HEARD COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

HEARD COUNTY, GEORGIA
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Heard County, Georgia

I have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the remaining aggregate fund information, of Heard County, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Heard County, Georgia management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Heard County Health Department, the Heard County Development Authority, and the Heard County Water Authority, which represent 94 percent of the assets and 99 percent of the revenues in the component unit columns. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion on the basic financial statements, insofar as it relates to the amounts included for the Heard County Health Department, the Heard County Development Authority, and the Heard County Water Authority, is based on the reports of the other auditors.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit and the report of the other auditors provide a reasonable basis for my opinions.

In my opinion, based on my audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Heard County, Georgia as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

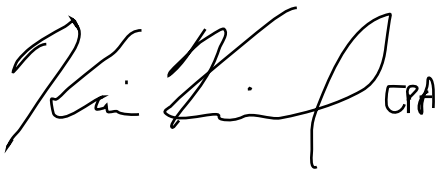
Heard County, Georgia has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on page 25, and schedule of funding progress on page 26 are not required parts of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Heard County, Georgia's basic financial statements. The individual

nonmajor fund statements and schedules are not a required part of the basic financial statements. These statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated April 15, 2012, on my consideration of Heard County, Georgia's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.



Richland, Georgia
April 15, 2012

HEARD COUNTY, GEORGIA
Government-wide Statement of Net Assets
Primary Government as of June 30, 2011
Component Units as of June 30, 2011

	Primary Government	Component Units			
	Governmental Activities	Heard Co. Water Authority	Heard Co. Health Department	Heard Co. Public Facilities Authority	Heard Co. Development Authority
ASSETS					
Cash and cash equivalents	$ 6,542,164	$ 149,270	$ 274,077	$ 264	$ 1,184,975
Investments	1,280,254	-	-	993,264	-
Accounts receivable	41,241	310,807	11,187	149,550	18,152
Sales tax receivable	852,102	-	-	-	-
Property tax receivable	261,101	-	-	-	-
Notes receivable-current	15,710	-	-	-	34,688
Inventory	-	35,968	-	-	-
Prepaid expenses	-	41,285	-	-	-
Restricted assets					
Cash	-	1,518,238	-	-	-
Investments	-	-	-	-	-
Notes receivable-noncurrent	45,040	-	-	-	370,727
Other non-current receivable	-	-	-	459,595	-
Nondepreciable Capital Assets	7,647,167	4,246,919	-	-	1,566,832
Depreciable Capital Assets, Net	32,614,907	14,548,037	7,996	-	418,995
Other assets	-	14,456	-	-	-
Total Assets	49,299,686	20,864,980	293,260	1,602,673	3,594,369
LIABILITIES					
Accounts payable	677,035	187,410	6,806	-	241,268
Customer deposits	-	164,869	-	-	-
Other	19,249	83,460	-	-	-
Long-term liabilities:					
Portion due within one year:	3,334,886	140,332	5,398	-	65,519
Portion due after one year:	4,524,548	1,596,336	22,685	2,000,000	896,596
Total Liabilities	8,555,718	2,172,407	34,889	2,000,000	1,203,383
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	33,331,534	17,072,744	7,996	-	-
Restricted for:	-				
Debt service	-	344,245	-	-	-
Economic development					
Public safety					
Public health	-	-	129,654	-	-
Capital Projects	-	980,621	-	-	-
Customer deposits	-	-	-	-	-
Unrestricted	7,412,434	294,963	120,721	(397,327)	2,390,986
Total Net Assets	$ 40,743,968	$ 18,692,573	$ 258,371	$ (397,327)	$ 2,390,986

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Government-wide Statement of Activities
Primary Government Year Ended June 30, 2011
Component Units Years Ended June 30, 2011

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions, and Interest	Program Revenues: Capital Grants, Contributions, and Interest	Net (Expense) Revenue
Governmental Activities:					
General Government	$ 1,586,141	$ 668,424	$ -	$ -	$ (917,717)
Court Administration	957,562	-	-	-	(957,562)
Public Safety	6,728,011	323,703	108,015	-	(6,296,293)
Public Works	1,564,224	-	65,604	504,159	(994,461)
Culture and recreation	982,337	-	-	-	(982,337)
Housing and development	285,262	-	-	-	(285,262)
Health and Welfare	1,051,082	-	293,586	-	(757,496)
Intergovernmental	1,539,786	-	-	-	(1,539,786)
Interest on debt	371,763	-	-	-	(371,763)
Total Governmental Activities	15,066,168	992,127	467,205	504,159	(13,102,677)
Business-Type Activities					
Total Business-Type Activities:	-	-	-	-	-
Total Primary Government	15,066,168	992,127	467,205	504,159	(13,102,677)
Component Units:					
Heard County Water Authority	2,436,815	1,863,930	-	1,221,964	649,079
Heard County Health Department	287,592	128,688	152,834	-	(6,070)
Heard County Public Facilities Authority	-	-	-	-	-
Heard County Development Authority	201,475	503,188	-	17,252	318,965
Total Component Units	$ 2,925,882	$ 2,495,806	$ 152,834	$ 1,239,216	$ 961,974

	Primary Government: Governmental Activities	Component Units
Change in Net Assets:		
Net (expense) revenue	$ (13,102,677)	$ 961,974
General Revenues		
Property taxes	3,147,950	-
Sales taxes	10,071,197	-
Payment in lieu of taxes	843,619	-
Insurance premium tax	445,145	-
Other taxes	115,616	-
Investment Revenue	11,315	89,018
Other	82,327	50,395
Total general revenues and transfers	14,717,169	139,413
Change in Net Assets	1,614,492	1,101,387
Net Assets Beginning of Year	39,129,476	19,818,216
Adjustments	-	-
Net Assets beginning, as adjusted	39,129,476	19,818,216
Net Assets End of Year	$ 40,743,968	$ 20,919,603

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2011

	General	2007 Special Purpose Local Option Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 4,476,706	$ -	$ 1,744,595	$ 320,863	$ 6,542,164
Investments	-	1,280,254	-	-	1,280,254
Accounts Receivable	41,243	-	-	60,750	101,993
Sales Taxes Receivable	376,067	476,035	-	-	852,102
Property Taxes Receivable	261,101	-	-	-	261,101
Due from other funds	-	-	-	-	-
Total Assets	5,155,117	1,756,289	1,744,595	381,613	9,037,614
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	419,922	257,113	-	-	677,035
Due to other funds	-	-	-	-	-
Deferred Revenue	268,375	-	-	-	268,375
Total Liabilities	688,297	257,113	-	-	945,410
Fund Balances					
Restricted for:					
Capital expenditures	-	1,499,176	-	105,749	1,604,925
Public safety	-	-	-	97,502	97,502
Lending	-	-	-	140,224	140,224
Public welfare	-	-	-	16,234	16,234
Debt service	-	-	1,744,595	-	1,744,595
Unassigned	4,466,820	-	-	21,904	4,488,724
Total Fund Balances	4,466,820	1,499,176	1,744,595	381,613	8,092,204
Total Liabilities and Fund Balances	$ 5,155,117	$ 1,756,289	$ 1,744,595	$ 381,613	$ 9,037,614

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2011

Total Governmental Funds Balances	$	8,092,204
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets of $48,437,434 net of accumulated depreciation of $8,175,360 used in governmental activities are not financial resources and, therefore, are not reported in the funds.		40,262,074
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Deferred property taxes		268,375
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Due within one year		(3,334,886)
Due in more than one year		(4,524,548)
Deferred charges		(19,251)
Net Assets of Governmental Activities	$	40,743,968

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2011

	General	2007 Special Purpose Local Option Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 8,236,974	$ 5,472,559	$ -	$ -	$ 13,709,533
Charges for Services	560,404	-	-	-	560,404
Licenses and Permits	108,020	-	-	-	108,020
Fines and Forfeitures	275,754	-	-	47,949	323,703
Intergovernmental	1,310,823	-	-	504,159	1,814,982
Interest	6,999	2,167	324	1,826	11,316
Other	40,601	-	-	41,725	82,326
Total Revenues	10,539,575	5,474,726	324	595,659	16,610,284
Expenditures					
Current					
General government	1,507,488	-	-	13	1,507,501
Judicial	953,372	-	-	-	953,372
Public safety	6,070,315	-	-	72,020	6,142,335
Public works	1,347,043	-	-	-	1,347,043
Culture and recreation	603,636	-	-	-	603,636
Housing and development	284,234	-	-	-	284,234
Health and welfare	1,041,423	-	-	14,005	1,055,428
Intergovernmental	-	1,539,786	-	-	1,539,786
Capital outlay	-	540,771	-	968,081	1,508,852
Debt service:					
Principal retirement	-	-	3,031,231	-	3,031,231
Interest and fiscal charges	-	-	381,388	-	381,388
Total Expenditures	11,807,511	2,080,557	3,412,619	1,054,119	18,354,806
Excess (deficiency) of Revenues Over (Under) Expenditures	(1,267,936)	3,394,169	(3,412,295)	(458,460)	(1,744,522)
Other Financing Sources (Uses)					
Transfers in	-	-	4,344,962	355,711	4,700,673
Transfers out	(355,711)	(4,344,962)	-	-	(4,700,673)
Total Other Financing Sources (Uses)	(355,711)	(4,344,962)	4,344,962	355,711	-
Net Change in Fund Balances	(1,623,647)	(950,793)	932,667	(102,749)	(1,744,522)
Fund Balances (Deficit) at Beginning	6,090,467	2,449,969	811,928	484,362	9,836,726
Fund Balances at End of Year	$ 4,466,820	$ 1,499,176	$ 1,744,595	$ 381,613	$ 8,092,204

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities
Year Ended June 30, 2011

Net Change in Fund Balances—Total Governmental Funds	$ (1,744,522)
Amounts reported for governmental activities on the statement of activities are different because of the following:	
Governmental funds report capital outlays as expenditures. However, on the stetement of activities, the cost of those assets is allocated over their estimated useful lives asdepreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:	
Capital Outlay—Depreciable Capital Assets	1,651,945
Depreciation	(1,460,764)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:	
Property Taxes	70,375
Decrease in long-term compensated absences	55,913
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of such long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Amortization of premium on bonds	9,623
Amortization of deferred charges	(21,424)
Repayment of long-term bonds	3,031,230
Retirement of long-term post-closure costs	22,116
Change in Net Assets of Governmental Activities	$ 1,614,492

HEARD COUNTY, GEORGIA
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

	Tax Commissioner	Clerk of Court	Probate Office	Magistrate Office	Sheriff Office	Inmate Welfare	Tax Sale Escrow	Total
ASSETS								
Cash	$ 29,132	$ 55,226	$ 30,442	$ 6,076	$ 459	$ -	$ -	$ 121,335
Taxes receivable	833,177	-	-	-	-		-	833,177
Total assets	862,309	55,226	30,442	6,076	459	-	-	954,512
LIABILITIES								
Due to others	862,309	55,226	30,442	6,076	459	-	-	954,512
Total liabilities	$ 862,309	$ 55,226	$ 30,442	$ 6,076	$ 459	$ -	$ -	$ 954,512

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

1. REPORTING ENTITY

Heard County, Georgia was formed by the State legislature on December 22, 1830. The County operates under the control of a five member Board of Commissioners, plus a Chairman, all elected by the citizens of Heard County. The Chairman of the Board of Commissioners manages the daily activities of the County. Heard County provides the following services as authorized by its charter: public safety, public works, public health and welfare, recreation, and utilities.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Heard County, this includes all departments and activities that are operated directly by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt, or the levying of taxes.

The component unit columns on the combined financial statements include the financial data of the County's discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the County.

Heard County Health Department:

The Health Department operates a general health clinic for the benefit of the residents of Heard County. In addition to the County's contribution of financial support, the County Board of Commissioners appoints a majority of the Health Department's Board of Directors, and thereby exercises considerable influence upon the Health Department's activities. The Health Department's fiscal year ends with June 30. The accompanying financial statements include the financial information for the Health Department as of and for the year ended June 30, 2011. The Health Department issues separately audited Component Unit Financial Statements. Copies of their statements may be obtained from the Heard County Board of Public Health, Franklin, Georgia. The financial information of the Health Department is included in the combined financial statements as a discretely presented component unit.

Heard County Development Authority:

The Development Authority operates to promote economic development in Heard County. The County is financially responsible for the debt of the Development Authority. The Development Authority's fiscal year ends with June 30. The accompanying financial statements include the financial information for the Development Authority as of and for the year ended June 30, 2011. The Development Authority issues separately audited Component Unit Financial Statements. Copies of their statements may be obtained from the by writing to Heard County Development Authority, PO Box 368, Franklin, GA 30217. This financial information is included in the combined financial statements as a discretely presented component unit.

Heard County Public Facilities Authority

The Public Facilities Authority was formed to provide increased financing options for government entities within Heard County. Operations consist of arranging long term debt at low or no interest rates for the Board of Education. The accompanying financial statements include the financial information for the Public Facilities Authority as of and for the year ended June 30, 2011. separate financial statements are not issued. Financial information can be obtained by contacting the Heard County Commissioners.

Heard County Water Authority:

The Water Authority provides water delivery service to the citizens of Heard County. The County is financially responsible for the debt of the Water Authority. The Water Authority's fiscal year ends with June 30. The accompanying financial statements include the financial information for the Water Authority as of and for the year ended June 30, 2011. The Water Authority issues separately audited Component Unit Financial Statements. Copies of their statements may be obtained from the by writing to Heard County Water Authority, PO Box 610, Franklin, GA 30217. This financial information is included in the combined financial statements as a discretely presented component unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide Financial Statements:

The Statement of net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The effect of interfund activity, within the governmental type activities columns, has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1)charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The County's major funds are described below:

General Fund:

The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Georgia.

2007 SPLOST Fund:

This fund accounts for the receipt and expenditure of a 2011 Special Purpose Local Option Sales Tax referendum.

Debt Service Fund:

This fund accounts for the funds set aside from SPLOST receipts designated to repay outstanding debt.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary to useful or sound financial administration. Goods or services from such activities can be provided to outside parties (Enterprise Funds) or to other departments or agencies primarily within the government (Internal Service Funds). The Proprietary funds used by the County are as follows:

Enterprise Funds:

The Heard County Water Authority Discretely Presented Component Unit is included in the financial statements as an enterprise fund.

Fiduciary Fund Types (Not included in government-wide statements)

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund or a nonexpendable trust fund is used. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent. The County utilizes the following fiduciary funds:

Agency Funds-The County utilizes agency funds to account for the activities of the Tax Commissioner, Sheriff, and Clerk of Court, Probate Office, Magistrate Office, and Tax Sale Escrow Fund.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the

sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and enterprise fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues—Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including insurance premium tax), grants, interest, and rent.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Special purpose local option tax, grants and entitlements received before the eligibility requirements were met have been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.
The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

The County budgets its operations on an annual basis for the general fund. The proposed budget is prepared each May by a Budget Committee consisting of the Board of Commissioners, the County Administrator, and the Financial Administrator. Budget requests from the various County departments are presented to this Committee for consideration. Public hearings are held to discuss the proposed budget and to obtain input from the citizens of Heard County. The final proposed budget is presented at a Board of Commissioners meeting for final passage prior to June 30. The final budget is adopted at public meeting. Grants and contracts received by the County during the year are governed by stipulated budgets that are normally officially adopted at the time the grants are approved.

Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds presents a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. Revenues are budgeted by source and expenditures are budgeted by department and class as follows: General government, Court administration, Public safety, Public works, Culture and recreation, Housing and development, Health and welfare, Capital outlay, and Debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level except for matching funds required by grantors. All budget revisions at this level are subject to final review by the Board. Within these control levels, management may transfer appropriations without Board approval.

Capital Projects Funds are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the accompanying combined financial statements.

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 utilized in the governmental funds. There were no outstanding encumbrances at year-end.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets

but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of one thousand dollars. The County's infrastructure consists of roads, bridges, and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

In accordance with provisions of GASB 34, the County has only capitalized infrastructure purchased or constructed after July 1, 2003.

All capital assets are depreciated, except for land and improvements and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 - 100 years
Improvements	20 years
Vehicles	5 - 15 years
Machinery & equipment	5 - 20 years
Infrastructure	25 - 75 years

Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

Compensated Absences

Full time County employees earn personal leave time according to a schedule based upon length of employment. After one year of employment, an employee will receive 17 days. After five years of employment, an employee will receive 22 days. After ten years of employment, an employee will receive 27 days. After fifteen years of employment, an employee will receive 32 days. After twenty years of employment, an employee will receive 37 days.

All personal days which are not utilized during an employee's employment year shall not carry over to the next year. Except, such unused days, shall be designated as "banked" days, and shall be recorded and placed in a personal day's bank for that employee.

An employee who dies while employed with the County or resigns in good standing with a two-week written notice, may receive the current year's accrual, plus banked days to a maximum of thirty leave days. An employee who retires at the normal retirement age may receive the full number of days in the employee's bank.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital leases are recognized as a liability on the fund financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Governmental Fund Balance Reserves

The County reserves those portions of governmental fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, loans receivable, and endowments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the County, these revenues are charges for services for sanitary landfill and recycling services and rent. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

Cash and Equivalents

Cash and equivalents include amounts in demand deposit accounts as well as short-term investments with a maturity date of three months or less.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

4. DEPOSITS AND INVESTMENTS

Deposits- State statutes require that all public deposits in financial institutions be fully insured or collateralized by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. The County's deposits were fully insured or collateralized as required by state statutes at June 30, 2011. At year end, the carrying amount of the County's deposits was $6,542,164 and the respective bank balances totaled $7,243,327. At June 30, 2011, the County's deposits were fully insured and collateralized according to state law.

Investments- At June 30, 2011, the County had $1,280,254 invested in Georgia Fund 1, an external investment pool. The pool funds are managed so that they are available on a day to day basis at face value. The County accounts for this investment as it would for any short term certificate of deposit.

GASB 40 requires the County to report certain risk factors associated with external investment pools.

As of June 30, 2011, the County's investments consisted of:

Name	Rating	Balance	Weighted Average Maturity
Georgia Fund 1	AAAm	$ 1,280,254	59 days

5. PROPERTY TAXES

An ad valorem tax is charged each year on each parcel of taxable property and on each taxable vehicle and mobile home located in the County. The tax is assessed to support the State government, County government and County School System. It is based generally on a fixed percentage of the market value multiplied by a millage rate. The market value of the property is determined by the County Board of Assessors and the millage rate is set by the County Commissioners to produce the revenue required to finance the expected expenditures of the County and the School System.

After the taxable value of the property has been established and the millage rate determined, the tax is computed on each property by a private computer service, and a tax bill is prepared for the property owner. The total of these computations, called the tax digest, is submitted to the State of Georgia for approval before the tax bills are mailed to the property owners.

These tax bills then become the basis for tax collections and allocations to the State, County and Schools. A list of uncollected taxes is prepared from the bills remaining unpaid at the end of the year.

When taxes are collected, the Tax Commissioner records the cash receipts and allocates the portion collected for the State, County and School System. At periodic intervals, as the tax is collected, remittances are made to the State, County, and School System. During the annual audit a summary of charges and credits is made to determine the amount of tax still due to the State, County and School System and final settlement is made according to the statements.

Taxes are levied on October 1 based upon values fixed at January 1 of the prior year. Taxes are due on December 30 of the tax year.

6. CAPITAL ASSETS

Note 13—Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Adjustments and Additions	Transfers & Disposals	Balance June 30, 2011
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 7,118,953	$ -	$ -	$ 7,118,953
Construction in progress	528,214	-	-	528,214
Total	7,647,167	-	-	7,647,167
Capital assets being depreciated				
Roads	7,975,979	920,000	-	8,895,979
Buildings	24,198,921	178,312	-	24,377,233
Equipment	3,036,059	486,513	-	3,522,572
Vehicles	3,927,363	67,119	-	3,994,482
	39,138,322	1,651,944	-	40,790,266
Less accumulated depreciation for:				
Roads	(665,842)	(222,399)	-	(888,241)
Buildings	(1,811,741)	(577,648)	-	(2,389,389)
Equipment	(1,931,093)	(285,267)	-	(2,216,360)
Vehicles	(2,305,920)	(375,450)	-	(2,681,370)
	(6,714,596)	(1,460,764)	-	(8,175,360)
Total capital assets being depreciated, net	32,423,726	191,180	-	32,614,906
Governmental activities capital assets, net	$ 40,070,893	$ 191,180	$ -	$ 40,262,073

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General Government	$ 61,337
Judicial	3,463
Public Safety	612,667
Public Works	389,002
Culture and recreation	378,701
Housing and development	2,302
Health and Welfare	13,292
	$ 1,460,764

7. INTERFUND ACTIVITY

Interfund transfers during the year ended June 30, 2011 were as follows:

	Transfers from:		
	Major Governmental Funds		
Transfer to:	General	2007 Special Purpose Local Option Tax	Total
Governmental Activities			
Debt Service	$ -	$ 4,344,962	$ 4,344,962
Non-Major Governmental	355,711	-	355,711
	$ 355,711	$ 4,344,962	$ 4,700,673

The transfers were from the 2007 SPLOST Fund to the debt Service Fund as part of legal restrictions on SPLOST proceeds that must be used to fund debt service on the 2006 G.O. Bonds, and transfers of funds from the General Fund to the CDBG Grant fund were provide matching funds for the grant project.

8. LONG-TERM DEBT

The County has stopped accepting solid waste at its landfill. State and federal laws and regulations require the County to perform certain maintenance and monitoring operations at the landfill site for thirty years after official closure. The County has twenty years remaining. The estimated cost of all post closure care activities is $311,681 and is reflected in the general fund on the government-wide financial statements. Because of future changes in technology, laws, or regulations these costs may change.

At June 30, 2011, governmental bonds payable consisted of the following:

General Obligation Sales Tax Bonds, dated October 1, 2006,
Due in semi-annual installments through May 1, 2013,
Bearing interest at varying rates from 3.5% to 5.0% $6,930,540

Under the terms of the 2007 SPLOST referendum, the City of Franklin is to receive 9% of the total tax collected. In addition, the County was authorized to issue bonds to provide advance financing for capital projects anticipated in the 2007 SPLOST referendum. The total face value of the Series 2006 issue is $16,250,000. Under the financing plan, the City of Franklin, Georgia received $1,000,000 (Franklin Bonds) of the proceeds, net of issuance costs. The 2007 SPLOST proceeds are paid into two debt service accounts, one for the County and one for the City of Franklin. The SPLOST is pledged first to provide for the total principal and interest due in the next year, with the remainder going into two Project accounts: one for the County and the other for the City.

The City is obligated to pay the Franklin Bonds out of its share of the 2007 SPLOST. This liability, along with the debt service accounts, is reported by the City of Franklin. The County is reporting its share of the bond issue. Should SPLOST receipts be insufficient to fully repay the bonds, the County is contingently liable for the balance on the Franklin Bonds.

Changes in outstanding long-term debt-

The 2006 G.O. Bond issue has a premium associated with the issuance of the Series. The premium is being amortized over the life of the bond issue. Amortization during the year amounted to $9,625.

Changes in long-term debt were as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within 1 year
General Obligation Bonds	$ 9,961,770	$ -	$ 3,031,230	$ 6,930,540	$ 3,312,770
Compensated absences	673,126	-	55,913	617,213	-
Landfill post-closure	333,797	-	22,116	311,681	22,116
	$ 10,968,693	$ -	$ 3,109,259	$ 7,859,434	$ 3,334,886

Long-term compensated absences were estimated to be all long term.

Long-term compensated absences and landfill post closure costs are liquidated by the General Fund. General Obligation Bonds payable are liquidated by the Special Purpose Local Option Tax Funds.

Annual maturities for the General Obligation Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 3,312,770	$ 267,985	$ 3,580,755
2013	3,617,770	135,333	3,753,103
	$ 6,930,540	$ 403,318	$ 7,333,858

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Heard County Water Authority

The Heard County Water Authority borrowed money from USDA for a waste water treatment plant construction loan. Interest is at 4.125%. The loan is payable in 456 monthly installments of $4,685 with the balance due December 5, 2049. The loan is collateralized by the assets of the Authority. The balance of this loan was $1,078,000 at June 30, 2011.

The Authority is also obligated for payment of revenue bonds in the original amount of $795,000, bearing interest at the annual rate of 5.875%. The bonds are secured by a second lien on the net revenues of the Water Authority (net revenues before depreciation and amortization). Should the net revenues be insufficient to pay the principal and interest, then Heard County has committed to fund the deficiency. The balance of the revenue bonds was $560,000 at June 30, 2011.

The Authority borrowed money from GEFA to replace failing water pumps. The amount borrowed was $98,668 and is payable in 59 monthly payments of $1,804 including interest at 3.0%. The balance of this loan at June 30, 2011 was $98,868.

As of June 30, 2011, the Water Authority had $171,642 in sinking funds to repay principal and interest as it becomes due. Debt service to maturity for the long term debt was as follows:

	Principal	Interest	Total
2012	150,162	101,972	252,134
2013	167,049	71,386	238,435
2014	178,167	62,337	240,504
2015	189,325	52,660	241,985
2016	13,841	42,385	13,841
2016-2049	1,028,922	819,199	1,848,121
	$ 1,727,466	$ 1,149,939	$ 2,835,020

Changes in Heard County Water Authority long-term debt were as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30,2011	Amounts Due Within 1 year
Construction loan	$ 1,078,000	$ -	$ -	$ 1,078,000	$ 5,930
GEFA loan	98,668	-		98,668	9,402
Revenue Bonds	680,000	-	120,000	560,000	125,000
	$ 1,856,668	$ -	$ 120,000	$ 1,736,668	$ 140,332

9. POST-EMPLOYMENT BENEFITS

The County Defined Benefit Plan

Plan Description- The County's defined benefit pension plan, Heard County Pension Plan (HCPP), provided retirement and disability benefits, and death benefits to plan members and beneficiaries. HCPP is affiliated with the Association County Commissioners of Georgia (ACCG) Defined Benefit Plan, an agent multiple-employer public employee retirement plan administered by Government Employee Benefits Corporation of Georgia. The Plan acts as a common investment and administrative agent for participating counties in Georgia. The Public Retirement Systems Standard Law (OCGA 47-20-10) assigns the authority to establish and amend the plan to the County. ACCG issues a financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to ACCG, 1100 Circle 75 Parkway, Suite 300, Atlanta, GA 30339.

Participation- Under the Plan, all full time County employees are eligible to participate after completing three years of service. Benefits vest after five years of service. Participants may retire at age sixty-five with three years of completed service. There is no maximum entry age. Retirement benefits equal 1% of average compensation to $6,600, plus 1.5% of average compensation in excess of $6,600, plus $36 for each year of service, with total service limited to thirty-five years. Average compensation is based on the five-year period immediately preceding retirement.

Funding Policy- HCPP members are required to contribute 5% of their annual covered salary. The County is required to contribute an actuarially determined rate; the current rate is 6.15% of annual covered payroll. Section 47-20 of the Georgia Code sets forth the minimum funding standards for state and local governmental pension plans. Administrative expenses are based on total covered compensation of active plan participants and are added to the state-required annual funding requirement. 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.

The most recent valuation date for the Plan is December 31, 2010. Annual Pension Cost- For 2011, the County's annual pension cost of $107,355. The required contribution was determined as a part of the December 31, 2010 actuarial valuation and was $7,343. The County makes contributions to the Plan that are equal to the entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) (b) projected salary increases based of 4.0% to 6.5% per year, and (c) no annual cost of living adjustments. The expected rate of inflation is assumed to be 3%. The unfunded frozen actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 10 years.

The actuarial value of Plan assets is calculated by rolling forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains and losses during 10 prior years.

For the year ended June 30, 2011, covered compensation totaled $1,436,660, out of total compensation of $5,862,076.

Membership in the plan is as follows:

Retirees and beneficiaries receiving benefits	26
Terminated participants entitled to future benefits	23
Active participating employees	35
	84

Trend Information:

Year Ended 12/31	Annual Pension Cost	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
2010	107,355	104,593	97%	(64,405)
2009	103,450	106,877	103%	(60,978)
2008	100,141	107,815	108%	(53,304)
2007	81,766	85,329	104%	(49,741)
2006	74,347	76,939	103%	(47,149)
2005	83,164	95,549	115%	(34,764)

Funded status is as follows:

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements present trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The County Deferred Compensation Plan

Heard County has an elective deferred compensation plan under the provisions of Internal Revenue Code Section 457 that is available to all employees. Under this plan, employees may make an elective deferral of their compensation. This amount is paid to a third party administrator and is held for the employees. Control over this deferred compensation vests solely to the respective employees. The County has no control over the funds once they are paid to the plan administrator.

10. LITIGATION

The County's attorney advises that no legal actions were in progress by or against the County at June 30, 2011 that would have any material effect on the County's financial condition.

11. COMMITMENTS AND CONTINGENCIES

The County is subject to routine audits by Grantor agencies. These audits could result in certain costs being disallowed. To the extent that such disallowances involve expenditures under subcontracted arrangements, the County generally has the right of recovery from such third parties. Management believes that any costs disallowed by grantor reviews or review of sub recipient audits would not be material to these financial statements, and no provision has been made for these items.

12. RISK MANAGEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which establishes standard accounting and financial reporting practices for public entity risk pools and governmental entities. The following disclosures are offered in accordance with GASB 10.

The County is exposed to various forms of risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined together with local governments in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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

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

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

14. JOINT VENTURE

Under Georgia law, the County, in conjunction with the municipalities and county governments in a thirteen county area, is a member in the Three Rivers Regional Commission (RC) and is required to pay dues thereto. During the year ended June 30, 2011, the County paid $7,254 in such dues. Membership in the RC is required under O.C.G.A. Section 50-8-34. The RC governing Board included the chief elected official of each county included in the RDC area. Member governments are liable for any debts or obligations incurred by the RC. Separate RC financial statements may be obtained from:

Three Rivers Regional Commission
PO Box 1600
Franklin, GA 30217

15. SPECIAL PURPOSE LOCAL OPTION SALES TAX

The County had two Special Purpose Local Option Tax issues outstanding as of June 30, 2011. Summaries of receipts and expenditures of these issues were as follows:

2002 SPLOST	Original Estimated	Current Estimated	Prior Years	Current Year	Total
Expenditures for:					
Road projects	$ 3,980,550	$ 7,406,521	$ 7,406,521	$ -	$ 7,406,521
County Buildings	3,980,550	508,488	508,488	-	508,488
Construction of Jail and Animal Control Facility		6,800,000	6,800,000	-	6,800,000
Public Safety facilities and equipment	1,594,450	2,316,560	2,316,560	-	2,316,560
Recreation facilities			-		-
and equipment	1,594,450	2,133,179	1,988,174	145,005	2,133,179
Intergovernmental transfers:					
Heard Co. Water Authority	1,000,000	1,050,000	1,050,000	-	1,050,000
City of Franklin	1,350,000	1,867,380	1,867,380	-	1,867,380
City of Ephesus	750,000	1,037,459	1,037,459	-	1,037,459
City of Centralhatchee	750,000	1,037,459	1,037,459	-	1,037,459
	$ 15,000,000	$ 24,157,046	$ 24,012,040	$ 145,005	$ 24,157,045

2007 SPLOST	Original Estimated	Current Estimated	Prior Years	Current Year	Total
Expenditures for:					
Road projects	$ 6,000,000	$ 6,000,000	$ 2,643,268	$ -	$ 2,643,268
Recreation complex	12,000,000	12,736,719	12,699,721	36,998	12,736,719
EMA Headquarters	1,750,000	3,319,499	3,319,499	-	3,319,499
Roosterville fire station	1,500,000	1,500,000	339,854	-	339,854
Sheriff equipment	550,000	550,000	203,817	61,698	265,515
WARRS comm. equipment	1,000,000	1,000,000	-	40,000	40,000
911 center	750,000	1,003,877	601,802	402,075	1,003,877
Codes enforcement equip.	125,000	125,000	-	-	-
Courthouse renovation	600,000	600,000	186,447	-	186,447
Administration building annex	4,435,000	4,435,000	-	-	-
City of Franklin	2,690,000	2,690,000	1,659,991	492,530	2,152,521
City of Centralhatchee	1,495,000	1,495,000	922,217	273,628	1,195,845
City of Ephesus	1,495,000	1,495,000	922,217	273,628	1,195,845
Water projects	3,280,000	3,280,000	1,560,883	500,000	2,060,883
	$ 37,670,000	$ 40,230,095	$ 25,059,716	$ 2,080,557	$ 27,140,273

16. BUDGET VIOLATION

The County spent more than appropriated in the General fund Judicial category in the amount of $2,655. This amount was funded by use of existing Fund Balance.

HEARD COUNTY, GEORGIA
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2010

	Budgeted Amounts		
	Original	**Final**	**Actual**
Revenues			
Taxes	$ 8,027,900	$ 8,027,900	$ 8,236,974
Charges for Services	650,000	650,000	560,404
Licenses and Permits	123,775	123,775	108,020
Fines and Forfeitures	178,000	178,000	275,754
Intergovernmental	2,614,000	2,614,000	1,310,823
Interest	-	-	6,999
Other	230,100	230,100	40,601
Total Revenues	11,823,775	11,823,775	10,539,575
Expenditures			
Current			
General government	2,250,711	2,250,711	1,507,488
Judicial	950,717	950,717	953,372
Public safety	6,194,908	6,194,908	6,070,315
Public works	1,551,685	1,551,685	1,347,043
Culture and recreation	854,893	854,893	603,636
Housing and development	308,846	308,846	284,234
Health and welfare	1,126,856	1,126,856	1,041,423
Other	-	-	
Debt service	-	-	-
Total Expenditures	13,238,616	13,238,616	11,807,511
Excess (deficiency) of Revenues Over (Under) Expenditures	(1,414,841)	(1,414,841)	(1,267,936)
Other Financing Sources (Uses)			
Transfers in	-	-	184,209
Transfers out	-	-	(355,711)
Net Change in Fund Balances	(1,414,841)	(1,414,841)	(1,439,438)
Fund Balances (Deficit) at Beginning	8,015,323	8,015,323	8,015,323
Fund Balances at End of Year	6,600,482	6,600,482	6,575,885

HEARD COUNTY, GEORGIA
Schedule of Funding Progress

December, 31	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Funded Ratio	Unfunded ALL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2005	1,511,324	1,933,014	78.2%	421,690	943,985	44.7%
2006	1,646,884	2,150,144	76.6%	503,260	1,062,848	47.4%
2007	1,773,986	2,062,455	86.0%	288,469	1,201,669	24.0%
2008	1,723,646	2,279,630	75.6%	555,984	1,599,460	34.8%
2009	1,910,691	2,397,265	79.7%	486,574	1,456,144	33.4%
2010	2,010,123	2,532,670	79.4%	522,547	1,436,660	36.4%

Heard County, Georgia
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For Year Ended June 30, 2011

Budgetary Accounting

The County budgets its operations on an annual basis for the General Fund. The proposed budget is prepared each year by a Budget Committee composed of the County Commission. Public hearings are held to discuss the proposed budget and to obtain input from the citizens of Heard County. The final proposed budget is presented at a County Commission meeting for final passage prior to June 30. The final budget is adopted at public meeting.

The County prepares its budget on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - presents a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. Revenues are budgeted by source and expenditures are budgeted by department and class as follows: General government, Judicial, Public Safety, Public works, Culture and Recreation, Housing and Development, and Health and Welfare. This constitutes the legal level of control. General Fund expenditures for capital outlay are budgeted with the respective departments rather than being separately reported. Expenditures may not exceed appropriations at this level except for matching funds required by grantors. All budget revisions at this level are subject to final review by the Commission. Within these control levels, management may transfer appropriations without Commission approval, with the exception of salary amounts.

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 utilized in the governmental funds. There were no outstanding encumbrances at year-end.

HEARD COUNTY, GEORGIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Special Revenue				
	Revolving Loan Fund	Jail Fund	Drug Abuse Treatment Fund	CDBG Grant	Seized Assets
ASSETS					
Cash and Cash Equivalents	$ 79,474	$ 4,817	$ 16,234	$ -	$ 85,283
Due from other funds	-	-	-	-	-
Loan receivable	60,750	-	-	-	-
Total Assets	140,224	4,817	16,234	-	85,283
LIABILITIES					
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	-	-	-
FUND BALANCES					
Restricted for public safety	-	4,817	-	-	85,283
Restricted for loans	140,224	-	-	-	-
Restricted for public welfare	-	-	16,234	-	-
Restricted for capital projects	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total Fund Balances	140,224	4,817	16,234	-	85,283
Total Liabilities and Fund Balances	$ 140,224	$ 4,817	$ 16,234	$ -	$ 85,283

	Special Revenue			Capital Projects	Total
	DARE Fund	Law Library Fund	Inmate Welfare Fund	2002 SPLOST	Other Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 41	$ 21,863	$ 7,402	$ 105,749	$ 320,863
Due from other funds	-	-	-	-	-
	-	-	-	-	60,750
Total Assets	41	21,863	7,402	105,749	381,613
LIABILITIES					
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	-	-	-
FUND BALANCES					
Restricted for public safety	-	-	7,402	-	97,502
Restricted for loans	-	-	-	-	140,224
Restricted for public welfare	-	-	-	-	16,234
Restricted for capital projects	-	-	-	105,749	105,749
Unrestricted	41	21,863	-	-	21,904
Total Fund Balances	41	21,863	7,402	105,749	381,613
Total Liabilities and Fund Balances	$ 41	$ 21,863	$ 7,402	$ 105,749	$ 381,613

HEARD COUNTY, GEORGIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2011

	Special Revenue				
	Revolving Loan Fund	Jail Fund	Drug Abuse Treatment Fund	CDBG Grant	Seized Assets
Revenues					
Fines	$ -	$ 29,821	$ 14,089	$ -	$ -
Intergovernmental	-	-	-	420,896	83,263
Other income	-	-	-	-	-
Investment income	1,825	1	-	-	-
Total Revenues	1,825	29,822	14,089	420,896	83,263
Expenditures					
Administration	13	-	-	-	-
Public safety	-	27,932	-	-	1,516
Public Welfare	-	-	14,005	-	-
Capital outlay	-	-	-	776,907	46,169
Total Expenditures	13	27,932	14,005	776,907	47,685
Excess (deficiency) of Revenues Over (Under) Expenditures	1,812	1,890	84	(356,011)	35,578
Other Financing Sources (Uses)					
Transfers In	-	-	-	355,711	-
Transfers Out	-	-	-	-	-
Net Change in Fund Balances	1,812	1,890	84	(300)	35,578
Fund Balances (Deficit) at Beginning	138,412	2,927	16,150	300	49,705
Fund Balances at End of Year	$ 140,224	$ 4,817	$ 16,234	$ -	$ 85,283

	Special Revenue			Capital Projects	Total
	DARE Fund	Law Library Fund	Inmate Welfare Fund	2002 SPLOST	Other Governmental Funds
Revenues					
Fines	$ -	$ 4,039	$ -	$ -	$ 47,949
Intergovernmental	-	-	-	-	504,159
Other income	-	-	41,725	-	41,725
Investment income	-	-	-	-	1,826
Total Revenues	-	4,039	41,725	-	595,659
Expenditures					
Administration	-	-	-	-	13
Public safety	-	2,497	40,075	-	72,020
Public Welfare	-	-	-	-	14,005
Capital outlay	-	-	-	145,005	968,081
Total Expenditures	-	2,497	40,075	145,005	1,054,119
Excess (deficiency) of Revenues Over (Under) Expenditures	-	1,542	1,650	(145,005)	(458,460)
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	355,711
Transfers Out	-	-	-	-	-
Net Change in Fund Balances	-	1,542	1,650	(145,005)	(102,749)
Fund Balances (Deficit) at Beginning	41	20,321	5,752	250,754	484,362
Fund Balances at End of Year	$ 41	$ 21,863	$ 7,402	$ 105,749	$ 381,613

HEARD COUNTY, GEORGIA
Schedule of State Awards Expended
For theYear Ended June 30, 2011

State Program Name	Contract Number	State Received	Federal Revenue	Total Expenditures
DHR HCCP		42,000	-	45,135
DHR Sr. Center	04-074-11	34,482	39,545	174,074
		$ 76,482	$ 39,545	$ 219,209

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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

To the Board of Commissioners
Heard County, Georgia

I have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the remaining aggregate fund information of Heard, County, Georgia as of and for the year ended June 30, 2011, which collectively comprise Heard, County, Georgia's basic financial statements and have issued my report thereon dated April 15, 2012. I conducted my 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. I did not audit the financial statements of the Heard County Health Department, the Heard County Development Authority, and the Heard County Water Authority, which represent 94 percent of the assets and 99 percent of the revenues in the component unit columns. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion on the basic financial statements, insofar as it relates to the amounts included for the Heard County Health Department, the Heard County Development Authority, and the Heard County Water Authority, is based on the reports of the other auditors.

Internal Control Over Financial Reporting

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

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

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness, as defined above.

However, I identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies in internal control over financial reporting. The items are listed as 11-1 and 11-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe

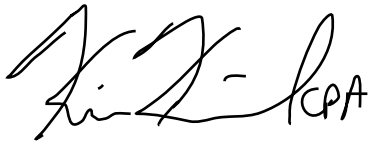
than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heard County, Georgia's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Heard County, Georgia's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Heard County, Georgia's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and state awarding entities and is not intended to be and should not be used by anyone other than these specified parties.



Richland, Georgia
April 15, 2012

HEARD COUNTY, GEORGIA
Schedule of Findings and Responses
Year Ended Jun 30, 2011

Deficiency

11-1 Segregation of Duties

Condition: During my audit I noted that some transactions are processed from start to end by one individual.

Criteria: All transactions should require two or more individuals to initiate, summarize, post, and reconcile.

Effect: The potential exists for unauthorized transactions to be initiated and not discovered.

Response: The County agrees with the finding and acknowledges the risk involved, but does not have the resources to provide for proper segregation of duties in all areas, at this time.

11-2 Bank Disbursements

Condition: In examining bank transactions in one elected official's office, I noticed that some bank disbursements were made with only one signature. In addition, some checks were made out to an employee and some were payable to cash. Every disbursement was subsequently reviewed by the appropriate elected official and it was determined that all funds were properly disbursed.

Criteria: Bank disbursements should only be made by two or more employees, and the disbursements should only be made to an approved vendor, or supported by an appropriate employee expenditure reimbursement request.

Effect: The potential exists for cash to be lost and unauthorized expenditures to be made.

Response: The County agrees with the finding. Procedures have been modified to require two signatures on all bank disbursements, and no checks will be made out to cash.