Water Works. Net depreciation expense on these assets amounted to \$732,000 for the year. Acquisitions to Construction in progress totaling \$98,000 originated at the Water Works. The reclassification of \$98,000 from Construction in progress was due to completed projects at the Water Works. Approximately \$213,000 of projects in Construction in progress was deemed not to be capitalized and was therefore expensed.

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 \$338,000 were made on the revenue bonds mentioned above. Additional information can be found in the Notes to the financial statements to include the refinancing of these bonds in the early part of fiscal year 2013.

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 2011 to fund an expansion of this building. Principal payments of \$307,000 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.

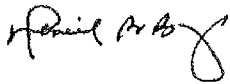
In the fiscal year ended 2011, the Harris County Public Improvements Authority issued \$8.2 million in bonds to construct a community center building for the County. Principal payments of approximately \$395,000 were made in the current year. The County plans to initially service the debt with SPLOST 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 black 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, 2012

PRIMARY GOVERNMENT			
GOVERNMENTAL	BUSINESS-TYPE	ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$	18,724,731	\$ 5,413,192
Restricted cash and cash equivalents		2,444,673	3,100,779
Receivables			
Accounts		273,328	789,358
Taxes		340,781	340,781
Notes		1,683,396	1,683,396
Lease		0	0
Due (to) from other funds		249,667	(249,667)
Due from other governments		547,090	547,090
Prepaid expenses		173,627	173,627
Other assets		157,698	202,556
Inventories-parts and supplies		397,218	204,171
Capital assets, non depreciable		21,512,371	795,558
Capital assets, depreciable, net of accumulated depreciation		20,214,259	17,807,544
Total assets		66,718,839	25,345,490
LIABILITIES			
Accounts payable		1,355,247	235,826
Other accrued expenses		490,327	66,845
Due to primary government		0	0
Due to other governments		0	0
Customer deposits		0	443,655
Interest payable		151,434	0
Deferred revenue		0	0
Net pension obligation		25,059	0
Noncurrent liabilities:			
Due within one year		489,219	388,805
Due after one year		9,285,384	8,120,018
Total liabilities		11,796,670	9,255,149
NET ASSETS			
Invested in capital assets, net of related debt		33,964,301	10,443,823
Restricted for:			
Capital projects		6,859,351	0
Debt service		459,958	237,802
Restricted for special use		0	0
Unrestricted		13,638,559	5,408,716
Total net assets	\$	54,922,169	\$ 16,090,341

The Notes to the Financial Statements are an Integral Part of this Statement.
-13-

COMPONENT UNITS	HEALTH	DEPARTMENT
	DEVELOPMENT	AUTHORITY

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, 2012

Functions/Programs	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary government:				
Governmental activities:				
General government	\$ 4,178,034	\$ 1,179,197	\$ 26,127	\$ 0
Judicial	938,775	988,151	0	0
Public safety	8,190,672	2,206,536	7,109	0
Public works	3,422,305	24,032	324,213	0
Health and welfare	295,915	13,283	0	0
Culture and recreation	679,880	19,680	0	5,000
Housing and development	567,451	119,926	0	0
Intergovernmental	493,559	0	0	386,723
Interest	414,633	52,529	0	123,786
Total governmental activities	19,181,224	4,603,334	357,449	515,509
Business-type activities:				
Water Works	4,014,429	3,973,454	0	0
Solid Waste	1,498,491	1,953,204	0	0
Airport	352,660	244,689	0	80,418
Total business-type activities	5,865,580	6,171,347	0	80,418
Total primary government	\$ 25,046,804	\$ 10,774,681	\$ 357,449	\$ 595,927
Component unit:				
Health Department	\$ 616,356	\$ 239,218	\$ 423,842	\$ 0
Development Authority	569,220	541,754	0	1,009,545
Total component units	\$ 1,185,576	\$ 780,972	\$ 423,842	\$ 1,009,545

General Revenues
Property taxes
Vehicle ad valorem and tags
Sales taxes
Insurance premium tax
Other taxes
Unrestricted investment earnings
Gain 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		
\$ (2,972,710)	\$ 0	\$ (2,972,710)	\$ 0	\$ 0		
49,376	0	49,376	0	0		
(5,977,027)	0	(5,977,027)	0	0		
(3,074,060)	0	(3,074,060)	0	0		
(282,632)	0	(282,632)	0	0		
(655,200)	0	(655,200)	0	0		
(447,525)	0	(447,525)	0	0		
(106,836)	0	(106,836)	0	0		
(238,318)	0	(238,318)	0	0		
(13,704,932)	0	(13,704,932)	0	0		
0	(40,975)	(40,975)	0	0		
0	454,713	454,713	0	0		
0	(27,553)	(27,553)	0	0		
0	386,185	386,185	0	0		
(13,704,932)	386,185	(13,318,747)	0	0		
46,704	0	46,704	0	982,079		
982,079			46,704	0		
7,000,452	0	7,000,452	0	0		
628,861	0	628,861	0	0		
4,774,515	0	4,774,515	0	0		
1,160,271	0	1,160,271	0	0		
638,015	0	638,015	0	0		
61,119	26,712	87,831	0	0		
519,889	0	519,889	0	0		
(24,035)	24,035	0	0	0		
14,759,087	50,747	14,809,834	0	0		
1,054,155	436,932	1,491,087	46,704	982,079		
53,868,014	15,653,409	69,521,423	261,899	3,329,066		
\$ 54,922,169	\$ 16,090,341	\$ 71,012,510	\$ 308,603	\$ 4,311,145		

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

HARRIS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	CAPITAL PROJECTS FUNDS					TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	IMPROVEMENTS AUTHORITY	2009 SPLOST	OTHER GOVERNMENTAL FUNDS		
ASSETS						
Cash and cash equivalents	\$ 12,386,436	\$ 0	\$ 4,854,139	\$ 1,484,156	\$	18,724,731
Cash and cash equivalents, restricted	0	2,420,113	0	24,560		2,444,673
Receivables, net						
Accounts	129,851	0	1,861	141,616		273,328
Taxes	340,781	0	0	0		340,781
Due from other funds	358,906	0	1,559	0		360,465
Due from component unit	0	0	0	0		0
Due from other governments	252,181	0	243,369	0		495,550
Prepaid expenses	173,627	0	0	0		173,627
Inventories-parts and supplies	397,218	0	0	0		397,218
Total assets	\$ 14,039,000	\$ 2,420,113	\$ 5,100,928	\$ 1,650,332	\$	23,210,373
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 231,759	\$ 887,420	\$ 216,242	\$ 19,826	\$	1,355,247
Other accrued expenses	480,877	0	0	9,450		490,327
Deferred revenue	35,513	0	0	0		35,513
Due to other funds	6,632	1,760	0	102,406		110,798
Due to component unit	0	0	0	0		0
Total liabilities	754,781	889,180	216,242	131,682		1,991,885

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

HARRIS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	CAPITAL PROJECTS FUNDS				
	GENERAL FUND	IMPROVEMENTS AUTHORITY	2009 SPLOST	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Fund balances (Note 14):					
Nonspendable	570,845	0	0	0	570,845
Restricted	0	1,530,933	4,884,686	1,375,082	7,790,701
Assigned	239,340	0	0	143,568	382,908
Unassigned	12,474,034	0	0	0	12,474,034
Total fund balances	13,284,219	1,530,933	4,884,686	1,518,650	21,218,488
Total liabilities and fund balances	\$ 14,039,000	\$ 2,420,113	\$ 5,100,928	\$ 1,650,332	
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 are not reported in the funds.					
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds:					
Callaway Foundation (Note 6)				1,683,396	
Deferred tax revenue				35,513	
Federal credit subsidy receivable				51,540	
Bond issuance costs, net				157,698	
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:					1,928,147
Public Improvement Authority Build America Bonds, net of amortized discount				(7,796,392)	
Loan payable - Callaway Foundation				(1,698,914)	
Capital leases				(23,742)	
Accrued compensated absences				(255,555)	
Interest payable on long term debt				(151,434)	
Net pension obligation				(25,059)	
Net assets of governmental activities					(9,951,096)
					\$ 54,922,169

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, 2012

	CAPITAL PROJECTS FUNDS			OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
REVENUES					
Fees and fines	\$ 1,309,920	\$ 0	\$ 0	\$ 106,167	\$ 1,416,087
Property taxes	7,092,178	0	0	0	7,092,178
Taxes and licenses	4,566,991	0	2,731,065	58,227	7,356,283
Intergovernmental	357,449	0	0	386,723	744,172
Charges for services	2,276,393	0	0	560,128	2,836,521
Interest income	48,887	124,675	11,008	53,308	237,878
Other income	143,576	5,000	0	91,903	240,479
Total revenues	15,795,394	129,675	2,742,073	1,256,456	19,923,598
EXPENDITURES					
Current:					
General government	4,122,790	0	0	41,748	4,164,538
Judicial	937,082	0	0	0	937,082
Public safety	6,680,875	0	0	650,386	7,331,261
Public works	2,459,289	0	0	0	2,459,289
Health and welfare	375,715	0	0	33,170	408,885
Culture and recreation	679,821	0	0	0	679,821
Housing and development	189,851	0	0	0	189,851
Intergovernmental	0	0	398,278	95,281	493,559
Debt Service:					
Principal	22,938	395,000	0	91,420	509,358
Interest	1,250	356,794	0	52,536	410,580
Capital outlay	0	5,229,685	908,003	439,057	6,576,745
Total expenditures	15,469,611	5,981,479	1,306,281	1,403,598	24,160,969
Excess (deficiency) of revenues over (under) expenditures	325,783	(5,851,804)	1,435,792	(147,142)	(4,237,371)
OTHER FINANCING SOURCES (USES)					
Other financing source - insurance proceeds	696,954	0	0	0	696,954
Transfers in	16,478	599,214	0	81,068	696,760
Transfers out	(105,103)	0	(599,214)	(16,478)	(720,795)
Total other financing sources (uses)	608,329	599,214	(599,214)	64,590	672,919

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, 2012

	CAPITAL PROJECTS FUNDS			OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
Net change in fund balances	934,112	(5,252,590)	836,578	(82,552)	(3,564,452)
Fund balances, beginning	12,350,107	6,783,523	4,048,108	1,601,202	
Fund balances, ending	<u>\$ 13,284,219</u>	<u>\$ 1,530,933</u>	<u>\$ 4,884,686</u>	<u>\$ 1,518,650</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	6,579,865	
Depreciation expense	<u>(2,257,579)</u>	
Net adjustment		4,322,286

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) (91,903)

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. (91,726)

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) (443)

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. (8,724)

Payment on bond and amortization of bond discount are expenditures in governmental funds, the net of these items reduce bonds payable on the Statement of Net Assets. 392,312

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. 91,420

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. 22,938

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 change for the year. 8,871

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. (1,365)

The net pension obligation is necessarily due and payable in the current period and therefore is not reported in the funds. This amount is the net change for the year. (25,059)

Change in net assets of governmental activities \$ 1,054,155

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, 2012

REVENUES					
		Budgeted Amounts		Actual Amounts	
		Original	Final	Budgetary	Basis
Fees and fines	\$	1,110,000	\$ 1,296,945	\$ 1,309,920	\$
Property taxes		7,090,000	7,090,000	7,092,178	
Taxes and licenses		4,102,500	4,102,500	4,566,991	
Intergovernmental		7,100	329,600	357,449	
Charges for services		2,178,093	2,211,093	2,276,393	
Interest income		80,000	80,000	48,887	
Other income		93,050	88,050	143,576	
Total revenues		14,660,743	15,198,188	15,795,394	

EXPENDITURES					
General government					
Administration	666,931	673,078		669,820	3,258
Tax commissioner	343,138	347,038		311,480	35,558
Extension services	74,460	75,337		70,334	5,003
Tax assessor	372,357	382,023		375,863	6,160
Facilities maintenance	423,313	597,199		568,123	29,076
Voter registration	40,721	40,882		31,540	9,342
Insurance expenditures	2,000,700	2,000,700		1,731,549	269,151
Operations	522,706	589,037		364,081	224,956
Total general government	4,444,326	4,705,294		4,122,790	582,504
Judicial					
Clerk of Superior Court	282,117	287,248		281,465	5,783
Probate court	151,547	153,444		153,021	423
Court services	291,537	299,037		293,743	5,294
Magistrate court	152,017	153,887		152,602	1,285
Assistant district attorney	56,251	56,251		56,251	0
Total judicial	933,469	949,867		937,082	12,785
Public safety					
Emergency medical services	1,418,609	1,472,435		1,472,372	63
Sheriff's department	2,240,030	2,429,036		2,425,970	3,066
Jail	1,259,705	1,448,731		1,440,473	8,258
Correctional institute	1,124,157	1,138,973		1,083,256	55,717
Fire protection	428,393	428,393		258,804	169,589
Total public safety	6,470,894	6,917,568		6,680,875	236,693
Public works					
Road maintenance	1,180,784	2,388,976		2,150,519	238,457
Vehicle maintenance operations	174,027	460,557		269,260	191,297
Animal shelter	41,860	42,468		39,510	2,958
Total public works	1,396,671	2,892,001		2,459,289	432,712

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, 2012

Actual Amounts Budgetary Basis	Final	Budgeted Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
		30,543	115,543	1,643
Coroner		5,979	5,979	164
Child support		256,000	256,000	0
Health department		292,522	377,522	1,807
Total health and welfare				
Culture and recreation				
Library		177,633	278,571	328
Pool		103,096	133,096	101,103
Recreation department		389,546	394,727	25,142
Total culture and recreation		670,275	806,394	126,573
Housing and development		43,055	37,271	34,982
County engineer		167,278	182,615	8,479
Building inspection		0	0	(13,426)
Economic development		210,333	219,886	30,035
Debt service		24,200	24,200	12
Principal and interest		14,442,690	16,892,732	1,423,121
Total expenditures		218,053	(1,694,544)	2,020,327
Excess (deficiency) of revenues over (under) expenditures				
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	0	647,000	696,954	49,954
Transfers in	15,000	15,000	16,478	1,478
Transfers out	(233,053)	(244,664)	(105,103)	139,561
Total other financing uses	(218,053)	417,336	608,329	190,993
Net change in fund balance	0	(1,277,208)	934,112	2,211,320
FUND BALANCE, BEGINNING	12,350,107	12,350,107	12,350,107	0
FUND BALANCE, ENDING	\$ 12,350,107	\$ 11,072,899	\$ 13,284,219	\$ 2,211,320

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

HARRIS COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

ENTERPRISE FUNDS			
WATER SOLID WASTE	AIRPORT	TOTAL	
ASSETS			
Current assets:			
Cash and cash equivalents	2,106,225	\$ 3,306,967	\$ 5,413,192
Receivables, net	508,402	7,628	516,030
Due from other funds	0	0	5,073
Other assets	148,468	52,471	202,556
Inventories	137,447	0	204,171
Total current assets	2,900,542	3,367,066	6,341,022
Noncurrent assets:			
Restricted cash and cash equivalents	656,106	0	656,106
Capital assets, net	15,488,037	595,699	18,603,102
Total noncurrent assets	16,144,143	595,699	19,259,208
Total assets	19,044,685	3,962,765	25,600,230
LIABILITIES			
Current liabilities:			
Accounts payable	216,843	18,983	235,826
Other accrued expenses	58,287	7,916	66,845
Due to other funds	36,730	151,286	254,740
Customer deposits	443,655	0	443,655
Total current liabilities	755,515	178,185	1,001,066
Noncurrent liabilities:			
Compensated absences	41,020	13,324	54,344
Revenue bonds including premium	8,041,330	0	8,041,330
Other loans payable	117,949	0	117,949
Landfill closure/postclosure liability	0	295,200	295,200
Total noncurrent liabilities	8,200,299	308,524	8,508,823
Total liabilities	8,955,814	486,709	9,509,889
NET ASSETS			
Invested in capital assets, net of related debt			
Restricted for debt service	237,802	0	237,802
Unrestricted	2,522,311	2,880,357	5,408,716
Total net assets	\$ 10,088,871	\$ 3,476,056	\$ 16,090,341

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, 2012

ENTERPRISE FUNDS			
WATER WORKS	SOLID WASTE	AIRPORT	TOTAL
\$ 3,973,454	\$ 1,953,204	\$ 244,689	\$ 6,171,347
OPERATING REVENUES			
Charges for services			
OPERATING EXPENSES			
Salaries and related expenses	380,010	32,197	1,427,424
Utilities	8,683	9,556	198,442
Water purchases	547,365	0	547,365
Fuel, oil, and tires	70,391	213,575	452,089
Repairs and maintenance	737,544	6,315	833,590
Chemicals, small tools and supplies	120,197	0	131,590
Legal and professional	7,000	0	10,000
Tipping fees	0	0	506,173
Other general and administrative fees	389,006	6,133	625,996
Depreciation and amortization	555,933	84,884	741,338
Total operating expenses	1,498,491	352,660	5,474,007
Operating income (loss)	350,598	(107,971)	697,340
NONOPERATING REVENUES (EXPENSES)			
Grant revenue	0	80,418	80,418
Interest income	6,715	0	26,712
Interest expense	(391,573)	0	(391,573)
Total nonoperating revenues (expenses)	(384,858)	80,418	(284,443)
Income (loss) before transfers	(34,260)	(27,553)	412,897
Transfers in	0	24,035	24,035
Change in net assets	(34,260)	(3,518)	436,932
Total net assets, beginning	10,123,131	2,528,932	15,653,409
Total net assets, ending	\$ 10,088,871	\$ 2,525,414	\$ 16,090,341

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, 2012

ENTERPRISE FUNDS			
	WATER SOLID WASTE	AIRPORT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 4,062,962	\$ 1,955,636	\$ 244,689
Payments to suppliers	(1,817,212)	(1,030,827)	(3,082,610)
Payments to employees	(1,007,762)	(383,385)	(1,423,184)
Transfers from other funds	0	756	22,675
Net cash provided by operating activities	1,237,988	542,180	1,780,168
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from federal grant	0	0	80,418
Transfers from other funds	0	2,116	2,116
Purchases of capital assets	(40,927)	(173,152)	(82,534)
Principal paid on capital debt	(345,256)	0	(345,256)
Interest paid on capital debt	(395,195)	0	(395,195)
Net cash used in capital and related financing activities	(781,378)	(173,152)	(954,530)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	7,466	17,185	24,651
Net cash provided by investing activities	7,466	17,185	24,651
Net increase in cash and cash equivalents	464,076	386,213	850,289
Cash and cash equivalents, beginning (including \$649,916 reported in restricted accounts)	2,298,255	2,920,754	5,219,009
Cash and cash equivalents, ending (including \$656,106 reported in restricted accounts)	\$ 2,762,331	\$ 3,306,967	\$ 6,069,298
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 350,598	\$ 454,713	\$ (107,971)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	555,933	100,521	84,884
Reclassification of construction in progress to expense	212,523	0	0
Changes in:			
Receivables, net	44,681	2,432	0
Inventories	(19,160)	0	0
Accounts payable	4,136	1,633	0
Other accrued expenses	4,041	(14,951)	160
Transfers to (from) other funds	36,665	756	21,919
Customer deposits	44,827	0	0
Other (net)	3,744	(2,924)	1,008
Total adjustments	887,390	87,467	107,971
Net cash provided by operating activities	\$ 1,237,988	\$ 542,180	\$ 1,780,168

HARRIS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2012

	AGENCY FUNDS
ASSETS	
Cash and cash equivalents	\$ 1,220,856
Receivables	315,959
Total assets	<u>\$ 1,536,815</u>
LIABILITIES	
Payable to others	<u>\$ 1,536,815</u>
Total liabilities	<u>\$ 1,536,815</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, 2012

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, 2012

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, 2012

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, 2012, the County paid \$28,824 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, 2012

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, 2012 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, 2012

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, 2012

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.

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, 2012

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, 2012

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 expenditures 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. 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, 2012

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. The Board has designated authority to 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, 2012

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, 2011, on the assessed value for all real and personal property as of January 1, 2011 and is recorded as revenue for the year ended June 30, 2012. Taxes were due December 20, 2011 following the levy date and became delinquent on December 21, 2011.

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 20, 2012, 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, grant funding and existing Authority funds. Funding provided by the County and grant funding 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, 2012.

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. The building was then leased to JCI.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 (Notes 7 and 12).

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 at June 30, 2012. It was completed after year end with the grand opening in September 2012. 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 \$13,086. 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 has dedicated 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.

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.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4: Budget (Continued)

For the year ended June 30, 2012, economic development expenditures exceeded budget by approximately \$13,000. The County did not budget this expenditure due to its nature and small amount and the shortfall was covered by other funds that were under budget.

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 investments, the County's investments are not subject to custodial credit risk or concentration of credit risk.

The entire bank balance of \$28,459,558 (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 was either insured or collateralized with securities held by the County's agent in the County's name. The deposits of the discretely presented component units were either completely insured or collateralized.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5: Cash and Cash Equivalents (Continued)

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	\$ 3,585,156	\$ 8,801,280	\$ 0	\$ 0	\$ 12,386,436
Public Improvements Authority	0	0	2,420,113	(2,420,113)	0
2009 SPLOST	862,139	3,992,000	0	0	4,854,139
Other Governmental Funds	1,508,716	0	0	(24,560)	1,484,156
Water Works	882,338	1,642,191	237,802	(656,106)	2,106,225
Solid Waste	569,967	2,737,000	0	0	3,306,967
Total Government-wide	7,408,316	17,172,471	2,657,915	(3,100,779)	24,137,923
Agency Funds	1,220,856	0	0	0	1,220,856
Total	<u>\$ 8,629,172</u>	<u>\$ 17,172,471</u>	<u>\$ 2,657,915</u>	<u>\$ (3,100,779)</u>	<u>\$ 25,358,779</u>

NOTE 6: Note Receivable

Primary Government – Governmental Activities

The note receivable of \$1,683,396 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, 2012

NOTE 6: Note Receivable (Continued)

Under the agreement between the County and the Foundation, the Foundation will repay the loan as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2013	\$ 94,818	\$ 49,139	\$ 143,957
2014	97,644	46,314	143,958
2015	100,613	43,344	143,957
2016	103,626	40,331	143,957
2017	106,870	37,087	143,957
2018-2022	584,890	134,895	719,785
2023-2027	594,935	41,004	635,939
Totals	<u>\$ 1,683,396</u>	<u>\$ 392,114</u>	<u>\$ 2,075,510</u>

NOTE 7: Lease Receivable

Component Unit – Harris County Development Authority

The note receivable as of June 30, 2011 of \$13,439,787 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 \$541,753. 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, 2012

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:		
2013	\$	884,210
2014		884,210
2015		884,210
2016		884,210
2017		884,210
2018-2019		<u>9,018,737</u>
Total minimum payments		13,439,787
Less amounts representing interest		<u>(3,295,662)</u>
Present value of minimum capital lease payments	\$	<u><u>10,144,125</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, 2012 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	\$ 102,406
	Public Improvements	1,760
	Water Works Fund	36,730
	Solid Waste Fund	151,286
	Airport Fund	<u>66,724</u>
		<u>\$ 358,906</u>
2009 SPLOST	General Fund	\$ 1,559
Airport Fund	General Fund	<u>5,073</u>
		<u><u>\$ 6,632</u></u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

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 \$81,068 for operations.

Transfers from the General Fund to the Airport enterprise fund represent transfers of \$21,919 for operations and \$2116 for construction. A total of \$24,035 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 \$16,478.

Transfers of \$599,214 from the 2009 SPLOST represent transfers to the Public Improvements Authority for bond debt service related to the construction of the County's community center.

	<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	\$ 81,068	\$ 24,035
2009 SPLOST	0	599,214	0	0
Other governmental funds	<u>16,478</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 16,478</u>	<u>\$ 599,214</u>	<u>\$ 81,068</u>	<u>\$ 24,035</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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	\$ 182,089	\$ 0	\$ 243,369	\$ 425,458
Department of				
Transportation	3,292	0	0	3,292
State Board of				
Corrections	66,800	0	0	66,800
Federal subsidy, Note 3	0	51,540	0	51,540
Net due from other governments	<u>\$ 252,181</u>	<u>\$ 51,540</u>	<u>\$ 243,369</u>	<u>\$ 547,090</u>

NOTE 10: Other Accrued Expenses

Other accrued expenses are summarized as follows:

	General Fund	Other Governmental Funds	Water Works	Solid Waste	Airport	Total
Accrued payroll and withholdings	\$ 480,877	\$ 9,450	\$ 26,048	\$ 7,916	\$ 642	\$ 524,933
Accrued interest payable	0	0	32,239	0	0	32,239
Total other accrued expenses	<u>\$ 480,877</u>	<u>\$ 9,450</u>	<u>\$ 58,287</u>	<u>\$ 7,916</u>	<u>\$ 642</u>	<u>\$ 557,172</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11 : Capital Assets

Primary Government - Capital asset activity for the year ended June 30, 2012 was as follows:

Governmental activities:					
Balance at	June 30, 2011	Additions	Disposals	Reclassifications	Balance at
June 30, 2012					
Land	\$ 13,412,620	\$ 0	\$ 0	\$ 0	\$ 13,412,620
Construction in progress	2,604,424	5,495,327	0	0	8,099,751
Total assets not depreciable	16,017,044	5,495,327	0	0	21,512,371
Capital assets depreciable:					
Buildings	12,350,008	405,590	0	0	12,755,598
Equipment and personal property	15,322,894	678,948	0	0	16,001,842
Infrastructure	21,547,585	0	0	0	21,547,585
Total assets depreciable	49,220,487	1,084,538	0	0	50,305,025
Less accumulated depreciation:					
Buildings	(3,993,089)	(319,634)	0	0	(4,312,723)
Equipment and personal property	(12,083,481)	(1,055,430)	0	0	(13,138,911)
Infrastructure	(11,756,617)	(882,515)	0	0	(12,639,132)
Total accumulated depreciation	(27,833,187)	(2,257,579)	0	0	(30,090,766)
Total assets depreciable, net	21,387,300	(1,173,041)	0	0	20,214,259
Capital assets (net)	\$ 37,404,344	\$ 4,322,286	\$ 0	\$ 0	\$ 41,726,630

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11: Capital Assets (Continued)

	Balance at June 30, 2011	Additions	Disposals	Reclassifications	Balance at June 30, 2012
Business-type activities:					
Capital assets not depreciable:					
Land	\$ 564,294	\$ 0	\$ 0	\$ 0	\$ 564,294
Construction in progress	443,629	98,525	(212,523)	(98,367)	231,264
Total assets not depreciable	<u>1,007,923</u>	<u>98,525</u>	<u>(212,523)</u>	<u>(98,367)</u>	<u>795,558</u>
Capital assets depreciable:					
Buildings and land improvements	1,061,601	0	0	0	1,061,601
Equipment and personal property	4,350,113	173,153	0	0	4,523,266
Water system, filter plant and waterlines	<u>24,441,376</u>	<u>24,935</u>	<u>0</u>	<u>98,367</u>	<u>24,564,678</u>
Total assets depreciable	<u>29,853,090</u>	<u>198,088</u>	<u>0</u>	<u>98,367</u>	<u>30,149,545</u>
Less accumulated depreciation :					
Buildings and land improvements	(176,668)	(25,520)	0	0	(202,188)
Equipment and personal property	(2,527,691)	(156,721)	0	0	(2,684,412)
Water system, filter plant and waterlines	<u>(8,905,478)</u>	<u>(549,923)</u>	<u>0</u>	<u>0</u>	<u>(9,455,401)</u>
Total accumulated depreciation	<u>(11,609,837)</u>	<u>(732,164)</u>	<u>0</u>	<u>0</u>	<u>(12,342,001)</u>
Total assets depreciable, net	<u>18,243,253</u>	<u>(534,076)</u>	<u>0</u>	<u>98,367</u>	<u>17,807,544</u>
Capital assets (net)	<u>\$ 19,251,176</u>	<u>\$ (435,551)</u>	<u>\$ (212,523)</u>	<u>\$ 0</u>	<u>\$ 18,603,102</u>

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

Governmental activities	
General government	\$ 148,324
Judicial	1,693
Public safety	1,008,440
Public works	1,054,335
Culture and recreation	31,888
Housing and development	12,899
Total depreciation expense - governmental activities	<u>\$ 2,257,579</u>
Business-type activities	
Water works	\$ 546,759
Solid waste	100,521
Airport	84,884
Total depreciation expense - business-type activities	<u>\$ 732,164</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11: Capital Assets (Continued)

Discretely Presented Component Units - Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance at</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>Balance at</u> <u>June 30, 2012</u>
Discretely presented component unit:					
Harris County Development Authority					
Capital assets not depreciable:					
Land	\$ 34,341	\$ 0	\$ 0	\$ 0	\$ 34,341
Construction in progress	<u>3,024,875</u>	<u>1,451,451</u>	<u>0</u>	<u>0</u>	<u>4,476,326</u>
Total capital assets, not depreciable	<u>\$ 3,059,216</u>	<u>\$ 1,451,451</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,510,667</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12: Noncurrent Liabilities

A summary of changes in noncurrent liabilities for 2012 follows:

Primary Government		Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due within one year	Due after one year
Governmental Activities:							
Loan payable	\$ 1,790,334	\$ 0	\$ (91,420)	\$ 1,698,914	\$ 94,366	\$ 1,604,548	
Revenue bond, net of discount	8,188,704	0	(392,312)	7,796,392	320,000	7,476,392	
Capital lease obligations	46,680	0	(22,938)	23,742	23,742	0	
Compensated absences	264,426	0	(8,871)	255,555	51,111	204,444	
Totals	10,290,144	0	(515,541)	9,774,603	489,219	9,285,384	
Business-Type Activities:							
Loan payable	\$ 128,205	\$ 0	\$ (10,256)	\$ 117,949	\$ 10,256	\$ 107,693	
Revenue bonds, including premium	8,379,011	0	(337,681)	8,041,330	345,000	7,696,330	
Compensated absences	51,069	3,275	0	54,344	10,869	43,475	
Postclosure liability	309,700	0	(14,500)	295,200	22,680	272,520	
Totals	8,867,985	3,275	(362,437)	8,508,823	388,805	8,120,018	
Totals - primary government							
	\$ 19,158,129	\$ 3,275	\$ (877,978)	\$ 18,283,426	\$ 878,024	\$ 17,405,402	
Discretely presented component unit - Development Authority:							
Bond payable	\$ 10,888,045	\$ 0	\$ (307,313)	\$ 10,580,732	\$ 354,920	\$ 10,225,812	

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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:			
2013	\$ 94,366	\$ 49,590	\$ 143,956
2014	97,156	46,801	143,957
2015	100,111	43,846	143,957
2016	103,091	40,867	143,958
2017	106,354	37,603	143,957
2018-2022	581,969	137,817	719,786
2023-2027	615,867	44,064	659,931
Totals	<u>\$ 1,698,914</u>	<u>\$ 400,588</u>	<u>\$ 2,099,502</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12: Noncurrent Liabilities (Continued)

Revenue Bonds – Blended Component Unit

Harris County Public Improvements Authority

At June 30, 2012, 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 in compliance with all debt covenants. Payments are 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%. As of June 30, 2012, debt service requirements for principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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	355,000	318,179	673,179
2018-2022	1,900,000	1,382,683	3,282,683
2023-2027	2,205,000	906,219	3,111,219
2028-2030	<u>2,060,000</u>	<u>252,230</u>	<u>2,312,230</u>
Totals	7,845,000	<u>\$ 4,220,762</u>	<u>\$ 12,065,762</u>
Amortized bond discount	(48,608)		
Revenue bonds including discount	<u>\$ 7,796,392</u>		

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12: Noncurrent Liabilities (Continued)

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, 2012 totaled \$159,982 and \$93,323, respectively. The present value of future minimum capital lease payments as of June 30, 2012 is \$23,742. Annual payments totaling \$24,188 due during June 30, 2013 remain with approximately \$446 of this amount representing interest.

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, 2012 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:			
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	10,256	0	10,256
2018-2022	51,280	0	51,280
2023-2026	15,389	0	15,389
Totals	<u>\$ 117,949</u>	<u>\$ 0</u>	<u>\$ 117,949</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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	410,000	308,538	718,538
2018	435,000	287,413	722,413
2019-2023	2,505,000	1,081,565	3,586,565
2024-2028	3,185,000	392,470	3,577,470
Totals	8,000,000	<u>\$ 3,492,925</u>	<u>\$ 11,492,925</u>
Amortized bond premium	41,330		
Revenue bonds including premium	<u>\$ 8,041,330</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, 2012

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, 2012, the County has recorded a liability totaling \$295,200, 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, 2012

NOTE 12: Noncurrent Liabilities (Continued)

Revenue Bonds – Discretely Presented Component Unit

Harris County Development Authority

At June 30, 2012, 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%.	\$ 324,920	\$ 4,740,812
Revenue Bonds Series 2010, due in semiannual installments commencing August 1, 2011 through August 1, 2031. Interest accrues at 4.49%.	<u>30,000</u>	<u>5,485,000</u>
Total Revenue Bonds - Authority	<u>\$ 354,920</u>	<u>\$ 10,225,812</u>

As of June 30, 2012, debt service requirements for principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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	441,083	437,921	879,004
2018-2022	3,373,900	1,398,542	4,772,442
2023-2027	2,070,000	1,031,353	3,101,353
2028-2032	<u>3,155,000</u>	<u>290,840</u>	<u>3,445,840</u>
Totals	<u>\$ 10,580,732</u>	<u>\$ 5,133,628</u>	<u>\$ 15,714,360</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, the County collected \$58,227 and remitted \$41,748, or approximately 72% of the receipts to the Chamber and the DNR.

NOTE 14: Fund Balance

At June 30, 2012, fund balance consists of the following classifications as described in Note 2:

	General	PIA	2009 SPLOST	Other Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Inventories	\$ 397,218	\$ 0	\$ 0	\$ 0	\$ 397,218
Prepaid assets	173,627	0	0	0	173,627
	570,845	0	0	0	570,845
Restricted for:					
Debt service	0	450,917	0	24,560	475,477
Capital projects	0	1,080,016	4,884,686	894,649	6,859,351
Law library	0	0	0	45,033	45,033
Drug abuse treatment and education	0	0	0	59,090	59,090
Jail fee fund	0	0	0	351,750	351,750
	0	1,530,933	4,884,686	1,375,082	7,790,701
Assigned to:					
Public safety	120,000	0	0	0	120,000
Public works	61,000	0	0	0	61,000
Health and welfare	0	0	0	143,426	143,426
Culture and recreation	58,340	0	0	142	58,482
	239,340	0	0	143,568	382,908
Unassigned	12,474,034	0	0	0	12,474,034
Total fund balances	\$ 13,284,219	\$ 1,530,933	\$ 4,884,686	\$ 1,518,650	\$ 21,218,488

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

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 available to defend and protect the members of the pool against liability or loss as prescribed in the member government contract. The funds are available 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.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, 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, 2012, there were 192 participants in the plan. The employees are 100 percent vested in their contributions. Plan assets are not available to participants until termination, retirement, death, or unforeseeable emergency. For the year ended June 30, 2012, contributions totaled \$151,042.

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 \$2,373,918 at June 30, 2012. Investments are participant-directed from a choice of 62 mutual funds. Investments in 6 of the mutual funds each represented 5 percent or more of the net assets of the plan as of June 30, 2012.

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 \$2,163,631 at June 30, 2012. Investments are participant-directed from a choice of a guaranteed interest account and 15 mutual funds. Investments in 6 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, 2012.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

Employees are 100 percent vested in the County's contributions after three years of service. At June 30, 2012, 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, 2012, there were no employee contributions and the County's expense totaled approximately \$220,000.

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.

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.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

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.

Participant counts as of January 1, 2011 (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	65
Terminated plan participants entitled to future benefits	82
Active employees participating in the Plan	<u>176</u>
Total number of Plan participants	<u><u>323</u></u>
Covered compensation for active participants	<u><u>\$ 6,704,931</u></u>

Contributions - The County made the required contribution of \$539,910 during the year ending June 30, 2012 which represents 8.1% 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, 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.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

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, 2011. 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.

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.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

Funding Status and Progress – As of January 1, 2011, the actuarial accrued liability for benefits was \$8,423,448, and the actuarial value of assets was \$6,633,679, resulting in an unfunded liability (“UAAL”) of \$2,089,769. The actuarial value of assets is 76% of the actuarial accrued liability. The UAAL is 31.2% of the annual covered payroll of \$6,704,931. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker; generally, the greater this percentage, the stronger the Plan.

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

Historical Trend Information - Historical trend information, designed to provide information about public employee retirement system's progress made in accumulating sufficient assets to pay benefits when due, is presented on the following table. The information is presented for the December 31, 2011 Plan year-end.

Three Year Trend Information

<u>Fiscal Beginning January 1,</u>	<u>Annual Pension Costs (APC)</u>	<u>Annual County Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>(Increase) / Decrease in Net Pension Obligation</u>
2009	\$ 489,727	\$ 481,363	98%	\$ 4,546	\$ 8,364
2010	515,148	502,999	98%	12,910	12,149
2011	555,559	539,910	97%	25,059	15,649

Annual pension cost for 2011 includes interest of \$1,942, and amortization of net pension obligation of (\$2,078).

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

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.

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, 2012, the prorated amount totaled \$46,250.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 17: Commitments and Contingencies (Continued)

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, 2012, the remaining potential reimbursement was \$333,333.

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, 2012, the potential reimbursement is \$421,909.

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

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

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 18: Subsequent Events

During 2012, the County was awarded grant funds of \$512,000. 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. This project has not begun as of June 30, 2012 and the grant period extended through the 2013 fiscal year. The grant revenue will be recognized as the expenditures are occurred.

The County was awarded grant funding of \$500,000 for water system and road improvements to be expended over two years.

In September 2012, the County issued refunding bonds in the amount of \$7.8 million to refund the HCWW revenue bonds. The HCWW filter plant is collateral for the bonds.

HARRIS COUNTY, GEORGIA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2012

Defined Benefit Pension Plan

Required Supplementary Information Analysis of Funding Progress

Measurement Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1) / (2)	Unfunded AAL (UAAL) (2) - (1)	Annual Covered Payroll (Prior Year)	UAAL as a Percentage of Covered Payroll (4) / (5)
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%
2011	6,633,679	8,723,448	76.00%	2,089,769	6,704,931	31.20%

HARRIS COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2012

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		
		Prior Years	Current Year	Total
Road improvements	\$ 5,207,000	\$ 3,313,443	\$ 0	\$ 3,313,443
Parking deck	250,000	57,661	0	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	2,710	127,060
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	\$ 8,978,547	\$ 2,710	\$ 8,981,257

During fiscal year 2004, the County began collections of a five year special sales tax which expired in May 2009. The County

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		
		Prior Years	Current Year	Total
Cities				
Hamilton	\$ 173,000	\$ 173,000	\$ 0	\$ 173,000
Pine Mountain	436,000	435,981	0	435,981
Shiloh	165,000	162,118	0	162,118
Waverly Hall	276,000	532,749	0	532,749
West Point	276,000	19,250	0	19,250
Parks	600,000	144,425	0	144,425
Economic Development	3,500,000	3,537,233	0	3,537,233
Walking Trail	100,000	26,230	7,428	33,658
Community Center	800,000	800,000	0	800,000
EMS & Fire Services	500,000	335,273	116,698	451,971
Roads	7,174,000	6,255,109	20,778	6,275,887
Totals	\$ 14,000,000	\$ 12,421,368	\$ 144,904	\$ 12,566,272

HARRIS COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2012

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

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		
		Prior Years	Current Year	Total
Economic Development	\$ 2,000,000	\$ 0	\$ 363,118	\$ 363,118
Library	1,500,000	0	0	0
Recreation	2,200,000	133,521	599,214	732,735
EMS/Fire	2,000,000	2,375	544,885	547,260
Roads	10,930,000	140,000	0	140,000
Cities				
Hamilton	350,000	90,699	30,798	121,497
Pine Mountain	765,000	382,500	191,250	573,750
Shiloh	290,000	234,061	11,673	245,734
Waverly Hall	500,000	233,458	164,557	398,015
West Point	465,000	232,500	0	232,500
Totals	<u>\$ 21,000,000</u>	<u>\$ 1,449,114</u>	<u>\$ 1,905,495</u>	<u>\$ 3,354,609</u>

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

Year began	Authorized 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>\$ 8,981,257</u>	<u>\$ 279,871</u>
2004	<u>\$ 14,000,000</u>	<u>\$ 12,558,478</u>	<u>\$ 622,572</u>	<u>\$ 12,566,272</u>	<u>\$ 614,778</u>
2009	<u>\$ 21,000,000</u>	<u>\$ 8,221,573</u>	<u>\$ 17,722</u>	<u>\$ 3,354,609</u>	<u>\$ 4,884,686</u>

DEVELOPMENT AUTHORITY OF HARRIS COUNTY
HARRIS COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF ONEGEORGIA EDGE FUND AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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

See Independent Auditor's 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, 2012, which collectively comprise Harris County, Georgia's basic financial statements and have issued our report thereon dated November 20, 2012. Our opinion is based upon our audit and the report of other auditors of the discretely presented component unit, the Harris County Health Department. 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 Harris County, Georgia'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 Harris County, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harris County, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and responses, item 12-1, to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, item 12-2, to be a significant deficiency.

Compliance and Other Matters

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

Harris County, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Harris County, Georgia'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 Harris County Board of Commissioners and grant 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 20, 2012

HARRIS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

MATERIAL WEAKNESS

12-1 Cash receipts procedures at Harris County Water Works

Condition and Criteria – During the year ended June 30, 2012, various cash receipts control processes at the Water Works office were compromised.

Cause – Lack of timely reconciliations of daily cash receipts per the billing systems to batch deposits, and the general ledger, and collusion among employees bypassed various controls regarding cash receipts.

Effect – Increased risk resulting in misappropriation of County assets.

Recommendation – Batch deposits of cash receipts should be reconciled daily to the billing system transaction register and to the general ledger on a timely basis. This control was reactivated later in the year. Management should identify risks of collusion at the Water Works and throughout County offices. Management should establish appropriate monitoring processes to provide oversight to prevent collusion and ensure controls are operating effectively.

Response – Management concurs with the auditor's recommendation and will provide appropriate oversight. Management has reinforced reconciliation processes and procedures at the Harris County Water Works and continues to monitor this procedure.

HARRIS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

SIGNIFICANT DEFICIENCY

12-2 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 and provide management oversight where practical.

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