

**HARRIS COUNTY, GEORGIA
FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

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Independent Auditor's Report

Harris County Board of Commissioners
Harris County, Georgia

Report on the Financial Statements

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 (the "County"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 ("Health Department"), which represents 0.51% and 2.34% of the net position and revenues, respectively, of the governmental activities, the business-type activities, and the aggregate discretely presented 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 Health Department, is based solely 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 from material misstatement.

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

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 13 and other required supplementary information on page 68 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary schedules (pages 69 – 71) are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014 on our consideration of the County'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Robinson, Grimes + Company, P.C.

Certified Public Accountants

February 24, 2014



HARRIS COUNTY BOARD OF COMMISSIONERS

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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, 2013. 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, 2013 and 2012.

	Governmental activities		Business activities		Total	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Current and other assets	\$ 25,852,657	\$ 24,992,209	\$ 7,592,301	\$ 6,742,388	\$ 33,444,958	\$ 31,734,597
Capital assets	40,651,766	41,726,630	18,669,077	18,603,102	59,320,843	60,329,732
Total assets	<u>\$ 66,504,423</u>	<u>\$ 66,718,839</u>	<u>\$ 26,261,378</u>	<u>\$ 25,345,490</u>	<u>\$ 92,765,801</u>	<u>\$ 92,064,329</u>
Current and other liabilities	\$ 678,729	\$ 2,022,067	\$ 673,287	\$ 746,326	\$ 1,352,016	\$ 2,768,393
Noncurrent liabilities	9,350,013	9,774,603	8,435,542	8,508,823	17,785,555	18,283,426
Total liabilities	<u>10,028,742</u>	<u>11,796,670</u>	<u>9,108,829</u>	<u>9,255,149</u>	<u>19,137,571</u>	<u>21,051,819</u>
Net position						
Invested in capital assets, net of related debt	33,223,459	33,964,301	10,566,670	10,443,823	43,790,129	44,408,124
Restricted	8,605,960	7,319,309	227,103	237,802	8,833,063	7,557,111
Unrestricted	14,646,262	13,638,559	6,358,776	5,408,716	21,005,038	19,047,275
Total net position	<u>56,475,681</u>	<u>54,922,169</u>	<u>17,152,549</u>	<u>16,090,341</u>	<u>73,628,230</u>	<u>71,012,510</u>
Total liabilities and net position	<u>\$ 66,504,423</u>	<u>\$ 66,718,839</u>	<u>\$ 26,261,378</u>	<u>\$ 25,345,490</u>	<u>\$ 92,765,801</u>	<u>\$ 92,064,329</u>
	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2013	For the year ended June 30, 2012
Revenues						
Program revenues						
Charges for services	\$ 4,654,891	\$ 4,603,334	\$ 6,262,514	\$ 6,171,347	\$ 10,917,405	\$ 10,774,681
Operating grants and contributions	108,151	357,449	0	0	108,151	357,449
Capital grants and contributions	582,972	515,509	174,939	80,418	757,911	595,927
General Revenues						
Property taxes	7,080,258	7,000,452	0	0	7,080,258	7,000,452
Sales taxes	4,949,905	4,774,515	0	0	4,949,905	4,774,515
Other taxes and revenues	2,506,095	3,008,155	66,117	26,712	2,572,212	3,034,867
Total program and general revenues	<u>19,882,272</u>	<u>20,259,414</u>	<u>6,503,570</u>	<u>6,278,477</u>	<u>26,385,842</u>	<u>26,537,891</u>
Expenses						
General government	4,221,073	4,178,034	0	0	4,221,073	4,178,034
Judicial	938,804	938,775	0	0	938,804	938,775
Public safety	8,268,312	8,190,672	0	0	8,268,312	8,190,672
Public works	2,391,808	3,422,305	0	0	2,391,808	3,422,305
Health and welfare	291,821	295,915	0	0	291,821	295,915
Culture and recreation	1,175,943	679,880	0	0	1,175,943	679,880
Housing and development	311,291	567,451	0	0	311,291	567,451
Intergovernmental	275,078	493,559	0	0	275,078	493,559
Interest	400,937	414,633	0	0	400,937	414,633
Water	0	0	3,754,545	4,014,429	3,754,545	4,014,429
Solid Waste	0	0	1,386,657	1,498,491	1,386,657	1,498,491
Airport	0	0	353,853	352,660	353,853	352,660
Total expenses	<u>18,275,067</u>	<u>19,181,224</u>	<u>5,495,055</u>	<u>5,865,580</u>	<u>23,770,122</u>	<u>25,046,804</u>
Excess before transfers	1,607,205	1,078,190	1,008,515	412,897	2,615,720	1,491,087
Transfers in (out)	(53,693)	(24,035)	53,693	24,035	0	0
Change in net position	1,553,512	1,054,155	1,062,208	436,932	2,615,720	1,491,087
Net position, beginning	54,922,169	53,868,014	16,090,341	15,653,409	71,012,510	69,521,423
Net position, ending	<u>\$ 56,475,681</u>	<u>\$ 54,922,169</u>	<u>\$ 17,152,549</u>	<u>\$ 16,090,341</u>	<u>\$ 73,628,230</u>	<u>\$ 71,012,510</u>

Government Wide

The government-wide change in net position totaled \$2.6 million for the year ended June 30, 2013 compared to June 30, 2012. This increase was a result of the following:

Government Activities

Governmental activities experienced a \$1.55 million increase in net position during the year ended June 30, 2013 with no single significant activity or group of activities resulting in this increase. As of June 30, 2013, net position were approximately \$56.5 million, of which \$33.2 million is invested in capital assets net of related debt and \$8.6 million is restricted for future debt service and capital projects.

Business-type Activities

Net position for business-type activities increased \$1.06 million during the year ended June 30, 2013. Operations of the County's garbage collection system (Solid Waste) contributed approximately \$614,000 while the County's water system (Water Works) increased net position by approximately \$353,000. The airport increased net position by approximately \$95,000. As of June 30, 2013, net position was approximately \$17.2 million of which \$10.6 million is invested in capital assets net of related debt and \$227,000 is restricted for future debt service.

FINANCIAL RESULTS – FUND LEVEL

These factors affecting net position 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>2013</u>	<u>2012</u>
General Fund		
Revenues	\$ 15,875,254	\$ 15,795,394
Expenditures	<u>(14,800,830)</u>	<u>(15,469,611)</u>
Excess of revenues over expenditures	1,074,424	325,783
Other financing sources (uses)	<u>(168,626)</u>	<u>608,329</u>
Excess of revenues over expenditures and other financing sources	<u>\$ 905,798</u>	<u>\$ 934,112</u>

General Fund- Actual revenues increased \$80,000, or .5%, in 2013 over 2012 for the County's General Fund. Vehicle taxes decreased \$60,000 in 2013, and Local Option Sales Tax decreased \$119,000. These declines were partially offset by increases in Intangible Taxes, Insurance Premium Taxes collected, and Building Permits all totaling \$164,000. Property taxes decreased \$68,000 or 1% from the prior year; however Charges for Service increased 9%, or \$204,000 due to increases in ambulance fees, inmate boarding revenues, and increases in Community Center Membership.

Expenditures for the year 2013 decreased \$669,000, or 4.3% from the year 2012. This is primarily due to an \$834,000 decrease in road expenditures and a substantial decrease in facilities repair expense of \$464,000, which included \$93,000 of additional expense relating to the prior year tornado. These decreases were partially offset by increases in personnel expenses of \$411,000 driven by the opening of the community center, increase in benefits expense, and increase in appropriated fund spending of \$86,000. Spending in public safety increased \$234,000 for new radio equipment.

	<u>2013</u>	<u>2012</u>
Water Works		
Operating revenues	\$ 4,104,324	\$ 3,973,454
Operating expenses	<u>(3,509,690)</u>	<u>(3,622,856)</u>
Operating income	594,634	350,598
Nonoperating expenses	<u>(241,359)</u>	<u>(384,858)</u>
Change in net position	<u>\$ 353,275</u>	<u>\$ (34,260)</u>

Water Works- The Water Works reported a \$244,036 increase in operating income compared to last year. Revenues increased \$131,000, or 3.3% in 2013 over 2012. This increase is primarily due to increased water usage by an industrial customer. Operating expenses for the year decreased approximately \$113,000, or 3.1%, primarily due to decreased expenditures in repairs and maintenance to existing infrastructures totaling \$232,000. These savings were reduced due to increases in personnel costs and outside water purchases of \$50,000 and \$96,000 respectively. The increase in revenues and decrease in expenses above combined with \$143,000 decrease in non-operating expenses resulted in a \$388,000 increase in net position, as compared with the prior year loss of \$34,260. The change in non-operating expense is mainly driven by the reduction in interest payments on the new revenue bond.

	2013	2012
Solid Waste		
Operating revenues	\$ 1,937,761	\$ 1,953,204
Operating expenses	(1,385,050)	(1,498,491)
Operating income	552,711	454,713
Nonoperating revenues	61,014	19,997
Change in net position	\$ 613,725	\$ 474,710

Solid Waste- Solid Waste operating revenues decreased \$15,000, or .8% in 2013 over 2012 due to slowed growth in the County as a result of the current economic climate. Operating expenses decreased by \$113,000, or 7.6%. This was primarily due to repairs made to the transfer station in FY2012 totaling \$95,000 that were not repeated in 2013. Most expense categories for the year were less than 2012 spending, with the exception of Salaries and benefits which increased \$28,000. The increase in Non-operating revenue of \$41,000 is due to an insurance reimbursement for a fully depreciated dump truck that was damaged in 2012.

	2013	2012
Airport		
Operating revenues	\$ 220,429	\$ 244,689
Operating expenses	(353,853)	(352,660)
Operating loss	(133,424)	(107,971)
Nonoperating revenues	174,939	80,418
Transfers in	53,693	24,035
Change in net position	\$ 95,208	\$ (3,518)

Airport – Revenues at the airport declined 10%, or \$24,000 over the prior year. The revenue decline was mainly due to the increased aggressiveness on pricing in order to compete with other local airports. Operating expenses were flat year over year; however non operating revenues increased \$94,500 due to grant funds received in 2013.

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 the fiscal year ending June 30, 2013, no budget amendments were made. The actual results for the year were an increase in expenses from budget of \$6,000, offset by an increase in general fund revenues of \$995,000 from budget.

Revenues of the County were \$995,000, or 6.7% higher than budgeted. Positive budget variances were in Community Center Membership, penalties, permits, delinquent taxes, and insurance premium tax. The largest positive budget variance was grant revenue received from DOT in the amount of \$456,000. Negative budget variances offsetting these increases include property taxes, Federal Prison Commission, and Cable TV taxes.

Expenditures for the year 2013 were higher than budgeted amounts by \$6,308. The most significant drivers of the general fund budget variances were spending in the general government and recreation. General government spent nearly \$358,000 of unbudgeted funds for communications equipment. Recreation spent \$48,000 of unbudgeted funds in 2013, mainly due to the re-opening of the FDR pool. The majority of the remaining negative variances were small operational variances. These additional expenses were offset with lower than budget salary expense of \$248,000, and decreased utility expenses \$98,000. Other positive budget variances were in Fire Services, Correctional Institution and the Sheriff's department, with budget variances of \$123,000, \$40,000, and approximately \$29,000 respectively.

CAPITAL ASSET AND LONG TERM DEBT ACTIVITY

At the end of 2013, the County had \$59.3 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, 2013, \$40.6 million was invested in capital assets. Net depreciation expense for the year was \$2.38 million. Acquisitions during the year totaled \$1.31 million. There were no material net disposals. The major acquisitions are detailed below:

(In Millions)

Equipment	\$.567
CIP –	<u>.738</u>
	<u>\$ 1.305</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 \$94,367 were made on these funds. In addition, the costs related to this debt are reimbursed by the Ida Cason Callaway Foundation. Additional information can be found in the Notes to the financial statements.

Business-type Activities

At June 30, 2013, a total of \$18.7 million was invested in capital assets with the majority of this being at the Water Works. Net depreciation expense on these assets amounted to approximately \$732,000 for the year. Approximately \$180,000 of projects were added to CIP for the Airport Taxi-Way in 2013.

In the fiscal year ending in 2013, a total of \$7.8 million in Harris County Water System Revenue Bonds were issued and used to retire approximately \$7.6 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, with the exception of a capital lease obligation in the amount of \$296,000, and principal payments of \$110,000 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 issued in 2012 to fund an expansion of this building. Principal payments of \$355,000 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.

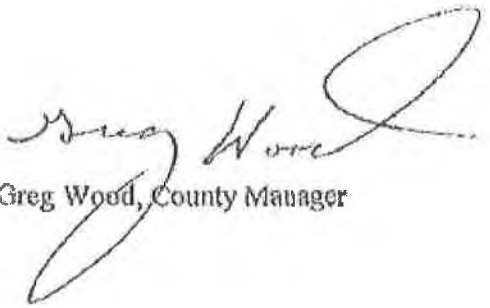
In the fiscal year ended 2011, the Harris County Public Improvements Authority issued \$8.2 million in bonds to construct a community center building for the County. Principal payments of approximately \$317,000 were made in the current year. The County plans to initially service the debt with SPLOST 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 2019 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.



Greg Wood, County Manager

HARRIS COUNTY, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 21,068,765	\$ 5,984,729	\$ 27,053,494
Restricted cash and cash equivalents	1,424,981	646,340	2,071,321
Receivables			
Accounts	210,450	476,502	686,952
Taxes	259,991	0	259,991
Notes	1,588,578	0	1,588,578
Lease	0	0	0
Due (to) from other funds	(18,852)	18,852	0
Due from component unit	15	0	15
Due from other governments	576,552	0	576,552
Prepaid expenses	150,355	0	150,355
Other assets	148,974	210,031	359,005
Inventories-parts and supplies	442,848	255,847	698,695
Capital assets, non depreciable	14,939,087	1,052,620	15,991,707
Capital assets, depreciable, net of accumulated depreciation	25,712,679	17,616,457	43,329,136
Total assets	66,504,423	26,261,378	92,765,801
LIABILITIES			
Accounts payable	43,463	118,669	162,132
Construction expense payable	0	86,890	86,890
Other accrued expenses	445,610	52,953	498,563
Due to primary government	0	0	0
Customer deposits	0	414,775	414,775
Interest payable	148,948	0	148,948
Deferred revenue	0	0	0
Net pension obligation	40,708	0	40,708
Noncurrent liabilities:			
Due within one year	475,433	492,165	967,598
Due after one year	8,874,580	7,943,377	16,817,957
Total liabilities	10,028,742	9,108,829	19,137,571
NET POSITION			
Invested in capital assets, net of related debt	33,223,459	10,566,670	43,790,129
Restricted for:			
Capital projects	7,180,376	0	7,180,376
Debt service	1,425,584	227,103	1,652,687
Special use	0	0	0
Unrestricted	14,646,262	6,358,776	21,005,038
Total net position	\$ 56,475,681	\$ 17,152,549	\$ 73,628,230

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

DISCRETELY PRESENTED
COMPONENT UNITS

HEALTH DEPARTMENT	DEVELOPMENT AUTHORITY
\$ 435,344	\$ 32,359
0	503,179
4,663	0
0	0
0	0
0	12,555,577
0	0
0	0
0	0
0	0
0	0
0	0
0	4,510,667
0	0
440,007	17,601,782
275	0
0	0
0	0
0	15
0	0
0	147,012
0	2,753,909
0	0
4,021	373,540
36,190	9,852,273
40,486	13,126,749
0	4,510,667
0	78,409
0	424,770
194,920	0
204,601	(538,813)
\$ 399,521	\$ 4,475,033

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, 2013

Functions/Programs	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary government:				
Governmental activities:				
General government	\$ 4,221,073	\$ 952,905	\$ 34,590	\$ 0
Judicial	938,804	992,299	0	0
Public safety	8,268,312	2,298,445	9,607	0
Public works	2,391,808	35,378	63,954	0
Health and welfare	291,821	12,000	0	0
Culture and recreation	1,175,943	163,844	0	5,000
Housing and development	311,291	150,730	0	0
Intergovernmental	275,078	0	0	456,021
Interest	400,937	49,290	0	121,951
Total governmental activities	18,275,067	4,654,891	108,151	582,972
Business-type activities:				
Water Works	3,754,545	4,104,324	0	0
Solid Waste	1,386,657	1,937,761	0	0
Airport	353,853	220,429	0	174,939
Total business-type activities	5,495,055	6,262,514	0	174,939
Total primary government	\$ 23,770,122	\$ 10,917,405	\$ 108,151	\$ 757,911
Component units:				
Health Department	\$ 593,965	\$ 250,148	\$ 434,735	\$ 0
Development Authority	2,038,743	565,167	0	1,637,464
Total component units	\$ 2,632,708	\$ 815,315	\$ 434,735	\$ 1,637,464
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 position				
Net position - beginning				
Net position - ending				

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	HEALTH DEPARTMENT	DEVELOPMENT AUTHORITY
\$ (3,233,578)	\$ 0	\$ (3,233,578)	\$ 0	\$ 0
53,495	0	53,495	0	0
(5,960,260)	0	(5,960,260)	0	0
(2,292,476)	0	(2,292,476)	0	0
(279,821)	0	(279,821)	0	0
(1,007,099)	0	(1,007,099)	0	0
(160,561)	0	(160,561)	0	0
180,943	0	180,943	0	0
(229,696)	0	(229,696)	0	0
(12,929,053)	0	(12,929,053)	0	0
0	349,779	349,779	0	0
0	551,104	551,104	0	0
0	41,515	41,515	0	0
0	942,398	942,398	0	0
(12,929,053)	942,398	(11,986,655)	0	0
			90,918	0
			0	163,888
			90,918	163,888
7,080,258	0	7,080,258	0	0
569,245	0	569,245	0	0
4,949,905	0	4,949,905	0	0
1,239,536	0	1,239,536	0	0
647,253	0	647,253	0	0
50,061	24,867	74,928	0	0
0	41,250	41,250	0	0
(53,693)	53,693	0	0	0
14,482,565	119,810	14,602,375	0	0
1,553,512	1,062,208	2,615,720	90,918	163,888
54,922,169	16,090,341	71,012,510	308,603	4,311,145
\$ 56,475,681	\$ 17,152,549	\$ 73,628,230	\$ 399,521	\$ 4,475,033

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

HARRIS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	CAPITAL PROJECTS FUNDS			NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
ASSETS					
Cash and cash equivalents	\$ 13,248,663	\$ 0	\$ 5,553,214	\$ 2,266,888	\$ 21,068,765
Cash and cash equivalents, restricted	0	1,400,420	0	24,561	1,424,981
Receivables, net					
Accounts	60,742	0	1,187	148,521	210,450
Taxes	259,991	0	0	0	259,991
Due from other funds	581,898	16,572	127,436	0	725,906
Due from component unit	15	0	0	0	15
Due from other governments	232,753	0	219,830	73,222	525,805
Prepaid expenses	150,355	0	0	0	150,355
Inventories-parts and supplies	442,848	0	0	0	442,848
Total assets	<u>\$ 14,977,265</u>	<u>\$ 1,416,992</u>	<u>\$ 5,901,667</u>	<u>\$ 2,513,192</u>	<u>\$ 24,809,116</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,375	\$ 0	\$ 25,507	\$ 10,581	\$ 43,463
Other accrued expenses	436,574	0	0	9,036	445,610
Deferred revenue	92,082	0	0	0	92,082
Due to other funds	251,217	0	0	493,541	744,758
Total liabilities	<u>787,248</u>	<u>0</u>	<u>25,507</u>	<u>513,158</u>	<u>1,325,913</u>

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

HARRIS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	CAPITAL PROJECTS FUNDS			NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
Fund balances (Note 14):					
Nonspendable	593,203	0	0	0	593,203
Restricted	0	1,416,992	5,876,160	1,843,768	9,136,920
Assigned	502,678	0	0	156,266	658,944
Unassigned	13,094,136	0	0	0	13,094,136
 Total fund balances	 14,190,017	 1,416,992	 5,876,160	 2,000,034	 23,483,203
 Total liabilities and fund balances	 \$ 14,977,265	 \$ 1,416,992	 \$ 5,901,667	 \$ 2,513,192	

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. 40,651,766

Other long-term assets are not available to pay for current period expenditures and are deferred in the funds:

Callaway Foundation (Note 6)	1,588,578	
Deferred tax revenue	92,082	
Federal credit subsidy receivable	50,747	
Bond issuance costs, net	148,974	1,880,381

Long-term liabilities, including capital lease payments and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:

Public Improvement Authority Build America Bonds, net of amortized discount	(7,479,080)	
Loan payable - Callaway Foundation	(1,604,547)	
Accrued compensated absences	(266,386)	
Interest payable on long term debt	(148,948)	
Net pension obligation	(40,708)	(9,539,669)
Net position of governmental activities		\$ 56,475,681

HARRIS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	CAPITAL PROJECTS FUNDS			NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
REVENUES					
Fees and fines	\$ 1,133,891	\$ 0	\$ 0	\$ 102,977	\$ 1,236,868
Property taxes	7,023,690	0	0	0	7,023,690
Taxes and licenses	4,516,015	0	2,599,528	482,796	7,598,339
Intergovernmental	564,172	0	0	0	564,172
Charges for services	2,480,668	0	0	579,449	3,060,117
Interest income	40,102	152	9,830	49,268	99,352
Other income	116,716	127,745	0	94,818	339,279
Total revenues	15,875,254	127,897	2,609,358	1,309,308	19,921,817
EXPENDITURES					
Current:					
General government	4,390,576	0	0	40,855	4,431,431
Judicial	952,330	0	0	485	952,815
Public safety	6,589,992	0	0	741,193	7,331,185
Public works	1,463,066	0	0	0	1,463,066
Health and welfare	291,526	0	0	295	291,821
Culture and recreation	862,151	0	0	0	862,151
Housing and development	227,001	0	0	0	227,001
Intergovernmental	0	0	269,809	5,269	275,078
Debt Service:					
Principal	23,742	320,000	0	94,367	438,109
Interest	446	350,700	0	49,589	400,735
Capital outlay	0	121,225	797,988	10,804	930,017
Total expenditures	14,800,830	791,925	1,067,797	942,857	17,603,409
Excess (deficiency) of revenues over (under) expenditures	1,074,424	(664,028)	1,541,561	366,451	2,318,408
OTHER FINANCING SOURCES (USES)					
Transfers in	15,734	550,087	0	130,667	696,488
Transfers out	(184,360)	0	(550,087)	(15,734)	(750,181)
Total other financing sources (uses)	(168,626)	550,087	(550,087)	114,933	(53,693)

HARRIS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

		CAPITAL PROJECTS FUNDS			
		PUBLIC		NONMAJOR	TOTAL
	GENERAL FUND	IMPROVEMENTS	2009 SPLOST	GOVERNMENTAL	GOVERNMENTAL
		AUTHORITY		FUNDS	FUNDS
Net change in fund balances	905,798	(113,941)	991,474	481,384	2,264,715
Fund balances, beginning	13,284,219	1,530,933	4,884,686	1,518,650	
Fund balances, ending	<u>\$ 14,190,017</u>	<u>\$ 1,416,992</u>	<u>\$ 5,876,160</u>	<u>\$ 2,000,034</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	1,305,275	
Depreciation expense	(2,379,639)	
Distributions and other disposal of capital assets	(500)	
Net adjustment		(1,074,864)

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 Position. (Note 6) (94,818)

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. 56,569

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) (793)

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 the 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 reduces bonds payable in the Statement of Net Position. 317,312

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 Position. 94,367

The payment of capital leases is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. 23,742

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. (10,831)

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 in the Statement of Activities. 2,486

The net pension obligation is not due and payable in the current period and therefore is not reported in the funds. This amount is the net change for the year. (15,649)

Change in net position of governmental activities \$ 1,553,512

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
REVENUES				
Fees and fines	\$ 1,008,000	\$ 1,008,000	\$ 1,133,891	\$ 125,891
Property taxes	7,100,000	7,100,000	7,023,690	(76,310)
Taxes and licenses	4,360,500	4,360,500	4,516,015	155,515
Intergovernmental	7,100	7,100	564,172	557,072
Charges for services	2,257,150	2,257,150	2,480,668	223,518
Interest income	60,000	60,000	40,102	(19,898)
Other income	87,250	87,250	116,716	29,466
Total revenues	14,880,000	14,880,000	15,875,254	995,254
EXPENDITURES				
General government				
Administration	677,050	677,050	602,504	74,546
Tax commissioner	322,889	322,889	324,218	(1,329)
Extension services	76,964	76,964	65,825	11,139
Tax assessor	396,693	396,693	379,802	16,891
Facilities maintenance	498,427	498,427	433,274	65,153
Voter registration	57,603	57,603	62,565	(4,962)
Insurance expenditures	1,812,000	1,812,000	1,811,971	29
Operations	294,765	294,765	710,417	(415,652)
Total general government	4,136,391	4,136,391	4,390,576	(254,185)
Judicial				
Clerk of Superior Court	295,365	295,365	288,253	7,112
Probate court	162,235	162,235	162,928	(693)
Court services	293,560	293,560	284,184	9,376
Magistrate court	158,098	158,098	156,990	1,108
Assistant district attorney	56,250	56,250	59,975	(3,725)
Total judicial	965,508	965,508	952,330	13,178
Public safety				
Emergency medical services	1,506,345	1,506,345	1,495,200	11,145
Sheriff's department	2,430,346	2,430,346	2,401,800	28,546
Jail	1,305,761	1,305,761	1,266,046	39,715
Correctional institute	1,138,636	1,138,636	1,122,295	16,341
Fire protection	428,395	428,395	304,651	123,744
Total public safety	6,809,483	6,809,483	6,589,992	219,491
Public works				
Road maintenance	1,259,621	1,259,621	1,147,886	111,735
Vehicle maintenance operations	185,917	185,917	176,786	9,131
Animal shelter	43,585	43,585	138,394	(94,809)
Total public works	1,489,123	1,489,123	1,463,066	26,057

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and welfare				
Coroner	30,543	30,543	29,720	823
Child support	5,874	5,874	5,806	68
Health department	256,000	256,000	256,000	0
Total health and welfare	292,417	292,417	291,526	891
Culture and recreation				
Library	196,939	196,939	196,066	873
Pool	0	0	44,708	(44,708)
Community Center	209,634	209,634	247,931	(38,297)
Recreation department	407,882	407,882	373,446	34,436
Total culture and recreation	814,455	814,455	862,151	(47,696)
Housing and development				
County engineer	20,000	20,000	1,956	18,044
Building inspection	227,945	227,945	214,610	13,335
Economic development	15,000	15,000	10,435	4,565
Total housing and development	262,945	262,945	227,001	35,944
Debt service				
Principal and interest	24,200	24,200	24,188	12
Total expenditures	14,794,522	14,794,522	14,800,830	(6,308)
Excess of revenues over expenditures	85,478	85,478	1,074,424	988,946
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,734	734
Transfers out	(188,877)	(188,877)	(184,360)	4,517
Total other financing uses	(173,877)	(173,877)	(168,626)	5,251
Net change in fund balance	(88,399)	(88,399)	905,798	994,197
FUND BALANCE, BEGINNING	13,284,219	13,284,219	13,284,219	0
FUND BALANCE, ENDING	<u>\$ 13,195,820</u>	<u>\$ 13,195,820</u>	<u>\$ 14,190,017</u>	<u>\$ 994,197</u>

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

HARRIS COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTAL
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,302,459	\$ 3,682,270	\$ 0	\$ 5,984,729
Receivables, net	464,452	12,050	0	476,502
Due from other funds	0	15,246	91,963	107,209
Other assets	161,815	46,599	1,617	210,031
Inventories	200,959	0	54,888	255,847
Total current assets	3,129,685	3,756,165	148,468	7,034,318
Noncurrent assets:				
Restricted cash and cash equivalents	646,340	0	0	646,340
Capital assets, net	15,093,577	960,936	2,614,564	18,669,077
Total noncurrent assets	15,739,917	960,936	2,614,564	19,315,417
Total assets	18,869,602	4,717,101	2,763,032	26,349,735
LIABILITIES				
Current liabilities:				
Accounts payable	79,624	39,045	0	118,669
Construction expense payable	0	0	86,890	86,890
Other accrued expenses	44,810	7,511	632	52,953
Due to other funds	33,469	0	54,888	88,357
Customer deposits	414,775	0	0	414,775
Total current liabilities	572,678	46,556	142,410	761,644
Noncurrent liabilities:				
Compensated absences	40,606	13,354	0	53,960
Revenue bonds including premium	7,709,044	0	0	7,709,044
Capital lease	0	288,235	0	288,235
Other loans payable	105,128	0	0	105,128
Landfill closure/postclosure liability	0	279,175	0	279,175
Total noncurrent liabilities	7,854,778	580,764	0	8,435,542
Total liabilities	8,427,456	627,320	142,410	9,197,186
NET POSITION				
Invested in capital assets, net of related debt	7,279,405	672,701	2,614,564	10,566,670
Restricted for debt service	227,103	0	0	227,103
Unrestricted	2,935,638	3,417,080	6,058	6,358,776
Total net position	\$ 10,442,146	\$ 4,089,781	\$ 2,620,622	\$ 17,152,549

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTAL
OPERATING REVENUES				
Charges for services	\$ 4,104,324	\$ 1,937,761	\$ 220,429	\$ 6,262,514
OPERATING EXPENSES				
Salaries and related expenses	1,064,956	395,148	33,221	1,493,325
Utilities	177,691	9,235	8,588	195,514
Water purchases	643,600	0	0	643,600
Fuel, oil, and tires	64,762	165,370	211,464	441,596
Repairs and maintenance	505,060	58,661	5,808	569,529
Chemicals, small tools and supplies	108,222	2,078	0	110,300
Legal and professional	8,574	3,000	0	11,574
Tipping fees	0	502,455	0	502,455
Other general and administrative fees	377,982	129,416	9,888	517,286
Depreciation and amortization	558,843	119,687	84,884	763,414
Total operating expenses	3,509,690	1,385,050	353,853	5,248,593
Operating income (loss)	594,634	552,711	(133,424)	1,013,921
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of assets	0	41,250	0	41,250
Grant revenue	0	0	174,939	174,939
Interest income	3,496	21,371	0	24,867
Interest expense	(244,855)	(1,607)	0	(246,462)
Total nonoperating revenues (expenses)	(241,359)	61,014	174,939	(5,406)
Income before transfers	353,275	613,725	41,515	1,008,515
Transfers in	0	0	53,693	53,693
Change in net position	353,275	613,725	95,208	1,062,208
Total net position, beginning	10,088,871	3,476,056	2,525,414	16,090,341
Total net position, ending	\$ 10,442,146	\$ 4,089,781	\$ 2,620,622	\$ 17,152,549

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, 2013

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 4,119,394	\$ 1,939,770	\$ 220,429	\$ 6,279,593
Payments to suppliers	(2,089,460)	(866,181)	(235,747)	(3,191,388)
Payments to employees	(1,064,132)	(395,522)	(33,232)	(1,492,886)
Transfers from other funds	0	(166,532)	48,550	(117,982)
Net cash provided by operating activities	<u>965,802</u>	<u>511,535</u>	<u>0</u>	<u>1,477,337</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from federal grant	0	0	93,192	93,192
Proceeds from disposal of capital assets	0	41,250	0	41,250
Purchases of capital assets	(153,459)	(188,786)	(93,192)	(435,437)
Payments to fiscal agent for bond costs	(245,969)	0	0	(245,969)
Principal paid on capital debt	(122,821)	(7,903)	0	(130,724)
Interest paid on capital debt	<u>(260,960)</u>	<u>(1,607)</u>	<u>0</u>	<u>(262,567)</u>
Net cash used in capital and related financing activities	<u>(783,209)</u>	<u>(157,046)</u>	<u>0</u>	<u>(940,255)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends received	<u>3,875</u>	<u>20,814</u>	<u>0</u>	<u>24,689</u>
Net cash provided by investing activities	<u>3,875</u>	<u>20,814</u>	<u>0</u>	<u>24,689</u>
Net increase in cash and cash equivalents	186,468	375,303	0	561,771
Cash and cash equivalents, beginning (including \$656,106 reported in restricted accounts)	<u>2,762,331</u>	<u>3,306,967</u>	<u>0</u>	<u>6,069,298</u>
Cash and cash equivalents, ending (including \$646,340 reported in restricted accounts)	<u>\$ 2,948,799</u>	<u>\$ 3,682,270</u>	<u>\$ 0</u>	<u>\$ 6,631,069</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 594,634	\$ 552,711	\$ (133,424)	\$ 1,013,921
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	558,843	119,687	84,884	763,414
Changes in:				
Receivables, net	43,950	2,007	0	45,957
Inventories	(63,512)	0	0	(63,512)
Accounts payable	(137,219)	20,059	0	(117,160)
Other accrued expenses	1,661	(16,429)	(10)	(14,778)
Transfers to (from) other funds	(3,261)	(166,532)	48,550	(121,243)
Customer deposits	(28,880)	0	0	(28,880)
Other (net)	(414)	32	0	(382)
Total adjustments	<u>371,168</u>	<u>(41,176)</u>	<u>133,424</u>	<u>463,416</u>
Net cash provided by operating activities	<u>\$ 965,802</u>	<u>\$ 511,535</u>	<u>\$ 0</u>	<u>\$ 1,477,337</u>

Noncash transactions: Equipment purchase in the amount of \$296,138 by capital lease in the Solid Waste Fund.

HARRIS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2013

	AGENCY FUNDS
ASSETS	
Cash and cash equivalents	\$ 1,463,103
Receivables	335,048
Total assets	<u>\$ 1,798,151</u>
LIABILITIES	
Payable to others	<u>\$ 1,798,151</u>
Total liabilities	<u>\$ 1,798,151</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, 2013

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, 2013

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, 2013

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, 2013, the County paid \$28,524 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 position 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, 2013

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 ended June 30, 2013 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, 2013

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, 2013

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, 2013

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.

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.

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.

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 Position.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013

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, 2013

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, 2012, on the assessed value for all real and personal property as of January 1, 2012 and is recorded as revenue for the year ended June 30, 2013. Taxes were due December 20, 2012 following the levy date and became delinquent on December 21, 2012.

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 February 24, 2014, 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 following years, the Authority has 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, 2013.

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, 2013

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).

During 2013, the County, in agreement with JCG Foods of Georgia, LLC ("JCG"), applied for and accepted \$1,500,000 EDGE Funds from the State of Georgia to assist JCG Foods, Inc. in the purchase of equipment and machinery related to the expansion of the poultry processing facility in Harris County. The expansion is expected to create 700 new jobs, retain 700 existing jobs and invest \$8 million within 24 months of July 1, 2015. The total capital investment is expected to be approximately \$14 million.

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 was completed and opened 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 \$21,810. 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 subsidy is presented as other income on the statement of revenues, expenditures and changes in fund balances. The County has dedicated approximately \$2.2 million of proceeds to come from its 2009 SPLOST to service the debt.

The HCPIA issued bonds in September 2012 in the amount of \$7.81 million to refinance the Harris County Water Works 2002 Series Bonds. Debt service is funded by water and sewer revenues and the debt is accounted for in the Water Works Fund. (See Note 12.)

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

For the year ended June 30, 2013, various departmental expenditures exceeded budget as shown below. The County did not budget expenditures in operations related to inter-governmental grants received which were offset by approximately \$555,000 in non-budgeted grant revenue. The County also did not include in the current year budget for operations spending of approximately \$120,000 of appropriated fund balance. Other non-budgeted expenditures included expenditures for the pool and the animal shelter. Other departments were over budget due to various expenditures. All negative variances were covered by other funds that were under budget or non-budgeted revenues.

<u>Budgetary Department</u>	<u>Negative budget variances</u>
Tax Commissioner	\$ 1,329
Voter registration	4,962
Operations	415,652
Probate court	693
Assistant district attorney	3,725
Animal shelter	94,809
Pool	44,708
Community Center	38,297

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

Of the entire bank balance of \$31,065,098 (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, \$30,989,897 was either insured or collateralized with securities held by the County's agent in the County's name. The remaining \$75,201 held by the County, was uninsured and uncollateralized and found to be subject to custodial risk due to lack of collateral and depository insurance coverage as of June 30, 2013. The County did obtain collateral for these funds by July 31, 2013. 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, 2013

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	\$ 3,788,178	\$ 9,460,485	\$ 0	\$ 0	\$ 13,248,663
Public Improvements Authority	0	0	1,400,420	(1,400,420)	0
2009 SPLOST	2,307,214	3,246,000	0	0	5,553,214
Nonmajor Governmental Funds	2,291,449	0	0	(24,561)	2,266,888
Water Works	1,302,944	1,645,855	0	(646,340)	2,302,459
Solid Waste	942,270	2,740,000	0	0	3,682,270
Total Government-wide	10,632,055	17,092,340	1,400,420	(2,071,321)	27,053,494
Agency Funds	1,463,103	0	0	0	1,463,103
Total	<u>\$ 12,095,158</u>	<u>\$ 17,092,340</u>	<u>\$ 1,400,420</u>	<u>\$ (2,071,321)</u>	<u>\$ 28,516,597</u>

NOTE 6: Note Receivable

Primary Government – Governmental Activities

The note receivable of \$1,588,578 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, 2013

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:			
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	110,076	33,881	143,957
2019-2023	602,680	117,105	719,785
2024-2028	467,069	24,913	491,982
Totals	<u>\$ 1,588,578</u>	<u>\$ 342,975</u>	<u>\$ 1,931,553</u>

NOTE 7: Lease Receivable

Component Unit – Harris County Development Authority

The lease receivable as of June 30, 2013 of \$12,555,577 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 is 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 \$541,754. 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, 2013

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:		
2014	\$	884,210
2015		884,210
2016		884,210
2017		884,210
2018		884,210
2019		<u>8,134,527</u>
Total minimum payments		12,555,577
Less amounts representing interest		<u>(2,753,909)</u>
Present value of minimum capital lease payments	\$	<u><u>9,801,668</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, 2013 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	Nonmajor Governmental Funds	\$ 493,541
	Water Works Fund	33,469
	Airport Fund	54,888
		<u>\$ 581,898</u>
2009 SPLOST	General Fund	\$ 127,436
Public Improvements Authority	General Fund	16,572
Solid Waste Fund	General Fund	15,246
Airport Fund	General Fund	<u>91,963</u>
		<u><u>\$ 251,217</u></u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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. The amount of \$127,436 due from the General Fund to the 2009 SPLOST represents taxes received from the State of Georgia that were deposited to the General Fund in error. The amount was transferred to the 2009 SPLOST in August 2013.

Transfers from the General Fund to Nonmajor Governmental Funds represent transfers to E-911 Special Revenue fund of \$130,667 for operations.

Transfers from the General Fund to the Airport enterprise fund represent transfers of \$48,550 for operations and \$5,143 for construction. A total of \$53,693 was transferred from the General Fund to the Airport as shown on the Statement of Activities and on the Proprietary Fund statements.

Transfers from Nonmajor Governmental Funds represent transfers from the hotel motel tax fund to the General Fund of \$15,734.

Transfers of \$550,087 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.

	Transfers In:				Total
	General Fund	Public Improvements Authority	Nonmajor Governmental Funds	Airport Enterprise Fund	
<u>Transfers out:</u>					
General fund	\$ 0	\$ 0	\$ 130,667	\$ 53,693	\$ 184,360
2009 SPLOST	0	550,087	0	0	550,087
Nonmajor governmental funds	<u>15,734</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,734</u>
Total	<u>\$ 15,734</u>	<u>\$ 550,087</u>	<u>\$ 130,667</u>	<u>\$ 53,693</u>	<u>\$ 750,181</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9: Due From Other Governments

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

	General Fund	Public Improvements Authority	2009 SPLOST	Nonmajor Governmental Funds	Total
State of Georgia					
Department of Revenue- Sales Tax	\$ 160,953	\$ 0	\$ 219,830	\$ 73,222	\$ 454,005
State Board of Corrections	71,800	0	0	0	71,800
Federal government, Note 3	0	50,747	0	0	50,747
Net due from other governments	<u>\$ 232,753</u>	<u>\$ 50,747</u>	<u>\$ 219,830</u>	<u>\$ 73,222</u>	<u>\$ 576,552</u>

NOTE 10: Other Accrued Expenses

Other accrued expenses are summarized as follows:

	General Fund	Nonmajor Governmental Funds	Water Works	Solid Waste	Airport	Total
Accrued payroll and withholdings	\$ 436,574	\$ 9,036	\$ 27,708	\$ 7,511	\$ 632	\$ 481,461
Accrued interest payable	0	0	17,102	0	0	17,102
Total other accrued expenses	<u>\$ 436,574</u>	<u>\$ 9,036</u>	<u>\$ 44,810</u>	<u>\$ 7,511</u>	<u>\$ 632</u>	<u>\$ 498,563</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11: Capital Assets

Primary Government - Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>Balance at June 30, 2013</u>
Governmental activities:					
Capital assets not depreciable:					
Land	\$ 13,412,620	\$ 0	\$ 0	\$ 0	\$ 13,412,620
Construction in progress	8,099,751	738,114	0	(7,311,398)	1,526,467
Total assets not depreciable	<u>21,512,371</u>	<u>738,114</u>	<u>0</u>	<u>(7,311,398)</u>	<u>14,939,087</u>
Capital assets depreciable:					
Buildings	12,755,598	0	0	7,311,398	20,066,996
Equipment and personal property	16,001,842	514,523	(129,770)	0	16,386,595
Infrastructure	21,547,585	52,638	0	0	21,600,223
Total assets depreciable	<u>50,305,025</u>	<u>567,161</u>	<u>(129,770)</u>	<u>7,311,398</u>	<u>58,053,814</u>
Less accumulated depreciation:					
Buildings	(4,312,723)	(495,528)	0	0	(4,808,251)
Equipment and personal property	(13,138,911)	(1,016,977)	129,270	0	(14,026,618)
Infrastructure	(12,639,132)	(867,134)	0	0	(13,506,266)
Total accumulated depreciation	<u>(30,090,766)</u>	<u>(2,379,639)</u>	<u>129,270</u>	<u>0</u>	<u>(32,341,135)</u>
Total assets depreciable, net	<u>20,214,259</u>	<u>(1,812,478)</u>	<u>(500)</u>	<u>7,311,398</u>	<u>25,712,679</u>
Capital assets (net)	<u>\$ 41,726,630</u>	<u>\$ (1,074,364)</u>	<u>\$ (500)</u>	<u>\$ 0</u>	<u>\$ 40,651,766</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11: Capital Assets (Continued)

	<u>Balance at</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>Balance at</u> <u>June 30, 2013</u>
Business-type activities:					
Capital assets not depreciable:					
Land	\$ 564,294	\$ 59,354	\$ 0	\$ 0	\$ 623,648
Construction in progress	231,264	197,708	0	0	428,972
Total assets not depreciable	<u>795,558</u>	<u>257,062</u>	<u>0</u>	<u>0</u>	<u>1,052,620</u>
Capital assets depreciable:					
Buildings and land improvements	1,061,601	12,285	0	0	1,073,886
Equipment and personal property	4,523,266	515,902	(106,730)	0	4,932,438
Water system, filter plant and waterlines	<u>24,564,678</u>	<u>33,212</u>	<u>0</u>	<u>0</u>	<u>24,597,890</u>
Total assets depreciable	<u>30,149,545</u>	<u>561,399</u>	<u>(106,730)</u>	<u>0</u>	<u>30,604,214</u>
Less accumulated depreciation :					
Buildings and land improvements	(202,188)	(25,586)	0	0	(227,774)
Equipment and personal property	(2,684,412)	(176,257)	106,730	0	(2,753,939)
Water system, filter plant and waterlines	<u>(9,455,401)</u>	<u>(550,643)</u>	<u>0</u>	<u>0</u>	<u>(10,006,044)</u>
Total accumulated depreciation	<u>(12,342,001)</u>	<u>(752,486)</u>	<u>106,730</u>	<u>0</u>	<u>(12,987,757)</u>
Total assets depreciable, net	<u>17,807,544</u>	<u>(191,087)</u>	<u>0</u>	<u>0</u>	<u>17,616,457</u>
Capital assets (net)	<u>\$ 18,603,102</u>	<u>\$ 65,975</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,669,077</u>

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

Governmental activities	
General government	\$ 170,003
Judicial	1,361
Public safety	1,002,404
Public works	982,920
Culture and recreation	217,855
Housing and development	5,096
Total depreciation expense - governmental activities	<u>\$ 2,379,639</u>
Business-type activities	
Water works	\$ 547,915
Solid waste	119,687
Airport	84,884
Total depreciation expense - business-type activities	<u>\$ 752,486</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11: Capital Assets (Continued)

Discretely Presented Component Units - Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>Balance at June 30, 2013</u>
Discretely presented component unit:					
Harris County Development Authority					
Capital assets not depreciable:					
Land	\$ 34,341	\$ 0	\$ 0	\$ 0	\$ 34,341
Construction in progress	4,476,326	0	0	0	4,476,326
Total capital assets, not depreciable	<u>\$ 4,510,667</u>	<u>\$ 0</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, 2013

NOTE 12: Noncurrent Liabilities

A summary of changes in noncurrent liabilities for 2013 follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Due within one year</u>	<u>Due after one year</u>
Primary Government						
Governmental Activities:						
Loan payable	\$ 1,698,914	\$ 0	\$ (94,367)	\$ 1,604,547	\$ 97,156	\$ 1,507,391
Revenue bond, net of discount	7,796,392	0	(317,312)	7,479,080	325,000	7,154,080
Capital lease obligations	23,742	0	(23,742)	0	0	0
Compensated absences	<u>255,555</u>	<u>10,831</u>	<u>0</u>	<u>266,386</u>	<u>53,277</u>	<u>213,109</u>
Totals	<u>9,774,603</u>	<u>10,831</u>	<u>(435,421)</u>	<u>9,350,013</u>	<u>475,433</u>	<u>8,874,580</u>
Business-Type Activities:						
Loan payable	\$ 117,949	\$ 0	\$ (12,821)	\$ 105,128	\$ 10,256	\$ 94,872
Revenue bonds, net of deferred amounts	8,041,330	7,819,567	(8,151,853)	7,709,044	420,000	7,289,044
Capital lease obligations	0	296,138	(7,903)	288,235	32,046	256,189
Compensated absences	<u>54,344</u>	<u>0</u>	<u>(384)</u>	<u>53,960</u>	<u>10,792</u>	<u>43,168</u>
Postclosure liability	<u>295,200</u>	<u>0</u>	<u>(16,025)</u>	<u>279,175</u>	<u>19,071</u>	<u>260,104</u>
Totals	<u>8,508,823</u>	<u>8,115,705</u>	<u>(8,188,986)</u>	<u>8,435,542</u>	<u>492,165</u>	<u>7,943,377</u>
Totals - primary government	<u>\$ 18,283,426</u>	<u>\$ 8,126,536</u>	<u>\$ (8,624,407)</u>	<u>\$ 17,785,555</u>	<u>\$ 967,598</u>	<u>\$ 16,817,957</u>
Discretely presented component unit - Development Authority:						
Bond payable	<u>\$ 10,580,732</u>	<u>\$ 0</u>	<u>\$ (354,919)</u>	<u>\$ 10,225,813</u>	<u>\$ 373,540</u>	<u>\$ 9,852,273</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12: Noncurrent Liabilities (Continued)

Loans Payable – Governmental Activities

Nonmajor 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:			
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	109,526	34,431	143,957
2019-2023	599,670	120,116	719,786
2024-2028	488,639	27,334	515,973
Totals	<u>\$ 1,604,547</u>	<u>\$ 350,998</u>	<u>\$ 1,955,545</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, debt service requirements for principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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	360,000	306,288	666,288
2019-2023	1,955,000	1,301,344	3,256,344
2024-2028	2,275,000	789,350	3,064,350
2029-2030	1,575,000	144,150	1,719,150
Totals	7,525,000	<u>\$ 3,870,062</u>	<u>\$ 11,395,062</u>
Amortized bond discount	(45,920)		
Revenue bonds including discount	<u>\$ 7,479,080</u>		

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12: Noncurrent Liabilities (Continued)

Capital Lease Obligations – Governmental Activities

General Fund

The County entered into a lease agreement as lessee for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term), and therefore is recorded at the present value of the future minimum lease payments as of the date of inception. The cost of the asset under the capital lease and related accumulated depreciation as of June 30, 2013 totaled \$159,982 and \$116,178, respectively. The present value of future minimum capital lease payments as of June 30, 2013 is \$0.

Capital Lease Obligations – Business-type Activities

Solid Waste Fund

The Solid Waste Fund (“Solid Waste”) entered into a lease agreement as lessee for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term), and therefore is recorded at the present value of the future minimum lease payments as of the date of inception. The cost of the asset under the capital lease as of June 30, 2013 totaled \$296,138. The present value of future minimum capital lease payments as of June 30, 2013 is follows.

June 30:	
2014	\$ 38,038
2015	38,038
2016	38,038
2017	38,038
2018	<u>157,859</u>
Total minimum payments	310,011
Less amounts representing interest	<u>(21,776)</u>
Present value of minimum capital lease payments	<u>\$ 288,235</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12: Noncurrent Liabilities (Continued)

Loans Payable – Business-type Activities

Harris County Water Works

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

Proceeds were required to be used to reimburse construction costs for specified projects related to the HCWW’s water system. Additionally, the HCWW was required to meet certain covenants related to commencement and completion of construction. As of June 30, 2013 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:			
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	10,256	0	10,256
2019-2023	51,280	0	51,280
2024	2,568	0	2,568
Totals	<u>\$ 105,128</u>	<u>\$ 0</u>	<u>\$ 105,128</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12: Noncurrent Liabilities (Continued)

Revenue Bonds – Business-type Activities

Harris County Water Works

During the year ended June 30, 2013, the HCPIA issued Tax Exempt Bonds Series 2012A and Taxable Series 2012B (“Series 2012 Bonds”) in the amounts of \$7,500,000 and \$310,000, respectively, on behalf of the HCWW. Proceeds from these bonds were used to refund the outstanding 2002 Series Water and Sewer Revenue Bonds and pay the costs of issuing the Series 2012 Bonds. The 2002 Series Bonds had been 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 2012 Series Bonds are limited obligations of the HCPIA payable solely from the revenues that are payable to the HCPIA pursuant to a Project Lease Agreement (“PLA”) dated as of September 1, 2012 between the HCPIA and the County. Under the PLA, the County is obligated to make payments to the HCPIA in amounts sufficient to enable the HCPIA to pay the principal of, redemption premium (if any) and interest on the bonds as they become due and payable and, to the extent required, levy a tax on all taxable property located within the boundaries of the County as may be necessary to produce funds sufficient to enable the County to make such payments. All rights of the HCPIA as defined in the PLA provide security for the 2012 Series Bonds. Under provisions of the Bond Resolution, the HCPIA is required to maintain certain restricted accounts including a revenue fund, sinking fund, and rebate fund. The County makes lease payments to the HCPIA from water and sewer revenues generated by the HCWW for payment of the bonds. Therefore, the bonds are accounted for within the Water Works Fund.

Annual principal payments for the Series 2012A Bonds begin December 1, 2013 and continue through December 1, 2027. Annual principal payments for the Series 2012B Bonds began December 1, 2012 and continue through December 1, 2013.

The Taxable Series 2012B Bonds are not subject to redemption prior to maturity. The Tax Exempt Series 2012A Bonds maturing on and after December 1, 2019 are subject to redemption prior to maturity on or after December 1, 2018, at the option of the HCPIA, at the direction of the County, in whole or in part at any time at a redemption price of 100% plus accrued interest to the redemption date.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12: Noncurrent Liabilities (Continued)

Revenue Bonds – Business-type Activities (continued)

	<u>Current</u>	<u>Long-Term</u>
Tax Exempt Series 2012A Bonds, maturing annually commencing December 1, 2013 through December 1, 2027, interest accrues at 2.0% - 5.0% per annum and is payable semiannually.	\$ 220,000	\$ 7,280,000
Taxable Series 2012B Bonds, maturing December 1, 2013, interest accrues at 2.0% per annum and is payable semiannually.	<u>200,000</u>	<u>0</u>
Total 2012 Series Bonds - HCWW	<u>\$ 420,000</u>	7,280,000
Net deferred amounts		9,044
Total long-term portion 2012 Series Bonds -		<u>\$ 7,289,044</u>

The annual maturity of the Series 2012 Bonds subsequent to June 30, 2013 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2014	\$ 420,000	\$ 201,022	\$ 621,022
2015	435,000	192,473	627,473
2016	435,000	181,598	616,598
2017	450,000	168,323	618,323
2018	470,000	152,173	622,173
2019-2023	2,580,000	520,418	3,100,418
2024-2027	<u>2,910,000</u>	<u>194,866</u>	<u>3,104,866</u>
Totals	7,700,000	<u>\$ 1,610,873</u>	<u>\$ 9,310,873</u>
Amortized bond premium	183,739		
Amortized defeasance	<u>(174,695)</u>		
Revenue bonds, net	<u>\$ 7,709,044</u>		

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$184,792. This difference, reported in the accompanying financial statements net of revenue bonds payable, and is being charged to interest expense through fiscal year 2028 using the straight-line method. The County completed the advance refunding to reduce its total debt service payments by \$1,565,118 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,313,680.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the County has recorded a liability totaling \$279,175, 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, 2013

NOTE 12: Noncurrent Liabilities (Continued)

Revenue Bonds – Discretely Presented Component Unit

Harris County Development Authority

At June 30, 2013, 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 totaling \$884,210 annually 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%.	\$ 343,540	\$ 4,397,273
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>5,455,000</u>
Total Revenue Bonds - Authority	<u>\$ 373,540</u>	<u>\$ 9,852,273</u>

As of June 30, 2013, debt service requirements for principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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	464,377	413,056	877,433
2019-2023	2,929,524	1,219,639	4,149,163
2024-2028	2,790,000	922,246	3,712,246
2029-2033	<u>2,415,000</u>	<u>165,793</u>	<u>2,580,793</u>
Totals	<u>\$ 10,225,813</u>	<u>\$ 4,608,818</u>	<u>\$ 14,834,631</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the County collected \$57,201 and remitted \$40,770, or approximately 71% of the receipts to the Chamber and the DNR.

NOTE 14: Fund Balance

At June 30, 2013, fund balance consists of the following classifications as described in Note 2:

	General	PIA	2009 SPLOST	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Inventories	\$ 442,848	\$ 0	\$ 0	\$ 0	\$ 442,848
Prepaid assets	150,355	0	0	0	150,355
	<u>593,203</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>593,203</u>
Restricted for:					
Debt service	0	1,416,992	0	24,561	1,441,553
Capital projects	0	0	5,876,160	878,703	6,754,863
Transportation	0	0	0	425,510	425,510
Education	0	0	0	139,960	139,960
Public safety	0	0	0	375,034	375,034
	<u>0</u>	<u>1,416,992</u>	<u>5,876,160</u>	<u>1,843,768</u>	<u>9,136,920</u>
Assigned to:					
Public safety	129,000	0	0	0	129,000
Public works	315,338	0	0	0	315,338
Health and welfare	0	0	0	155,426	155,426
Culture and recreation	58,340	0	0	840	59,180
	<u>502,678</u>	<u>0</u>	<u>0</u>	<u>156,266</u>	<u>658,944</u>
Unassigned	13,094,136	0	0	0	13,094,136
Total fund balances	<u>\$ 14,190,017</u>	<u>\$ 1,416,992</u>	<u>\$ 5,876,160</u>	<u>\$ 2,000,034</u>	<u>\$ 23,483,203</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013

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, 2013, 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, 2013, there were 181 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, 2013, contributions totaled \$161,846.

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 \$2,512,424 at June 30, 2013. Investments are participant-directed from a choice of 53 mutual funds. Investments in 7 of the mutual funds each represented 5 percent or more of the net assets of the plan as of June 30, 2013.

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 \$2,372,306 at June 30, 2013. Investments are participant-directed from a choice of a guaranteed interest account and 15 mutual funds. Investments in 5 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, 2013.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, there were 250 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 \$665. This discretionary matching contribution may increase or decrease annually. For the year ended June 30, 2013, there were no employee contributions and the County's expense totaled approximately \$201,000.

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, 2013

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

Defined Benefit Pension Plan (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, 2012 (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	66
Terminated plan participants entitled to future benefits	88
Active employees participating in the Plan	<u>230</u>
Total number of Plan participants	<u>384</u>
Covered compensation for active participants	<u>\$ 8,108,926</u>

Contributions - The County made the recommended contribution of \$580,327 during the year ending June 30, 2013 which represents 7.2% 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, 2013

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

Defined Benefit Pension Plan (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, 2012. 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 4.0 – 6.5 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, 2013

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

Defined Benefit Pension Plan (continued)

Funding Status and Progress – As of December 31, 2012, the actuarial accrued liability for benefits was \$9,310,964, and the actuarial value of assets was \$7,318,469, resulting in an unfunded liability (“UAAL”) of \$1,992,495. The actuarial value of assets is 78.6% of the actuarial accrued liability. The UAAL is 24.6% of the annual covered payroll of \$8,108,926. 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.

Net Pension Obligation and Annual Pension Cost

Net pension obligation as of June 30, 2012	\$ 25,059
Add: Annual pension cost	
Annual required contribution	555,695
Interest on net pension obligation	1,942
Amortization of net pension obligation	(2,078)
Annual pension cost	555,559
Less: Actual contributions	(539,910)
Increase in net pension obligation	15,649
Net pension obligation as of June 30, 2013	<u>\$ 40,708</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

Defined Benefit Pension Plan (continued)

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, 2012 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>
2010	\$ 515,148	\$ 502,999	98%	\$ 12,910	\$ 12,149
2011	555,559	539,910	97%	25,059	15,649
2012	565,518	580,327	103%	40,708	(14,809)

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the prorated amount totaled \$37,000.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the remaining potential reimbursement was \$300,000.

During 2009, the County made improvements to the Health Department. Funding was obtained, in part, by a Community Development Block Grant in the amount of \$500,000 of which \$421,909 was required to complete the project with the remainder being de-obligated. Special stipulations in the grant provide that in the event the facility is converted to an ineligible use during its useful life, the Department of Community Affairs ("DCA") will require repayment of the funds. The repayment will be based on 20-year straight-line depreciation, except 100% repayment of grant funds will be required to be repaid during the first 5 years after the grant closeout date of August 9, 2010. At the end of twenty years, the County will have no contingent obligations for these funds. As of June 31, 2013, 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
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

Defined Benefit Pension Plan

Required Supplementary Information Analysis of Funding Progress

Measurement Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered Payroll (Prior Year)	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
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%
2012	7,318,469	9,310,964	78.60%	1,992,495	8,108,926	24.60%

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 an indication of funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financial 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.

HARRIS COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2013

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	2,671	124,340
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	127,060	0	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	<u>\$ 11,000,000</u>	<u>\$ 8,981,257</u>	<u>\$ 2,671</u>	<u>\$ 8,983,928</u>

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

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		
		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	5,269	538,018
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	33,658	8,133	41,791
Community Center	800,000	800,000	0	800,000
EMS & Fire Services	500,000	451,971	0	451,971
Roads	7,174,000	6,275,887	0	6,275,887
Totals	<u>\$ 14,000,000</u>	<u>\$ 12,566,272</u>	<u>\$ 13,402</u>	<u>\$ 12,579,674</u>

HARRIS COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2013

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

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		
		Prior Years	Current Year	Total
Economic Development	\$ 2,000,000	\$ 363,118	\$ 87,773	\$ 450,891
Library	1,500,000	0	0	0
Recreation	2,200,000	732,735	550,087	1,282,822
EMS/Fire	2,000,000	547,260	657,577	1,204,837
Roads	10,930,000	140,000	52,638	192,638
Cities				
Hamilton	350,000	121,497	34,034	155,531
Pine Mountain	765,000	573,750	191,250	765,000
Shiloh	290,000	245,734	0	245,734
Waverly Hall	500,000	398,015	44,525	442,540
West Point	465,000	232,500	0	232,500
Totals	<u>\$ 21,000,000</u>	<u>\$ 3,354,609</u>	<u>\$ 1,617,884</u>	<u>\$ 4,972,493</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>\$ 8,983,928</u>	<u>\$ 277,200</u>
2004	<u>\$ 14,000,000</u>	<u>\$ 12,558,478</u>	<u>\$ 622,701</u>	<u>\$ 12,579,674</u>	<u>\$ 601,505</u>
2009	<u>\$ 21,000,000</u>	<u>\$ 10,821,101</u>	<u>\$ 27,552</u>	<u>\$ 4,972,493</u>	<u>\$ 5,876,160</u>

DEVELOPMENT AUTHORITY OF HARRIS COUNTY
HARRIS COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF ONEGEORGIA EDGE FUND AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>DESCRIPTION</u>	<u>GRANT AMOUNT</u>	<u>6/30/13 REVENUES</u>	<u>REVENUES TO DATE</u>	<u>6/30/13 EXPENDITURES</u>	<u>EXPENDITURES TO DATE</u>	<u>GRANT BALANCE</u>
Department of Community Affairs of the State of Georgia OneGeorgia Edge Fund Award Award #11gq-072-3-4655 Activity G70-1405-I (6/14/2011-12/14/2012)	500,000	500,000	500,000	500,000	500,000	0
Department of Community Affairs of the State of Georgia OneGeorgia Edge Fund Award Award #13ge-072-3-4728 Activity G80-1501-I (5/22/2013-7/1/2017)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Georgia (the "County") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 24, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness and 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 County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, 2013-1, described in the Schedule of Findings and Responses 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 by those charged with governance. We consider the deficiency, 2013-2, described in the accompanying Schedule of Findings and Responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as item 2013-3.

The County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Robinson, Grimes + Company, P.C.

Certified Public Accountants

February 24, 2014

HARRIS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

MATERIAL WEAKNESS

2013-1 Internal Control over Financial Reporting

Condition and Criteria – Traditionally, the County has maintained and presented its internal financial statements in a budget comparison format, along with a comparative balance sheet. County management has requested that the external auditors prepare the year-end financial statements and related disclosures, due to their familiarity with financial statement presentation in conformity with U.S. generally accepted accounting principles (“GAAP”). While a number of year-end entries have been necessary to convert these statements into those used for external purposes, the basic internal financial statements have normally required minimal adjustment. During the current year, as a result of turnover of accounting personnel, significant additional adjustments were required to be made to various accounts.

Cause – The County experienced turnover of accounting personnel and a lack of training of new staff during the year.

Effect – The County’s financial statements required significant adjustments in order to comply with GAAP standards. Due to the number of adjustments required and since the auditor’s work cannot be considered a part of the County’s internal control system, a material weakness exists in regard to the year-end financial reporting process.

Recommendation – The County should devote appropriate resources to staff training and documentation of accounts and year-end close processes. This would limit the number of audit adjustments needed to complete the year-end financial reporting process.

Response – The County concurs with the auditor’s recommendation and will establish processes and procedures over financial reporting.

HARRIS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

SIGNIFICANT DEFICIENCY

2013-2 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 and management should be conscious of this limited segregation of duties and provide for adequate review of all financial information and provide oversight where practical.

Response – The County concurs with the auditor's recommendation and will provide appropriate oversight.

HARRIS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

FINDINGS RELATED TO COMPLIANCE

2013-3 Pledges of Collateral

Condition and Criteria – State statutes require the market value of pledged securities to exceed 110% of the uninsured deposited public funds. Documentation could not be provided to show that cash was collateralized by approximately \$75,201 as of June 30, 2013 or within 10 days thereafter. Documentation was provided to show that the sufficient collateral was pledged as of July 31, 2013.

Cause – The County experienced turnover in the accounting and finance department at the fiscal year end resulting in a lack of oversight regarding uninsured cash levels and collateralization.

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

Recommendation –The County should establish processes and procedures where cash balances are reviewed by the County on a timely basis for compliance with collateralization requirements and retain documentation on file to support pledged collateral. Legal advice should be obtained when necessary.

Response – The County concurs with the auditor's recommendation and will establish appropriate procedures.