

**HARRIS COUNTY, GEORGIA
FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	Page 1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 13
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	14 - 15
Statement of Activities.....	16 - 17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18 - 19
Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds.....	20 - 21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -	
General Fund	22 - 23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in	
Fund Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds.....	27
Notes to Financial Statements	28 - 68
REQUIRED SUPPLEMENTARY INFORMATION	
Defined Benefit Pension Plan Required Supplementary Information	69
OTHER FINANCIAL INFORMATION	
Schedule of Projects Constructed with Special Sales Tax Proceeds	70 - 71
Schedule of Expenditures of OneGeorgia EDGE Fund Awards.....	72
COMPLIANCE AND INTERNAL CONTROL SECTION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance	
And Other Matters Based on an Audit of Financial Statements Performed in Accordance with	
<u>Government Auditing Standards</u>	73 - 74
Schedule of Findings and Responses	75 - 77

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, 2014, 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 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.

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2014, and the respective changes in financial position and, where applicable, budgetary comparison and 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 69 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 70 – 72) 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 July 1, 2015 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

July 1, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Harris County, Georgia (the "County") annual financial report, the County's management is pleased to provide this narrative discussion and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. The County's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The County's assets exceeded its liabilities by \$75,638,211 (net position) for the fiscal year reported.
- Total net position are comprised of the following:
 - (1) Net investment in capital assets, of \$47,692,225 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$7,072,018 is restricted by constraints imposed from outside the County such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$19,181,767 represent the portion available to maintain the County's continuing obligations to citizens and creditors.
- The County's governmental funds reported total ending fund balance of \$21,766,282 this year. This compares to the prior year ending fund balance of \$23,483,203 showing a decrease of 1,716,921 during the current year. Unassigned fund balance of \$11,509,879 at June 30, 2014 shows a \$1,584,257 decrease from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,509,879 or 59.1% of total General Fund expenditures, as compared to 88.5% at June 30, 2013.
- Overall, the County continues to maintain a strong financial position, in spite of a somewhat depressed economy.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the County's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The County also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available and feasible.

Government-wide Financial Statements

The County's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the County's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the County's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County as a whole is improving or deteriorating. Evaluation of the overall health of the County would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of County infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the County's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the County's distinct activities or functions on revenues provided by the County's taxpayers.

Both government-wide financial statements distinguish governmental activities of the County that are principally supported by sales taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, judicial, public safety, public works, health and welfare, culture and recreation and housing and development. Business-type activities include the water and sewer systems.

The government-wide financial statements are presented on pages 14 – 17 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The County has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the County's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 18 – 23 of this report.

Individual fund information for nonmajor governmental funds is found in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. The County's proprietary funds are classified as enterprise funds. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the County organization for water and sewer utilities, landfill and disposal, and airport activities.

The basic enterprise fund financial statements are presented on pages 24 – 26 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 28 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's defined benefit pension plan. Also included are notes to the RSI.

Supplementary Information

Combining statements for nonmajor governmental funds and budgetary comparison schedules for the nonmajor special revenue and debt service funds can be found in the supplementary information.

Financial Analysis of the County as a Whole

The County's net position at fiscal year-end is \$75,638,211, as compared to a restated \$73,317,440 at June 30, 2013. The following table provides a summary of the County's net position:

Summary of Net Position

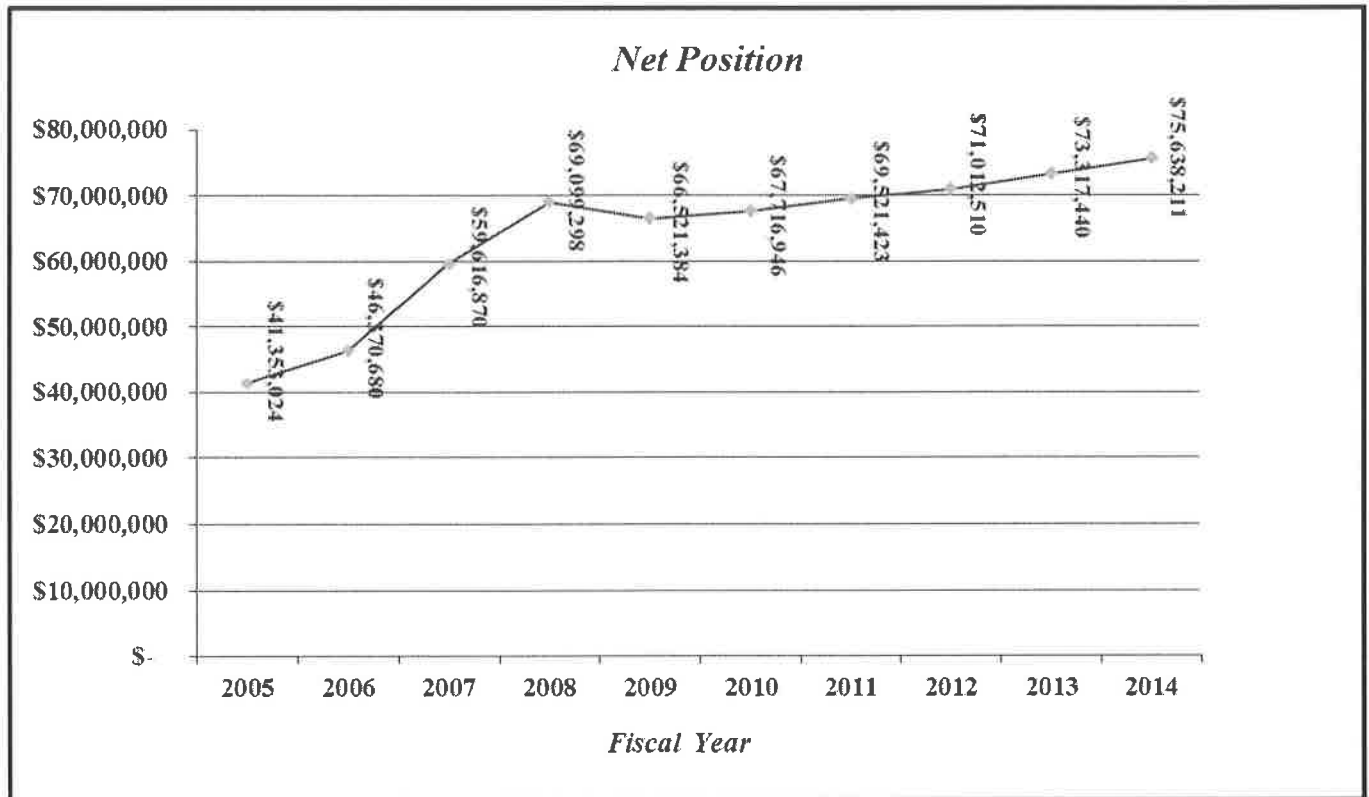
	Governmental Activities		Business-type Activities		Total	
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013
Assets:						
Current assets	\$ 25,260,298	\$ 25,703,683	\$ 7,949,874	\$ 7,430,486	\$ 33,210,172	\$ 33,134,169
Capital assets	42,920,828	40,651,766	19,186,104	18,669,077	62,106,932	59,320,843
Total assets	68,181,126	66,355,449	27,135,978	26,099,563	95,317,104	92,455,012
Liabilities:						
Current liabilities	2,504,474	1,113,454	1,170,799	673,287	3,675,273	1,786,741
Long-term liabilities	8,472,455	8,915,288	7,531,165	8,435,542	16,003,620	17,350,830
Total liabilities	10,976,929	10,028,742	8,701,964	9,108,829	19,678,893	19,137,571
Net position:						
Net investment in capital assets	35,671,576	33,223,459	12,020,649	10,566,670	47,692,225	43,790,129
Restricted	8,494,067	8,605,960	270,152	227,103	8,764,219	8,833,063
Unrestricted	13,038,554	14,497,288	6,143,213	6,196,961	19,181,767	20,694,249
Total net position	\$ 57,204,197	\$ 56,326,707	\$ 18,434,014	\$ 16,990,734	\$ 75,638,211	\$ 73,317,441

The County continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 10.1 to 1 as compared to 23.1 to 1 at June 30, 2013. The current ratio for business-type activities is 6.8 to 1 as compared to 11.3 at June 30, 2013.

The County reported positive balances in net position for both governmental and business-type activities. Net position increased \$877,491 or just 1.6% for governmental activities, and increased \$1,443,280 or 8.5% for business-type activities. The County's overall financial position improved during fiscal year 2014 by \$2,320,771.

Note that approximately 62.4% of the governmental activities' net position is tied up in capital. The County uses these capital assets to provide services to its citizens. However, with business type activities, the County has spent approximately 65.2% of its net position on capital.

The following chart reports the total net position balances from June 30, 2005 – 2014.



Since 2005, the total net position has increased \$34,285,187 or 82.9%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For The Year Ended June 30, 2014

Harris County, Georgia

The following table provides a summary of the County's changes in net position:

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program:						
Charges for services & fines	\$ 4,439,472	\$ 4,654,891	\$ 6,314,998	\$ 6,262,514	\$ 10,754,470	\$ 10,917,405
Operating grants	42,062	108,151	-	-	42,062	108,151
Capital grants	1,461,304	582,972	-	174,939	1,461,304	757,911
General:						
Taxes	15,552,555	14,486,197	-	-	15,552,555	14,486,197
Other	155,639	50,061	29,186	66,117	184,825	116,178
Total revenues	21,651,032	19,882,272	6,344,184	6,503,570	27,995,216	26,385,842
Program Expenses:						
General government	5,320,282	4,221,074	-	-	5,320,282	4,221,074
Judicial	1,077,910	938,804	-	-	1,077,910	938,804
Public safety	8,279,390	8,268,312	-	-	8,279,390	8,268,312
Public works	3,069,413	2,666,886	-	-	3,069,413	2,666,886
Health and welfare	321,014	291,821	-	-	321,014	291,821
Culture and recreation	1,131,290	1,324,917	-	-	1,131,290	1,324,917
Housing and development	270,345	311,291	-	-	270,345	311,291
Interest	399,238	400,937	-	-	399,238	400,937
Water and sewer	-	-	3,903,650	3,916,360	3,903,650	3,916,360
Solid waste	-	-	1,540,719	1,386,657	1,540,719	1,386,657
Airport	-	-	361,194	353,853	361,194	353,853
Total expenses	19,868,882	18,424,042	5,805,563	5,656,870	25,674,445	24,080,912
Revenues over (under) expenses	1,782,150	1,458,230	538,621	846,700	2,320,771	2,304,930
Transfers in (out)	(904,659)	(53,693)	904,659	53,693	-	-
Net changes in net position	877,491	1,404,537	1,443,280	900,393	2,320,771	2,304,930
Beginning net position	56,326,706	54,922,169	16,990,734	16,090,341	73,317,440	71,012,510
Ending net position	\$ 57,204,197	\$ 56,326,706	\$ 18,434,014	\$ 16,990,734	\$ 75,638,211	\$ 73,317,440

GOVERNMENTAL REVENUES

The County is heavily reliant on property taxes and sales taxes to support governmental operations and capital. Property taxes, including vehicle tax, provided 38.9% of the County's total governmental revenues as compared to 38.5% in fiscal year 2013. Sales taxes make up 23.3% of the County's total governmental revenues as compared to 24.9% in fiscal year 2013.

Capital grant type revenue was reported in fiscal year 2014 for the public works function (\$738,371) and the culture and recreation function (\$722,933) included the following:

Public works:

- The Loudermilk Foundation donated funds for a land purchase (\$700,000).

Culture and recreation:

- Georgia Department of Transportation for roads (\$197,064)
- Georgia LMIG grant (\$535,007)

User charges and fines decreased for health and welfare from \$150,730 to \$5,480 due to a reclassification of this revenue source from health and welfare to general government. Because of the County's healthy financial position, we have been able to earn \$155,639 in unrestricted interest earnings to support governmental activities. Also, note that program revenues cover 29.9% of governmental operating expenses. This means that the government's taxpayers and the County's other general governmental revenues fund 70.1% of the governmental activities.

GOVERNMENTAL FUNCTIONAL EXPENSES

The general government and the public safety functions make up approximately 68.5% of the total governmental activities expenses as compared to 67.4% in fiscal year 2014. Public works totals over \$3 million and the culture and recreation costs the County over \$1.1 million annually.

This table presents the cost of each of the County's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the County's taxpayers by each of these functions.

Governmental Activities					
	Total Cost of Services		Net Cost of Services		
		%		%	
General government	\$ 5,320,282	26.8%	\$ 4,387,185	31.5%	
Judicial	1,077,910	5.4%	95,064	0.7%	
Public safety	8,279,390	41.7%	5,955,582	42.8%	
Public works	3,069,413	15.4%	2,267,689	16.3%	
Health and welfare	321,014	1.6%	309,014	2.2%	
Culture and recreation	1,131,290	5.7%	293,731	2.1%	
Housing and development	270,345	1.4%	264,865	1.9%	
Interest	399,238	2.0%	352,914	2.5%	
Total	<u>\$ 19,868,882</u>	<u>100.0%</u>	<u>\$ 13,926,044</u>	<u>100.0%</u>	

Public safety totals 42.8% of the net cost of services and general government totals 31.5% of these costs.

BUSINESS-TYPE ACTIVITIES

Overall Analysis – For all enterprise funds, total operating revenues increased \$52,484 or 8/10th of 1%. Operating expenses increased \$348,398 or 6.6%. In total, the operating income decreased \$259,914.

The operating income (loss) for each utility was as follows:

	<u>Amount</u>
Water works	\$ 402,904
Solid waste	428,006
Airport	(112,903)

The following includes an analysis of the fiscal year 2014 financial activities for each enterprise.

Water Work - The operating income of \$402,904 in fiscal year 2014 compares to operating income of \$594,634 in fiscal year 2013. The fiscal year 2014 operating revenues of \$4,106,859 was almost identical to that in fiscal year 2013. Operating expenses increased \$194,265 or 5.5%. In total, this year's operating income is down because operating expenses were up. In fiscal year 2014, water purchases were \$746,307 and in fiscal year 2013, they were \$643,600 or an increase of \$102,707 or 16%. In addition, in fiscal year 2014 general and administration costs were \$446,245, up from \$377,982 or 18.1%.

Solid Waste - The operating income of \$428,006 in fiscal year 2014 compares to operating income of \$552,711 in fiscal year 2013. The fiscal year 2014 operating revenues increased just \$22,087 or 1.1% over fiscal year 2013. Operating expenses increased \$146,792 or 10.6%. Depreciation costs increased \$89,282 or 9.1% resulting from a purchased of two new garbage trucks at a cost of approximately \$188,000 each.

Airport - The operating loss of \$112,903 in fiscal year 2014 compares to an operating loss of \$133,424 in fiscal year 2013. The fiscal year 2014 operating revenues increased just \$27,862 or 12.6% from fiscal year 2013. Operating expenses increased \$7,341. The general fund transferred in \$893,014 to support airport operations.

Financial Analysis of the County's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$21,766,282 as compared to the 2013 fiscal year amount of \$23,483,203. Of this year-end total, \$11,509,879 is unassigned indicating availability for continuing County service requirements. Fund balance includes 6,723,531 restricted for capital projects and \$1,438,506 restricted for debt service. Fund balances assigned for specific purposes totaled \$464,646 and fund balance includes assets not available for current expenditure of \$685,705, which is tied up in inventory and prepaid assets.

The total ending fund balances of governmental funds show a decrease of \$1,716,921 or a decrease of 7.3% over the prior year.

Major Governmental Funds

General Fund - The General Fund is the County's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance decreased \$1,697,213 in fiscal year 2014 or a decrease of 12%. In fiscal year 2013, the fund balance increased \$905,798.

Total revenues increased \$1,862,436 or 11.7% from that of fiscal year 2013.

Property taxes and motor vehicle taxes decreased \$63,178 or 11% from that of fiscal year 2013. General fund local option sales taxes were down \$179,380 but title ad valorem taxes were up \$898,439 hopefully due to an improving local economy. Intangible premium taxes increased \$48,763 or 3.9% in fiscal year 2014.

Charges for ambulance services decreased \$58,800 in fiscal year 2014 as compared to 2013. The billing firm that billed for our EMS services did not do an adequate job, thus less revenues were collected. In April 2015, the County now has changed service providers. The County received a contribution of \$700,000 to allow the County to purchase property for Ellerslie Park. Also in this fiscal year, the County sold our property on Ridgeway Road, with the proceeds also being used to develop this park.

Total expenditures increased \$4,687,930 or 31.7% above the fiscal year 2013 total.

The general government function is up \$1,277,965 or 31.7% above the fiscal year 2013 amount. The major increases include:

- Utilities (\$61,290)
- Court house repair (\$81,060)
- Insurance and pension costs (\$151,461)
- 800 MHZ radio system (\$909,298)

In the judicial function, the court services costs increased approximately \$46,000 most related to the cost of public defenders or about \$33,000.

The total public safety costs increased \$508,923 or 7.7%. Emergency medical service expenditures increased \$91,875 or 6.1%, most of which relates to personnel services. Total jail costs increased \$97,246 or 8.4%. The correctional institute expenditures increased \$156,779 or 14%. Total personal costs increased \$122,940 and contracted medical costs increased \$19,717. The fire protection costs increased \$119,917, resulting primarily to the purchase of equipment.

Total public works costs increased \$1,936,934 due to primarily to the cost of road construction and maintenance. Culture and recreation costs increased from \$862,151 to \$1,657,983, due to the purchase of the land for Ellerslie Park.

The expenditures for the other functions were approximately equal to the fiscal year 2013 amount.

In fiscal year 2014, the general fund's ending unassigned fund balance decreased \$1,584,257 or 12.1% below the June 30, 2013 balance. This unassigned balance of \$11,509,879 is considered adequate, representing the equivalent of 59.1% of annual expenditures, as compared to 88.5% last year.

Public Improvements Authority – This fund is used to pay the debt service costs at the community center. This debt service has been funded from a transfer from the 2009 SPLOST fund. In fiscal year 2014, this fund reported a transfer in of \$555,483 and paid debt service of \$669,730. The fund balance at year-end is \$1,413,946.

2009 SPLOST Fund – In fiscal year 2014, this fund reported revenues of \$1,805,369, of which \$1,791,933 was SPLOST taxes received from the County. The County spent just \$1,209,486 for capital outlay and \$330,399 for the distribution of the SPLOST to the cities. The ending fund balance totals over \$5.4 million.

The Proprietary Funds

The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Therefore, additional analysis is not necessary.

Budgetary Highlights

The General Fund – During fiscal year 2014, the County Council did amend the general fund budget.

The total revenue fund budget was amended upward \$1,246,834 or 8%. The County recognized \$694,640 more than anticipated total revenues, primarily in taxes and other licenses. Total other revenue was \$243,251 above the budget.

In total, the County realized 105.1% of the estimated revenues, primarily because of the above-mentioned revenue.

The expenditure side, the budget was amended upward \$2,756,937.

The total general government function was under expended \$323,469 or 5.4%, primarily in insurance costs and facilities maintenance. The public works function was over expended by \$436,511, primarily for road maintenance. The recreation department budget was overspent by \$699,515.

In total, the expenditure budget was overspent by \$488,458 or 2.6%.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2014, was \$42,920,828 and \$19,186,104, respectively. The increase in net investment was 5.6% for governmental activities and a 2.8% increase for business-type activities. See Note 11 for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year.

The following table provides a summary of capital asset activity.

	Capital Assets					
	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Non-depreciable assets:						
Land	\$ 14,394,079	\$ 13,412,620	\$ 623,649	\$ 623,649	\$ 15,017,728	\$ 14,036,269
Construction in progress	547,900	1,526,467	458,990	428,972	1,006,890	1,955,439
Total non-depreciable assets:	14,941,979	14,939,087	1,082,639	1,052,621	16,024,618	15,991,708
Depreciable assets:						
Buildings and improvements	20,584,312	20,066,996	1,914,158	1,073,886	22,498,470	21,140,882
Water system and water lines	-	-	24,712,659	24,597,889	24,712,659	24,597,889
Machinery and equipment	18,653,142	16,386,595	5,329,964	4,932,438	23,983,106	21,319,033
Infrastructure	23,209,652	21,600,223	-	-	23,209,652	21,600,223
Total depreciable assets	62,447,106	58,053,814	31,956,781	30,604,213	94,403,887	88,658,027
Less accumulated depreciation	34,468,257	32,341,135	13,853,316	12,987,757	48,321,573	45,328,892
Book value - depreciable assets	27,978,849	25,712,679	18,103,465	17,616,456	46,082,314	43,329,135
Percentage depreciated	55%	56%	43%	42%	51%	51%
Book value - all assets	\$ 42,920,828	\$ 40,651,766	\$ 19,186,104	\$ 18,669,077	\$ 62,106,932	\$ 59,320,843

At June 30, 2014, the depreciable capital assets for governmental activities were 55% depreciated. This compares to 56% at the June 30, 2013 percentage. This comparison indicates that the County is replacing its assets at the same rate as they are depreciating which is a positive indicator.

With the County's business type activities, 43% of the asset values were depreciated at June 30, 2014, which compares to 42% at June 30, 2013.

Long-term Debt

At the end of this fiscal year, the County reported \$7,156,768 of outstanding revenue bonds relating to the community center. The water and sewer fund reported \$7,288,417 in revenue bonds relating to water and sewer system improvements.

During the year, the County retired \$322,312 or 4.3% of the beginning outstanding governmental activities community center revenue bonds. The water and sewer fund retired \$420,627 or 5.5% of the beginning outstanding water revenue bonds.

	Outstanding Borrowings						% Change
	Governmental Activities		Business-type Activities		Totals		
	2014	2013	2014	2013	2014	2013	
GEFA loans	\$ 1,507,391	\$ 1,604,547	\$ 94,872	\$ 105,128	\$ 1,602,263	\$ 1,709,675	-6%
Revenue bonds	7,156,768	7,479,080	7,288,417	7,709,044	14,445,185	15,188,124	-5%
Capital leases	-	-	360,123	288,235	360,123	288,235	100%
Postclosure	-	-	264,035	279,175	264,035	279,175	-5%
Compensated absences	265,635	266,386	63,429	53,960	329,064	320,346	3%
Total	\$ 8,929,794	\$ 9,350,013	\$ 8,070,876	\$ 8,435,542	\$ 17,000,670	\$ 17,785,555	-4%

See Note 12 for additional information about the County's long-term debt.

Economic Conditions Affecting the County

The County is physically located in the west-central portion of the State of Georgia, 80 miles southwest of the State capitol, Atlanta, Georgia. The County's land area is 473 square miles with 70 persons per square mile. This compares favorably with the State of Georgia's rate of 141.4 persons per square mile. The County seat is Hamilton, Georgia, which has a population of approximately 1,000.

The County's per capita income is \$27,530 with a medium home value of \$208,880. The County has 13,444 housing units. The median age is 43.2 years.

The County's population is estimated at 33,130. Since the County relies primarily on property and sales taxes for its operating revenue, changes in the economy definitely affect these revenue streams. Since sales taxes are, an "elastic revenue stream" in a sluggish economy, the sales tax revenues are reduced immediately. Property taxes are considered "inelastic" in the short-term; this revenue stream is more stable. Fortunately, for the County, because of its revenue stream makeup, it is able to survive financially in a slow economy.

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 having any significant effects in the County's services or financial performance.

Careful analysis of the County's financial statements 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 purpose local option sales tax. This 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.

The estimated 2013 unemployment rate for the County is 6.6%. This rate compares to the State of Georgia's rate of 7.7% and the United States rate of 7.4%, both for the same period. In June 2013, there are 14,668 employed in the County.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances, comply with finance-related laws and regulations, and demonstrate the County's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the County's Finance Officer at 706/628-4958 or stop by County Courthouse in Hamilton, Georgia, 30401.

HARRIS COUNTY, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 19,665,311	\$ 7,072,965	\$ 26,738,276
Restricted cash and cash equivalents	1,421,934	690,133	2,112,067
Receivables			
Accounts	361,454	458,191	819,645
Taxes	296,175	0	296,175
Notes	1,490,934	0	1,490,934
Lease	0	0	0
Due (to) from other funds	697,168	(697,168)	0
Due from component unit	825	0	825
Due from other governments	640,792	0	640,792
Prepaid expenses	183,622	0	183,622
Other assets	0	113,445	113,445
Inventories-parts and supplies	502,083	312,308	814,391
Capital assets, non depreciable	14,941,979	1,082,639	16,024,618
Capital assets, depreciable, net of accumulated depreciation	27,978,849	18,103,465	46,082,314
Total assets	68,181,126	27,135,978	95,317,104
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable	1,339,630	158,404	1,498,034
Other accrued expenses	681,606	49,401	731,007
Due to primary government	0	0	0
Customer deposits	0	423,283	423,283
Net pension obligation	25,899	0	25,899
Noncurrent liabilities:			
Due within one year	483,238	539,711	1,022,949
Due after one year	8,446,556	7,531,165	15,977,721
Total liabilities	10,976,929	8,701,964	19,678,893
Deferred inflows of resources:			
Unavailable revenue: lease revenue	0	0	0
NET POSITION			
Invested in capital assets, net of related debt	35,671,576	12,020,649	47,692,225
Restricted for:			
Capital projects	7,072,018	0	7,072,018
Debt service	1,422,049	270,152	1,692,201
Special use	0	0	0
Unrestricted	13,038,554	6,143,213	19,181,767
Total net position	\$ 57,204,197	\$ 18,434,014	\$ 75,638,211

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

DISCRETELY PRESENTED
COMPONENT UNITS

HEALTH DEPARTMENT		DEVELOPMENT AUTHORITY	
\$	498,248	\$	18,783
	0		509,043
	3,309		0
	0		0
	0		0
	0	11,671,366	
	0	0	
	0	0	
	0	0	
	0	0	
	0	0	
	0	0	
	0	4,510,668	
	0	0	
	501,557	16,709,860	
	0	0	
	0	143,238	
	0	825	
	0	0	
	0	0	
	3,953	393,232	
	35,578	9,459,041	
	39,531	9,996,336	
	0	2,212,157	
	0	4,510,667	
	0	78,409	
	0	430,633	
	189,147	0	
	272,879	(518,342)	
\$	462,026	\$	4,501,367

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, 2014

Functions/Programs	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary government:				
Governmental activities:				
General government	\$ 5,320,282	\$ 927,563	\$ 5,534	\$ 0
Judicial	1,077,910	982,846	0	0
Public safety	8,279,390	2,313,701	10,107	0
Public works	3,069,413	36,932	26,421	738,371
Health and welfare	321,014	12,000	0	0
Culture and recreation	1,131,290	114,626	0	722,933
Housing and development	270,345	5,480	0	0
Interest	399,238	46,324	0	0
Total governmental activities	19,868,882	4,439,472	42,062	1,461,304
Business-type activities:				
Water Works	3,903,650	4,106,859	0	0
Solid Waste	1,540,719	1,959,848	0	0
Airport	361,194	248,291	0	0
Total business-type activities	5,805,563	6,314,998	0	0
Total primary government	\$ 25,674,445	\$ 10,754,470	\$ 42,062	\$ 1,461,304
Component units:				
Health Department	\$ 628,647	\$ 245,341	\$ 445,811	\$ 0
Development Authority	515,455	541,789	0	0
Total component units	\$ 1,144,102	\$ 787,130	\$ 445,811	\$ 0

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

Change in net position

Net position - beginning (*)

Net position - ending

* GASB 65 Restatement, see Note 14.

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	HEALTH DEPARTMENT	DEVELOPMENT AUTHORITY
\$ (4,387,185)	\$ 0	\$ (4,387,185)	\$ 0	\$ 0
(95,064)	0	(95,064)	0	0
(5,955,582)	0	(5,955,582)	0	0
(2,267,689)	0	(2,267,689)	0	0
(309,014)	0	(309,014)	0	0
(293,731)	0	(293,731)	0	0
(264,865)	0	(264,865)	0	0
(352,914)	0	(352,914)	0	0
(13,926,044)	0	(13,926,044)	0	0
0	203,209	203,209	0	0
0	419,129	419,129	0	0
0	(112,903)	(112,903)	0	0
0	509,435	509,435	0	0
(13,926,044)	509,435	(13,416,609)	0	0
			62,505	0
			0	26,334
			62,505	26,334
7,058,557	0	7,058,557	0	0
1,355,604	0	1,355,604	0	0
5,035,470	0	5,035,470	0	0
1,288,299	0	1,288,299	0	0
814,625	0	814,625	0	0
155,639	29,186	184,825	0	0
(904,659)	904,659	0	0	0
14,803,535	933,845	15,737,380	0	0
877,491	1,443,280	2,320,771	62,505	26,334
56,326,706	16,990,734	73,317,440	399,521	4,475,033
\$ 57,204,197	\$ 18,434,014	\$ 75,638,211	\$ 462,026	\$ 4,501,367

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

HARRIS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	CAPITAL PROJECTS FUNDS			NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
ASSETS					
Cash and cash equivalents	\$ 10,811,005	\$ 0	\$ 6,300,875	2,553,428	\$ 19,665,308
Cash and cash equivalents, restricted	0	1,397,374	0	24,560	1,421,934
Receivables, net					
Accounts	218,314	0	3,549	139,594	361,457
Taxes	249,005	0	0	47,170	296,175
Due from other funds	2,149,087	16,572	0	377,525	2,543,184
Due from component unit	825	0	0	0	825
Due from other governments	225,099	0	0	365,894	590,993
Prepaid expenses	183,622	0	0	0	183,622
Inventories-parts and supplies	502,083	0	0	0	502,083
Total assets	<u>\$ 14,339,040</u>	<u>\$ 1,413,946</u>	<u>\$ 6,304,424</u>	<u>\$ 3,508,171</u>	<u>\$ 25,565,581</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,184,839	\$ 0	\$ 143,204	\$ 11,587	\$ 1,339,630
Other accrued expenses	522,916	0	0	12,691	535,607
Due to other funds	60,435	0	723,243	1,062,338	1,846,016
Total liabilities	<u>1,768,190</u>	<u>0</u>	<u>866,447</u>	<u>1,086,616</u>	<u>3,721,253</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	<u>78,046</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>78,046</u>

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

HARRIS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	CAPITAL PROJECTS FUNDS			NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
Fund balances (Note 14):					
Nonspendable					
Inventories	502,083	0	0	0	502,083
Prepaid expenses	183,622	0	0	0	183,622
Restricted	0	1,413,946	5,437,977	2,254,129	9,106,052
Assigned	297,220	0	0	167,426	464,646
Unassigned	11,509,879	0	0	0	11,509,879
Total fund balances	12,492,804	1,413,946	5,437,977	2,421,555	21,766,282
Total liabilities and fund balances	\$ 14,339,040	\$ 1,413,946	\$ 6,304,424	\$ 3,508,171	
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.					42,920,828
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds:					
Callaway Foundation (Note 6)				1,490,934	
Deferred tax revenue				78,046	
Federal credit subsidy receivable				49,799	1,618,779
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				(7,156,768)	
Loan payable - Callaway Foundation				(1,507,391)	
Accrued compensated absences				(265,635)	
Interest payable on long term debt				(145,999)	
Net pension obligation				(25,899)	(9,101,692)
Net position of governmental activities					\$ 57,204,197

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

HARRIS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	CAPITAL PROJECTS FUNDS			NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST		
REVENUES					
Fees and fines	\$ 1,111,537	\$ 0	\$ 0	\$ 116,432	\$ 1,227,969
Property taxes	7,072,592	0	0	0	7,072,592
Taxes and licenses	5,159,640	0	1,791,933	1,542,425	8,493,998
Intergovernmental	574,535	0	0	6,300	580,835
Charges for services	2,401,935	0	0	634,841	3,036,776
Interest income	31,950	0	13,436	46,324	91,710
Other income	1,385,501	111,201	0	100,144	1,596,846
Total revenues	17,737,690	111,201	1,805,369	2,446,466	22,100,726
EXPENDITURES					
Current:					
General government	5,668,541	0	0	38,589	5,707,130
Judicial	1,075,261	0	0	14,435	1,089,696
Public safety	7,098,915	0	0	689,697	7,788,612
Public works	3,400,000	0	0	0	3,400,000
Health and welfare	320,558	0	0	456	321,014
Culture and recreation	1,657,983	0	0	0	1,657,983
Housing and development	259,545	0	0	0	259,545
Intergovernmental	0	0	330,399	2,948	333,347
Debt Service:					
Principal	7,957	325,000	0	97,156	430,113
Interest	0	344,730	0	46,812	391,542
Capital outlay	0	0	1,209,486	324,522	1,534,008
Total expenditures	19,488,760	669,730	1,539,885	1,214,615	22,912,990
Excess (deficiency) of revenues over (under) expenditures	(1,751,070)	(558,529)	265,484	1,231,851	(812,264)
OTHER FINANCING SOURCES (USES)					
Transfers in	992,852	555,483	0	182,521	1,730,856
Transfers out	(938,995)	0	(703,667)	(992,851)	(2,635,513)
Total other financing sources (uses)	53,857	555,483	(703,667)	(810,330)	(904,657)

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

HARRIS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	GENERAL FUND	CAPITAL PROJECTS FUNDS PUBLIC IMPROVEMENTS AUTHORITY	2009 SPLOST	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Net change in fund balances	(1,697,213)	(3,046)	(438,183)	421,521	(1,716,921)
Fund balances, beginning	14,190,017	1,416,992	5,876,160	2,000,034	
Fund balances, ending	\$ 12,492,804	\$ 1,413,946	\$ 5,437,977	\$ 2,421,555	

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	5,126,580	
Depreciation expense	(2,127,122)	
Distributions and other disposal of capital assets	(730,396)	
Net adjustment		2,269,062

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) (97,644)

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. (14,035)

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) (948)

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. 322,312

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. 97,156

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. 751

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. 2,949

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. 14,809

Change in net position of governmental activities \$ 877,491

HARRIS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
REVENUES				
Fees and fines	\$ 992,992	\$ 1,100,819	\$ 1,111,537	\$ 10,718
Property taxes	7,170,000	7,170,000	7,072,592	(97,408)
Taxes and licenses	4,465,000	4,465,000	5,159,640	694,640
Intergovernmental	490,607	569,614	574,535	4,921
Charges for services	2,406,392	2,406,392	2,401,935	(4,457)
Interest income	35,000	35,000	31,950	(3,050)
Other income	82,250	1,142,250	1,385,501	243,251
Total revenues	15,642,241	16,889,075	17,737,690	848,615
EXPENDITURES				
General government				
Administration	644,071	644,071	634,829	9,242
Tax commissioner	316,313	316,313	296,979	19,334
Extension services	76,966	76,966	74,682	2,284
Tax assessor	417,486	417,486	395,057	22,429
Facilities maintenance	804,046	804,046	686,549	117,497
Voter registration	45,701	57,500	49,379	8,121
Insurance expenditures	2,113,000	2,113,000	1,963,432	149,568
Operations	698,492	1,562,628	1,567,634	(5,006)
Total general government	5,116,075	5,992,010	5,668,541	323,469
Judicial				
Clerk of Superior Court	321,913	331,463	331,502	(39)
Probate court	164,529	165,070	166,224	(1,154)
Court services	284,235	329,785	330,456	(671)
Magistrate court	171,682	171,682	163,360	8,322
Assistant district attorney	154,530	154,530	83,719	70,811
Total judicial	1,096,889	1,152,530	1,075,261	77,269
Public safety				
Emergency medical services	1,522,258	1,576,139	1,587,075	(10,936)
Sheriff's department	2,488,757	2,488,757	2,442,707	46,050
Jail	1,311,907	1,311,907	1,254,691	57,216
Correctional institute	1,473,267	1,473,267	1,389,873	83,394
Fire protection	429,535	437,368	424,569	12,799
Total public safety	7,225,724	7,287,438	7,098,915	188,523
Public works				
Road maintenance	939,460	2,648,244	3,121,673	(473,429)
Vehicle maintenance operations	248,302	248,302	223,235	25,067
Animal shelter	66,943	66,943	55,092	11,851
Total public works	1,254,705	2,963,489	3,400,000	(436,511)

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Health and welfare				
Coroner	39,078	39,078	35,317	3,761
Child support	5,874	5,874	5,536	338
Public services	38,570	38,570	23,699	14,871
Health department	256,000	256,000	256,006	(6)
Total health and welfare	339,522	339,522	320,558	18,964
Culture and recreation				
Library	211,627	214,865	214,864	1
Pool	57,623	57,623	24,607	33,016
Community Center	266,273	266,273	262,133	4,140
Recreation department	405,339	405,339	1,104,854	(699,515)
Agriculture Center	0	51,526	51,525	1
Total culture and recreation	940,862	995,626	1,657,983	(662,357)
Housing and development				
County engineer	20,000	20,099	28,174	(8,075)
Building inspection	234,588	234,588	221,477	13,111
Economic development	15,000	15,000	9,894	5,106
Total housing and development	269,588	269,687	259,545	10,142
Debt service				
Principal and interest	0	0	7,957	(7,957)
Total expenditures	16,243,365	19,000,302	19,488,760	(488,458)
Excess of revenues over expenditures	(601,124)	(2,111,227)	(1,751,070)	360,157
OTHER FINANCING SOURCES (USES)				
Transfers in	0	980,982	992,852	11,870
Transfers out	(149,861)	(1,100,537)	(938,995)	161,542
Total other financing uses	(149,861)	(119,555)	53,857	173,412
Net change in fund balance	(750,985)	(2,230,782)	(1,697,213)	533,569
FUND BALANCE, BEGINNING	14,190,017	14,190,017	14,190,017	0
FUND BALANCE, ENDING	\$ 13,439,032	\$ 11,959,235	\$ 12,492,804	\$ 533,569

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

HARRIS COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTAL
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,579,788	\$ 4,493,177	\$ 0	\$ 7,072,965
Receivables, net	448,637	9,554	0	458,191
Due from other funds	11,645	0	43,863	55,508
Other assets	59,672	51,643	2,130	113,445
Inventories	247,858	0	64,450	312,308
Total current assets	3,347,600	4,554,374	110,443	8,012,417
Noncurrent assets:				
Restricted cash and cash equivalents	690,133	0	0	690,133
Capital assets, net	14,714,150	1,076,071	3,395,883	19,186,104
Total noncurrent assets	15,404,283	1,076,071	3,395,883	19,876,237
Total assets	18,751,883	5,630,445	3,506,326	27,888,654
LIABILITIES				
Current liabilities:				
Accounts payable	119,613	0	38,791	158,404
Other accrued expenses	42,136	5,939	1,326	49,401
Due to other funds	237,572	449,628	65,476	752,676
Customer deposits	423,283	0	0	423,283
Total current liabilities	822,604	455,567	105,593	1,383,764
Noncurrent liabilities:				
Compensated absences	47,228	16,201	0	63,429
Revenue bonds including premium	7,288,417	0	0	7,288,417
Capital lease	0	360,123	0	360,123
Other loans payable	94,872	0	0	94,872
Landfill closure/postclosure liability	0	264,035	0	264,035
Total noncurrent liabilities	7,430,517	640,359	0	8,070,876
Total liabilities	8,253,121	1,095,926	105,593	9,454,640
NET POSITION				
Invested in capital assets, net of related debt	7,908,818	715,948	3,395,883	12,020,649
Restricted for debt service	270,152	0	0	270,152
Unrestricted	2,319,792	3,818,571	4,850	6,143,213
Total net position	\$ 10,498,762	\$ 4,534,519	\$ 3,400,733	\$ 18,434,014

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, 2014

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTAL
OPERATING REVENUES				
Charges for services	\$ 4,106,859	1,959,848	248,291	\$ 6,314,998
OPERATING EXPENSES				
Salaries and related expenses	1,045,242	407,447	44,782	1,497,471
Utilities	186,936	9,484	10,371	206,791
Water purchases	746,307	0	0	746,307
Fuel, oil, and tires	66,234	183,291	201,090	450,615
Repairs and maintenance	518,526	68,018	9,556	596,100
Chemicals, small tools and supplies	117,456	5,684	0	123,140
Legal and professional	7,469	3,475	0	10,944
Tipping fees	0	514,021	0	514,021
Other general and administrative fees	446,245	131,453	8,345	586,043
Depreciation and amortization	569,540	208,969	87,050	865,559
Total operating expenses	3,703,955	1,531,842	361,194	5,596,991
Operating income (loss)	402,904	428,006	(112,903)	718,007
NONOPERATING REVENUES (EXPENSES)				
Interest income	3,577	25,609	0	29,186
Interest expense	(199,695)	(8,877)	0	(208,572)
Total nonoperating revenues (expenses)	(196,118)	16,732	0	(179,386)
Income before transfers	206,786	444,738	(112,903)	538,621
Transfers in	11,645	0	893,014	904,659
Change in net position	218,431	444,738	780,111	1,443,280
Total net position, beginning (*)	10,280,331	4,089,781	2,620,622	16,990,734
Total net position, ending	\$ 10,498,762	\$ 4,534,519	\$ 3,400,733	\$ 18,434,014

* GASB 65 Restatement, see Note 14.

HARRIS COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	ENTERPRISE FUNDS			
	WATER WORKS	SOLID WASTE	AIRPORT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 4,119,537	\$ 1,968,078	\$ 250,343	\$ 6,337,958
Payments to suppliers	(1,950,699)	(969,607)	(259,104)	(3,179,410)
Payments to employees	(1,041,136)	(415,556)	(44,087)	(1,500,779)
Transfers from other funds	0	464,874	52,848	517,722
Net cash provided by operating activities	<u>1,127,702</u>	<u>1,047,789</u>	<u>0</u>	<u>2,175,491</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Transfers from other funds	11,645	0	955,259	966,904
Purchases of capital assets	(190,113)	(324,103)	(955,259)	(1,469,475)
Principal paid on capital debt, net	(430,256)	71,888	0	(358,368)
Interest paid on capital debt	(201,021)	(8,877)	0	(209,898)
Net cash used in capital and related financing activities	<u>(809,745)</u>	<u>(261,092)</u>	<u>0</u>	<u>(1,070,837)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends received	<u>3,165</u>	<u>24,210</u>	<u>0</u>	<u>27,375</u>
Net cash provided by investing activities	<u>3,165</u>	<u>24,210</u>	<u>0</u>	<u>27,375</u>
Net increase in cash and cash equivalents	321,122	810,907	0	1,132,029
Cash and cash equivalents, beginning (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>
Cash and cash equivalents, ending (including \$690,133 reported in restricted accounts)	<u>\$ 3,269,921</u>	<u>\$ 4,493,177</u>	<u>\$ 0</u>	<u>\$ 7,763,098</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	<u>\$ 402,904</u>	<u>\$ 428,006</u>	<u>\$ (112,903)</u>	<u>\$ 718,007</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	569,540	208,969	87,050	865,559
Changes in:				
Receivables, net	15,815	8,230	0	24,045
Inventories	(46,899)	0	(9,562)	(56,461)
Accounts payable	39,989	(39,041)	38,791	39,739
Other accrued expenses	4,648	(23,249)	695	(17,906)
Transfers to (from) other funds	192,458	464,874	(3,558)	653,774
Customer deposits	8,508	0	0	8,508
Other (net)	(59,261)	0	(513)	(59,774)
Total adjustments	<u>724,798</u>	<u>619,783</u>	<u>112,903</u>	<u>1,457,484</u>
Net cash provided by operating activities	<u>\$ 1,127,702</u>	<u>\$ 1,047,789</u>	<u>\$ 0</u>	<u>\$ 2,175,491</u>

Noncash transactions: Equipment purchase in the amount of \$124,541 by capital lease in the Solid Waste Fund.

HARRIS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2014

	AGENCY FUNDS
ASSETS	
Cash and cash equivalents	\$ 2,188,194
Receivables	288,089
Total assets	<u>\$ 2,476,283</u>
LIABILITIES	
Payable to others	\$ 2,476,283
Total liabilities	<u>\$ 2,476,283</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, 2014

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, 2014

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, 2014

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, 2014, the County paid \$28,742 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, 2014

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, 2014 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, 2014

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.

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.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2: Summary of Significant Accounting Policies (Continued)

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.

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.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2: Summary of Significant Accounting Policies (Continued)

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.

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.

New Accounting Policy - During the year ended June 30, 2014, the County implemented the provisions of GASB No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). This provides financial reporting guidance related to deferred inflows of resources and deferred outflows of resources.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2: Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Accordingly, unavailable revenue related to property taxes is reported only in the governmental funds balance sheet and unavailable revenue related to unearned lease income is reported in the statement of net position for the Development Authority, a discretely presented component unit. These amounts are deferred and recognized as inflows of resources in the periods that the amounts become available.

In addition, GASB 65 requires that costs associated with the issuance of long-term debt be expensed in the period incurred. Previously, these costs were capitalized and amortized over the term of the related debt. The implementation of GASB 65 requires a retroactive application and restatement for all periods presented. See Note 14.

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

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2: Summary of Significant Accounting Policies (Continued)

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.

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 expensed as incurred.

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.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 (committed, assigned, and finally unassigned fund balance, as appropriate).

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, 2013, on the assessed value for all real and personal property as of January 1, 2013 and is recorded as revenue for the year ended June 30, 2014. Taxes were due December 20, 2013 following the levy date and became delinquent on December 21, 2013.

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.

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, 2014.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3: Component Units (Continued)

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.

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 lease with a receivable established to account for the future payments (Notes 7 and 12).

Harris County Public Improvements Authority

The HCPIA issued bonds in December 2010 to fund the construction of the Harris County Community Center, a recreational facility for the County. The building 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. 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 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, 2014

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 modified 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, 2014, various departmental expenditures exceeded budget as shown below. The County did not budget expenditures in recreation which were offset by approximately \$700,000 in donations received and budgeted in other income. The County also did not include in the current year budget road expenditures of approximately \$473,000 which will be funded Transportation Investment Act ("TIA") revenue. 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.

Budgetary Department	Negative budget variances
Operations	\$ 5,006
Clerk of Superior Court	39
Probate Court	1,154
Court Services	671
Emergency medical services	10,936
Road maintenance	473,429
Health department	6
Recreation department	699,515
County engineer	8,075
	<u>\$ 604,175</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 \$31,092,594 (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, \$30,796,363 was either insured or collateralized with securities held by the County's agent in the County's name. The remaining \$296,231 held by the County was not insured or collateralized in accordance with Georgia Code as of June 30, 2014. These funds were appropriately collateralized by July 31, 2014. 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, 2014

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	\$ 5,150,000	\$ 5,661,005	\$ 0	\$ 0	\$ 10,811,005
Public Improvements Authority	0	0	1,397,374	(1,397,374)	0
2009 SPLOST	4,525,580	1,775,295	0	0	6,300,875
Nonmajor Governmental Funds	2,577,988	0	0	(24,560)	2,553,428
Water Works	1,621,151	1,648,770	0	(690,133)	2,579,788
Solid Waste	2,274,694	2,218,483	0	0	4,493,177
Total Government-wide	16,149,413	11,303,553	1,397,374	(2,112,067)	26,738,273
Agency Funds	2,188,194	0	0	0	2,188,194
Total	<u>\$ 18,337,607</u>	<u>\$ 11,303,553</u>	<u>\$ 1,397,374</u>	<u>\$ (2,112,067)</u>	<u>\$ 28,926,467</u>

NOTE 6: Note Receivable

Primary Government – Governmental Activities

The note receivable of \$1,490,934 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, 2014

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:			
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	113,424	30,533	143,957
2020-2024	620,996	98,789	719,785
2025-2027	335,329	12,696	348,025
Totals	<u>\$ 1,490,934</u>	<u>\$ 296,661</u>	<u>\$ 1,787,595</u>

NOTE 7: Lease Receivable

Component Unit – Harris County Development Authority

The lease receivable as of June 30, 2014 of \$11,671,366 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. The interest income 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 \$541,789. 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, 2014

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:		
2015	\$	884,210
2016		884,210
2017		884,210
2018		884,210
2019		884,210
2020		<u>7,250,316</u>
Total minimum payments		11,671,366
Less amounts representing interest		<u>(2,212,157)</u>
Present value of minimum capital lease payments	\$	<u><u>9,459,209</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, 2014 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	2009 SPLOST Fund	\$ 334,073
	Nonmajor Governmental Funds	1,062,338
	Water Works Fund	237,572
	Solid Waste Fund	449,628
	Airport Fund	65,476
		<u>\$ 2,149,087</u>
Public Improvements Authority	General Fund	\$ 16,572
	2009 SPLOST Fund	11,645
		43,863
		<u>\$ 72,080</u>
Water Works Fund		
Airport Fund	General Fund	
		<u>\$ 377,525</u>
Nonmajor Governmental Funds	2009 SPLOST Fund	

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

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

Transfers from the General Fund to Nonmajor Governmental Funds represent transfers to E-911 Special Revenue fund of \$45,849 for operations and \$133 to 2014 SPLOST to open the fund's cash account for total transfers of \$45,982.

Transfers from the General Fund to the Airport enterprise fund represent transfers of \$24,645 for operations and \$868,369 for construction.

Transfers from Nonmajor Governmental Funds represent transfers from the hotel motel tax fund to the General Fund of \$11,738 and transfers representing Transportation Investment Act Funds ("TIA") of \$981,114 from the TSPLOST Fund for Roads.

Transfers of \$555,483 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. The 2009 SPLOST Fund transferred \$136,541 to the 2004 SPLOST Fund for Economic Development.

	Transfers In:					Total
	General Fund	Public Improvements Authority	Nonmajor Governmental Funds	Water Works Fund	Airport Enterprise Fund	
<u>Transfers out:</u>						
General fund	\$ 0	\$ 0	\$ 45,982	\$ 0	\$ 893,014	\$ 938,996
2009 SPLOST	0	555,483	136,539	11,645	0	703,667
Nonmajor governmental funds	<u>992,851</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>992,851</u>
Total	<u>\$ 992,851</u>	<u>\$ 555,483</u>	<u>\$ 182,521</u>	<u>\$ 11,645</u>	<u>\$ 893,014</u>	<u>\$2,635,514</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 9: Due From Other Governments

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

	<u>General Fund</u>	<u>Public Improvements Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
State of Georgia				
Department of Revenue-				
Sales Tax	\$ 157,099	\$ 0	\$ 365,894	\$ 522,993
State Board of				
Corrections	68,000	0	0	68,000
Federal government, Note 3	<u>0</u>	<u>49,799</u>	<u>0</u>	<u>49,799</u>
Net due from other governments	<u>\$ 225,099</u>	<u>\$ 49,799</u>	<u>\$ 365,894</u>	<u>\$ 640,792</u>

NOTE 10: Other Accrued Expenses

Other accrued expenses are summarized as follows:

	<u>General Fund</u>	<u>Public Improvements Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Water Works</u>	<u>Solid Waste</u>	<u>Airport</u>	<u>Total</u>
Accrued payroll	\$ 522,916	\$ 0	\$ 12,691	\$ 25,734	\$ 5,936	\$ 1,326	\$ 568,603
Accrued interest	<u>0</u>	<u>142,283</u>	<u>3,716</u>	<u>16,402</u>	<u>0</u>	<u>0</u>	<u>162,401</u>
Total other accrued expenses	<u>\$ 522,916</u>	<u>\$ 142,283</u>	<u>\$ 16,407</u>	<u>\$ 42,136</u>	<u>\$ 5,936</u>	<u>\$ 1,326</u>	<u>\$ 731,004</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11: Capital Assets

Primary Government - Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at June 30, 2013	Additions	Disposals	Reclassifications	Balance at June 30, 2014
Governmental activities:					
Capital assets not depreciable:					
Land	\$ 13,412,620	\$ 1,711,855	\$ (730,396)	\$ 0	\$ 14,394,079
Construction in progress	1,526,467	276,212	0	(1,254,779)	547,900
Total assets not depreciable	14,939,087	1,988,067	(730,396)	(1,254,779)	14,941,979
Capital assets depreciable:					
Buildings	20,066,996	229,167	0	288,149	20,584,312
Equipment and personal property	16,386,595	1,563,182	0	703,365	18,653,142
Infrastructure	21,600,223	1,346,164	0	263,265	23,209,652
Total assets depreciable	58,053,814	3,138,513	0	1,254,779	62,447,106
Less accumulated depreciation:					
Buildings	(4,808,251)	(507,441)	0	0	(5,315,692)
Equipment and personal property	(14,026,618)	(767,864)	0	0	(14,794,482)
Infrastructure	(13,506,266)	(851,817)	0	0	(14,358,083)
Total accumulated depreciation	(32,341,135)	(2,127,122)	0	0	(34,468,257)
Total assets depreciable, net	25,712,679	1,011,391	0	1,254,779	27,978,849
Capital assets (net)	\$ 40,651,766	\$ 2,999,458	\$ (730,396)	\$ 0	\$ 42,920,828

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11: Capital Assets (Continued)

	Balance at June 30, 2013	Additions	Disposals	Reclassifications	Balance at June 30, 2014
Business-type activities:					
Capital assets not depreciable:					
Land	\$ 623,649	\$ 0	\$ 0	\$ 0	\$ 623,649
Construction in progress	428,972	30,018	0	0	458,990
Total assets not depreciable	<u>1,052,621</u>	<u>30,018</u>	<u>0</u>	<u>0</u>	<u>1,082,639</u>
Capital assets depreciable:					
Buildings and land improvements	1,073,886	840,272	0	0	1,914,158
Equipment and personal property	4,932,438	397,526	0	0	5,329,964
Water system, filter plant and waterlines	<u>24,597,889</u>	<u>114,770</u>	<u>0</u>	<u>0</u>	<u>24,712,659</u>
Total assets depreciable	<u>30,604,213</u>	<u>1,352,568</u>	<u>0</u>	<u>0</u>	<u>31,956,781</u>
Less accumulated depreciation :					
Buildings and land improvements	(227,774)	(28,155)	0	0	(255,929)
Equipment and personal property	(2,753,939)	(241,695)	0	0	(2,995,634)
Water system, filter plant and waterlines	<u>(10,006,044)</u>	<u>(595,709)</u>	<u>0</u>	<u>0</u>	<u>(10,601,753)</u>
Total accumulated depreciation	<u>(12,987,757)</u>	<u>(865,559)</u>	<u>0</u>	<u>0</u>	<u>(13,853,316)</u>
Total assets depreciable, net	<u>17,616,456</u>	<u>487,009</u>	<u>0</u>	<u>0</u>	<u>18,103,465</u>
Capital assets (net)	<u>\$ 18,669,077</u>	<u>\$ 517,027</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,186,104</u>

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

Governmental activities	
General government	\$ 235,960
Judicial	1,282
Public safety	714,121
Public works	940,929
Culture and recreation	234,829
Total depreciation expense - governmental activities	<u>\$ 2,127,121</u>
Business-type activities	
Water works	\$ 569,540
Solid waste	208,969
Airport	87,050
Total depreciation expense - business-type activities	<u>\$ 865,559</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11: Capital Assets (Continued)

Discretely Presented Component Units - Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance at</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>Balance at</u> <u>June 30, 2014</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, 2014

NOTE 12: Noncurrent Liabilities

A summary of changes in noncurrent liabilities for 2014 follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due within one year</u>	<u>Due after one year</u>
Primary Government						
Governmental Activities:						
Loan payable	\$ 1,604,547	\$ 0	\$ (97,156)	\$ 1,507,391	\$ 100,111	\$ 1,407,280
Revenue bond, net of discount	7,479,080	0	(322,312)	7,156,768	330,000	6,826,768
Compensated absences	266,386	0	(751)	265,635	53,127	212,508
Totals	<u>9,350,013</u>	<u>0</u>	<u>(420,219)</u>	<u>8,929,794</u>	<u>483,238</u>	<u>8,446,556</u>
Business-Type Activities:						
Loan payable	\$ 105,128	\$ 0	\$ (10,256)	\$ 94,872	\$ 10,256	\$ 84,616
Revenue bonds, net of deferred amounts	7,709,044	0	(420,627)	7,288,417	435,000	6,853,417
Capital lease obligations	288,235	124,541	(52,653)	360,123	57,836	302,287
Compensated absences	53,960	9,469	0	63,429	12,686	50,743
Postclosure liability	279,175	0	(15,140)	264,035	23,933	240,102
Totals	<u>8,435,542</u>	<u>134,010</u>	<u>(498,676)</u>	<u>8,070,876</u>	<u>539,711</u>	<u>7,531,165</u>
Totals - primary government	<u>\$ 17,785,555</u>	<u>\$ 134,010</u>	<u>\$ (918,895)</u>	<u>\$ 17,000,670</u>	<u>\$ 1,022,949</u>	<u>\$ 15,977,721</u>
Discretely presented component unit - Development Authority:						
Bond payable	<u>\$ 10,225,813</u>	<u>\$ 0</u>	<u>\$ (373,540)</u>	<u>\$ 9,852,273</u>	<u>\$ 393,232</u>	<u>\$ 9,459,041</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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:			
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	112,858	31,100	143,958
2020-2024	617,890	101,896	719,786
2025-2027	357,561	14,454	372,015
Totals	<u>\$ 1,507,391</u>	<u>\$ 304,197</u>	<u>\$ 1,811,588</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, debt service requirements for principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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	370,000	292,865	662,865
2020-2024	2,010,000	1,212,941	3,222,941
2025-2029	2,355,000	664,238	3,019,238
2030-2033	1,070,000	64,800	1,134,800
Totals	7,200,000	<u>\$ 3,525,332</u>	<u>\$ 10,725,332</u>
Unamortized bond discount	(43,232)		
Revenue bonds including discount	<u>\$ 7,156,768</u>		

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 12: Noncurrent Liabilities (Continued)

Capital Lease Obligations – Business-type Activities

Solid Waste Fund

The Solid Waste Fund (“Solid Waste”) has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term), and therefore are recorded at the present value of the future minimum lease payments as of the date of inception. The cost of the assets under the capital lease as of June 30, 2014 totaled \$420,679.

Accumulated depreciation of \$71,400 and depreciation expense of \$60,823 as of and for the year ended June 30, 2014 is included in accumulated depreciation and depreciation expense, respectively, on the financial statements. The present value of future minimum capital lease payments as of June 30, 2014 is as follows:

June 30:	
2015	\$ 62,205
2016	65,374
2017	65,374
2018	185,195
2019	<u>4,736</u>
Total minimum payments	382,884
Less amounts representing interest	<u>(22,761)</u>
Present value of minimum capital lease payments	<u>\$ 360,123</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 the HCWW is 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:			
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	10,256	0	10,256
2020-2024	43,592	0	43,592
Totals	<u>\$ 94,872</u>	<u>\$ 0</u>	<u>\$ 94,872</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 with interest accruing at 2.0% through 5.0% per annum, payable semiannually. Annual principal payments for the Series 2012B Bonds began December 1, 2012 and continued through December 1, 2013.

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, 2014

NOTE 12: Noncurrent Liabilities (Continued)

Revenue Bonds – Business-type Activities (continued)

The annual maturity of the Series 2012 Bonds subsequent to June 30, 2014 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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	485,000	130,648	615,648
2020-2024	2,650,000	457,791	3,107,791
2025-2028	<u>2,355,000</u>	<u>126,847</u>	<u>2,481,847</u>
Totals	7,280,000	<u>\$ 1,409,853</u>	<u>\$ 8,689,853</u>
Unamortized bond premium, net	<u>8,417</u>		
Revenue bonds, net	<u>\$ 7,288,417</u>		

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the County has recorded a liability totaling \$264,035, 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. 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, 2014

NOTE 12: Noncurrent Liabilities (Continued)

Revenue Bonds – Discretely Presented Component Unit

Harris County Development Authority

At June 30, 2014, 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. As reflected in Note 7, the Authority executed a seven year capital lease with JCI for the building with monthly payments totaling \$884,210 annually due to the Authority.

	<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%.	\$ 363,232	\$ 4,034,041
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>5,425,000</u>
Total Revenue Bonds - Authority	<u>\$ 393,232</u>	<u>\$ 9,459,041</u>

As of June 30, 2014, debt service requirements for principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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 (balloon)	2,849,524	277,637	3,127,161
2020-2024	105,000	1,175,145	1,280,145
2025-2029	3,535,000	750,250	4,285,250
2030-2031	<u>1,645,000</u>	<u>74,646</u>	<u>1,719,646</u>
Totals	<u>\$ 9,852,273</u>	<u>\$ 4,073,976</u>	<u>\$ 13,926,249</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the County collected \$44,289 and remitted \$33,391, or approximately 75% of the receipts to the Chamber and the DNR.

NOTE 14: Fund Balance and Net Position

At June 30, 2014, 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	\$ 502,083	\$ 0	\$ 0	\$ 0	\$ 502,083
Prepaid assets	183,622	0	0	0	183,622
	<u>685,705</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>685,705</u>
Restricted for:					
Debt service	0	1,413,946	0	24,560	1,438,506
Capital projects	0	0	5,437,977	1,285,554	6,723,531
Transportation	0	0	0	348,487	348,487
Education	0	0	0	177,719	177,719
Public safety	0	0	0	417,809	417,809
	<u>0</u>	<u>1,413,946</u>	<u>5,437,977</u>	<u>2,254,129</u>	<u>9,106,052</u>
Assigned to:					
Public safety	4,000	0	0	0	4,000
Public works	254,338	0	0	0	254,338
Health and welfare	0	0	0	167,426	167,426
Culture and recreation	38,882	0	0	0	38,882
	<u>297,220</u>	<u>0</u>	<u>0</u>	<u>167,426</u>	<u>464,646</u>
Unassigned	<u>11,509,879</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,509,879</u>
Total fund balances	<u>\$ 12,492,804</u>	<u>\$ 1,413,946</u>	<u>\$ 5,437,977</u>	<u>\$ 2,421,555</u>	<u>\$ 21,766,282</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 14: Fund Balance and Net Position (Continued)

Due to the implementation of new accounting guidance discussed in Note 2, the County retrospectively restated net position from amounts previously reported as of and for the year ended June 30, 2013. Previously capitalized bond issuance costs of \$161,815 and \$148,974 in the Water Works Fund and Governmental Activities, respectively, have been expensed effective June 30, 2013. The effect on beginning net position is summarized in the following table:

	Water Works Fund	Government-wide Net Position		
		Governmental Activities	Business-type Activities	Total
Other assets	\$ (161,815)	\$ (148,974)	\$ (161,815)	\$ (310,789)
Total restatement	(161,815)	(148,974)	(161,815)	(310,789)
Beginning balances, previously reported	10,442,146	56,475,681	17,152,549	73,628,230
Restated beginning balances	<u>\$ 10,280,331</u>	<u>\$ 56,326,707</u>	<u>\$ 16,990,734</u>	<u>\$ 73,317,441</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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, 2014, 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, 2014, there were 190 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, 2014, contributions totaled \$144,635.

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 \$2,692,262 at June 30, 2014. Investments are participant-directed from a choice of 52 mutual funds. Investments in 8 of the mutual funds each represented 5 percent or more of the net assets of the plan as of June 30, 2014.

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 \$2,872,787 at June 30, 2014. 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, 2014.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, 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, 2014, there were no employee contributions and the County's expense totaled approximately \$206,000.

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, 2014

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, 2013 (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	68
Terminated plan participants entitled to future benefits	97
Active employees participating in the Plan	<u>233</u>
Total number of Plan participants	<u><u>398</u></u>
Covered compensation for active participants	<u><u>\$ 8,046,852</u></u>

Contributions - The County made the recommended contribution of \$627,494 during the year ending June 30, 2014 which represents 7.8% 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, 2014

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, 2013. Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually and projected salary increases of 5.0 – 7.5 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, 2014

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

Defined Benefit Pension Plan (continued)

Funding Status and Progress – As of December 31, 2013, the actuarial accrued liability for benefits was \$9,183,824, and the actuarial value of assets was \$7,461,242, resulting in an unfunded liability (“UAAL”) of \$1,722,582. The actuarial value of assets is 81.2% of the actuarial accrued liability. The UAAL is 21.4% of the annual covered payroll of \$8,046,852. 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, however, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Net Pension Obligation and Annual Pension Cost

Net pension obligation as of June 30, 2013	\$ 40,708
Add: Annual pension cost	
Annual required contribution	565,739
Interest on net pension obligation	3,155
Amortization of net pension obligation	<u>(3,376)</u>
Annual pension cost	565,518
Less: Actual contributions	<u>(580,327)</u>
Increase in net pension obligation	<u>(14,809)</u>
Net pension obligation as of June 30, 2014	<u>\$ 25,899</u>

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2013 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>
2011	\$ 555,559	\$ 539,910	97%	\$ 25,059	\$ 15,649
2012	565,518	580,327	103%	40,708	(14,809)
2013	627,353	627,494	100%	25,899	(141)

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

The County is contingently liable for certain grant funds received for various construction projects in the event the constructed assets are converted to ineligible use within stipulated timeframes. The remaining contingent obligations at June 30, 2014 related to these grants totaled approximately \$716,000.

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.

HARRIS COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 17: Commitments and Contingencies (Continued)

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

NOTE 18: Subsequent Events

Harris County Development Authority Bonds – On December 1, 2014, both the Authority and KOPLA signed a lease agreement, whereas, the Authority leases the Property acquired with bonds (see below) to KOPLA. The lease agreement commences on December 24, 2014 and expires December 1, 2021. The Authority has no responsibility for maintenance or insurance of the project. If the proceeds from the bond issue are not sufficient to pay the cost of the project, the Authority is not responsible for any costs beyond the proceeds of the bonds.

On December 24, 2014, the Harris County Development Authority issued \$18,000,000 in taxable revenue bonds for the KOPLA America Inc., project. The bonds carry an interest rate of 3% with principal being repaid in six equal installments commencing December 1, 2015 with the final payment due December 1, 2021.

The bond proceeds will be issued to finance the cost of acquisition of fixtures, real estate and improvements to be used in connection with the operations of certain facilities for the manufacturing of automobile parts.

Consistent with the bond amortization schedule, KOPLA shall pay the Authority rent for the Project, equal to the principal and related interest due on the bonds. No part of the property is subject to ad valorem taxes; however, KOPLA and the Authority have also signed a "payment in lieu of taxes agreement" which requires KOPLA to make certain payments to the County in lieu of property taxes. Beginning in 2018 – 2021, KOPLA shall make a payment in lieu of taxes equal to 50% of a calculated ad valorem tax on this property.

Under these agreements, the County has no financial liability other than claims made against the rental paid by KOPLA.

Harris County Public Improvement Authority Revenue Bonds Taxable Series 2015 – On December 22, 2014, the County issued two Harris County Public Improvements Authority Taxable Revenue Bonds, Series 2015, for \$2,700,000 each or a total of \$5,400,000. The interest rate is 4% with interest payments paid semi-annually and principal paid annually with a final maturity date of January 1, 2035. The bonds were issued for the financing of the acquisition, construction and installation of certain water and sewer facilities.

HARRIS COUNTY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Defined Benefit Pension Plan

Required Supplementary Information Analysis of Funding Progress

Measurement Date	(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)
December 31,						
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	24.57%
2013	8,419,827	9,913,446	84.93%	1,493,619	8,046,852	18.56%

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, 2014

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

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		Total
		Prior Years	Current Year	
Road improvements	\$ 5,207,000	\$ 3,313,443	\$ 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	124,340	3,799	128,139
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	2,947	130,007
Waverly Hall	200,000	200,277	0	200,277
Computers	360,000	360,000	0	360,000
Mtn Hill Library	100,000	99,874	0	99,874
Totals	\$ 11,000,000	\$ 8,983,928	\$ 6,746	\$ 8,990,674

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

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		Total
		Prior Years	Current Year	
Cities				
Hamilton	\$ 173,000	\$ 173,000	\$ 0	\$ 173,000
Pine Mountain	436,000	441,249	0	441,249
Shiloh	165,000	162,118	0	162,118
Waverly Hall	276,000	276,000	0	276,000
West Point	276,000	276,000	0	276,000
Parks	600,000	144,425	154,092	298,517
Economic Development	3,500,000	3,400,692	88,890	3,489,582
Walking Trail	100,000	41,791	58,210	100,001
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	19,531	6,295,418
Totals	\$ 14,000,000	\$ 12,443,133	\$ 320,723	\$ 12,763,856

During fiscal year 2009, the County began collections of a five year special sales tax which expired in 2014. The County has ceased collection of these funds, but previously collected funds are still being expended.

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		Total
		Prior Years	Current Year	
Economic Development	\$ 2,000,000	\$ 587,432	\$ 947,925	\$ 1,535,357
Library	1,500,000	0	0	0
Recreation	2,200,000	1,282,822	559,572	1,842,394
EMS/Fire	2,000,000	1,204,837	256,552	1,461,389
Roads	10,930,000	192,638	12,565	205,203
Cities				
Hamilton	350,000	155,531	157,924	313,455
Pine Mountain	765,000	765,000	0	765,000
Shiloh	290,000	245,734	10,946	256,680
Waverly Hall	500,000	442,540	45,277	487,817
West Point	465,000	232,500	116,250	348,750
Totals	\$ 21,000,000	\$ 5,109,034	\$ 2,107,011	\$ 7,216,045

HARRIS COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2014

During fiscal year 2014, the County began collections of a five year special sales tax. The fund will continue to collect these taxes through April 2019.

Expenditures to date are as follows:

Project	Original estimated cost	Expenditures		Total
		Prior Years	Current Year	
Economic Development	\$ 1,000,000	\$ 0	\$ 0	\$ 0
Public Library Construction	500,000	0	0	0
Recreation	2,700,000	0	0	0
Public Safety	80,000	0	0	0
Fire	3,152,000	0	0	0
Water System Improvements	1,000,000	0	0	0
AgriCenter	500,000	0	0	0
Roads				
County	2,500,000	0	0	0
Hamilton	60,000	0	0	0
Shiloh	100,000	0	0	0
Waverly Hall	200,000	0	0	0
West Point	100,000	0	0	0
Cities				
Hamilton	240,000	0	0	0
Pine Mountain	961,000	0	0	0
Shiloh	270,000	0	0	0
Waverly Hall	376,000	0	0	0
West Point	475,000	0	0	0
Debt reduction/public safety/roads/airport	4,786,000	0	0	0
Totals	\$ 19,000,000	\$ 0	\$ 0	\$ 0

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	\$ 11,000,000	\$ 8,904,142	\$ 356,986	\$ 8,990,674	\$ 270,454
2004	\$ 14,000,000	\$ 12,558,478	\$ 622,701	\$ 12,763,856	\$ 417,323
2009	\$ 21,000,000	\$ 12,613,034	\$ 40,988	\$ 7,216,045	\$ 5,437,977
2014	\$ 19,000,000	\$ 594,045	\$ 0	\$ 0	\$ 594,045

DEVELOPMENT AUTHORITY OF HARRIS COUNTY
HARRIS COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF ONEGEORGIA EDGE FUND AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>DESCRIPTION</u>	<u>GRANT AMOUNT</u>	<u>6/30/14 REVENUES</u>	<u>REVENUES TO DATE</u>	<u>6/30/14 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 #13ge-072-3-4728 Activity G80-1501-I (5/22/2013-7/1/2017)	1,500,000	0	1,500,000	0	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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 1, 2015.

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, 2014-1, 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, 2014-2, 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, 2014-3, required to be reported under *Government Auditing Standards*, described in the accompanying Schedule of Findings and Responses.

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

July 1, 2015

HARRIS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

MATERIAL WEAKNESS

2014-1 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 accordance 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, significant additional adjustments were required to be made to various accounts in order to present financial statements in accordance with GAAP.

Cause – The County lacked the technical skills to maintain accounting records in accordance with GAAP and was unable to timely provide audit backup to enable financial statements to be audited and presented for executive management and board oversight.

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 staffing and 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. Moving toward this goal, subsequent to year end the County has replaced the Finance Officer with a more highly qualified individual.

HARRIS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

SIGNIFICANT DEFICIENCY

2014-2 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 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, 2014

FINDINGS RELATED TO COMPLIANCE

2014-3 Pledges of Collateral

Condition and Criteria – State statutes require public funds to be insured by specific venues as outlined in Georgia Code 50-17-59. The insurance should be 110% of the uninsured deposited public funds. Public funds may not be on deposit at any one time in any depository for a time longer than ten days without proper collateral. At year-end, deposits were held in an investment account as cash were not reinvested within 10 days leaving cash in the amount of \$296,231 uninsured. These funds were appropriately collateralized by July 31, 2014.

Cause – Certificate's of Deposit managed by the County's investment broker matured near year end and were not reinvested within ten days.

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.