HEARD COUNTY, GEORGIA
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

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Kim Kimmel
Certified Public Accountant
PO 39
Richland, Georgia 31825

Member:
American Institute of CPAs
Georgia Society of CPAs

229-887-2543
229-887-3402 fax

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, 2012, 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, 2012, 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 26 and schedule of funding progress on page 27 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 June 12, 2013, 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
June 12, 2013

HEARD COUNTY, GEORGIA
Government-wide Statement of Net Assets
Primary Government as of June 30, 2012
Component Units as of June 30, 2012

	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	$ 6,271,084	$ 336,616	$ 255,306	$ 197	$ 834,053
Investments	1,281,799	-	-	1,179,329	-
Accounts receivable	27,139	347,977	30,156	459,595	602,439
Sales tax receivable	785,961	-	-	-	-
Property tax receivable	182,077	-	-	-	-
Notes receivable-current	16,097	-	-	-	123,380
Inventory	-	47,101	-	-	-
Prepaid expenses	-	33,114	-	-	-
Restricted assets					
Cash	-	955,003	-	-	-
Investments	-	-	-	-	1,735,185
Notes receivable-noncurrent	28,856	-	-	-	-
Other non-current receivable	-	-	-	-	393,548
Nondepreciable Capital Assets	7,647,167	185,983	-	-	515,797
Depreciable Capital Assets, Net	31,828,387	18,879,955	5,552	-	-
Other assets	62,460	12,045	-	-	-
Total Assets	48,131,027	20,797,794	291,014	1,639,121	4,204,402
LIABILITIES					
Accounts payable	405,150	219,767	7,509	-	8,686
Customer deposits	-	165,068	-	-	-
Other	9,624	-	-	-	-
Long-term liabilities:					
Portion due within one year:	3,639,887	147,232	7,653	-	62,635
Portion due after one year:	944,614	1,359,748	23,147	2,000,000	1,421,026
Total Liabilities	4,999,275	1,891,815	38,309	2,000,000	1,492,347
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	35,835,667	17,571,003	5,552	-	909,345
Restricted for:					
Debt service	1,506,224	122,558	-	-	-
Economic development	141,677	-	-	-	-
Public safety	127,456	-	-	-	-
Public health	-	-	-	-	-
Capital Projects	2,059,523	639,375	-	-	-
Customer deposits	-	-	-	-	-
Unrestricted	3,461,205	573,043	247,153	(360,879)	1,802,710
Total Net Assets	$ 43,131,752	$ 18,905,979	$ 252,705	$ (360,879)	$ 2,712,055

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Government-wide Statement of Activities
Primary Government Year Ended June 30, 2012
Component Units Years Ended June 30, 2012

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	$ 1,487,430	$ 67,833	$ -	$ -	$ (1,419,597)
Court Administration	911,338	-	-	-	(911,338)
Public Safety	6,318,178	811,462	113,309	-	(5,393,407)
Public Works	1,614,125	147,691	-	-	(1,466,434)
Culture and recreation	959,563	-	-	-	(959,563)
Housing and development	304,468	-	-	-	(304,468)
Health and Welfare	1,090,287	-	284,866	-	(805,421)
Intergovernmental	1,154,185	-	-	-	(1,154,185)
Interest on debt	258,360	-	-	-	(258,360)
Total Governmental Activities	14,097,934	1,026,986	398,175	-	(12,672,773)
Business-Type Activities					
Total Business-Type Activities:	-	-	-	-	-
Total Primary Government	14,097,934	1,026,986	398,175	-	(12,672,773)
Component Units:					
Heard County Water Authority	2,295,433	1,903,070	4,502	436,678	48,817
Heard County Health Department	277,242	100,991	169,906	-	(6,345)
Heard County Public Facilities Authority	-	-	-	-	-
Heard County Development Authority	1,037,744	450,000	-	563,827	(23,917)
Total Component Units	$ 3,610,419	$ 2,454,061	$ 174,408	$ 1,000,505	$ 18,555

	Primary Government: Governmental Activities	Component Units
Change in Net Assets:		
Net (expense) revenue	$ (12,672,773)	$ 18,555
General Revenues		
Property taxes	3,170,404	-
Sales taxes	9,845,135	-
Payment in lieu of taxes	1,189,593	-
Insurance premium tax	418,517	-
Other taxes	84,193	-
Investment Revenue	16,716	68,561
Other	335,999	380,307
Total general revenues and transfers	15,060,557	448,868
Change in Net Assets	2,387,784	467,423
Net Assets Beginning of Year	40,743,968	20,944,603
Adjustments	-	97,834
Net Assets beginning, as adjusted	40,743,968	21,042,437
Net Assets End of Year	$ 43,131,752	$ 21,509,860

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2012

	General	2007 Special Purpose Local Option Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 4,970,592	$ 370,371	$ 654,246	$ 275,875	$ 6,271,084
Investments	-	1,281,799	-	-	1,281,799
Accounts Receivable	27,139	-	-	44,953	72,092
Sales Taxes Receivable	346,877	439,084	-	-	785,961
Property Taxes Receivable	182,077	-	-	-	182,077
Due from other funds	-	-	851,978	-	851,978
Total Assets	5,526,685	2,091,254	1,506,224	320,828	9,444,991
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	321,724	83,426	-	-	405,150
Due to other funds	851,978	-	-	-	851,978
Deferred Revenue	182,077	-	-	-	182,077
Total Liabilities	1,355,779	83,426	-	-	1,439,205
Fund Balances					
Restricted for:					
Capital expenditures	-	2,007,828	-	51,695	2,059,523
Public safety	-	-	-	127,456	127,456
Lending	-	-	-	141,677	141,677
Debt service	-	-	1,506,224	-	1,506,224
Unassigned	4,170,906	-	-	-	4,170,906
Total Fund Balances	4,170,906	2,007,828	1,506,224	320,828	8,005,786
Total Liabilities and Fund Balances	$ 5,526,685	$ 2,091,254	$ 1,506,224	$ 320,828	$ 9,444,991

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, 2012

Total Governmental Funds Balances	$	8,005,786
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets of $49,120,705 net of accumulated depreciation of $9,645,151 used in governmental activities are not financial resources and, therefore, are not reported in the funds.		39,475,554
Pension liability overfunded is not recorded as an asset in the funds		62,460
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Deferred property taxes		182,077
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Due within one year		(3,639,887)
Due in more than one year		(944,614)
Deferred charges		(9,624)
Net Assets of Governmental Activities	$	43,131,752

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, 2012

	General	2007 Special Purpose Local Option Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 8,051,726	$ 5,552,821	$ -	$ -	$ 13,604,547
Charges for Services	779,284	-	-	-	779,284
Licenses and Permits	67,833	-	-	-	67,833
Fines and Forfeitures	131,429	-	-	48,440	179,869
Intergovernmental	1,587,768	-	-	-	1,587,768
Interest	13,699	1,544	-	1,473	16,716
Other	185,332	-	-	88,206	273,538
Total Revenues	10,817,071	5,554,365	-	138,119	16,509,555
Expenditures					
Current					
General government	1,422,997	-	-	-	1,422,997
Judicial	902,565	-	-	-	902,565
Public safety	5,602,494	-	-	64,737	5,667,231
Public works	1,235,750	-	-	-	1,235,750
Culture and recreation	579,361	-	-	-	579,361
Housing and development	300,385	-	-	-	300,385
Health and welfare	1,069,474	-	-	-	1,069,474
Intergovernmental	-	1,154,185	-	-	1,154,185
Capital outlay	-	549,145	-	134,126	683,271
Debt service:					
Principal retirement	-	-	3,312,769	-	3,312,769
Interest and fiscal charges	-	-	267,985	-	267,985
Total Expenditures	11,113,026	1,703,330	3,580,754	198,863	16,595,973
Excess (deficiency) of Revenues Over (Under) Expenditures	(295,955)	3,851,035	(3,580,754)	(60,744)	(86,418)
Other Financing Sources (Uses)					
Transfers in	41	-	3,342,383	-	3,342,424
Transfers out	-	(3,342,383)	-	(41)	(3,342,424)
Total Other Financing Sources (Uses)	41	(3,342,383)	3,342,383	(41)	-
Net Change in Fund Balances	(295,914)	508,652	(238,371)	(60,785)	(86,418)
Fund Balances (Deficit) at Beginning	4,466,820	1,499,176	1,744,595	381,613	8,092,204
Fund Balances at End of Year	$ 4,170,906	$ 2,007,828	$ 1,506,224	$ 320,828	$ 8,005,786

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, 2012

Net Change in Fund Balances—Total Governmental Funds	$	(86,418)
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		683,271
Depreciation		(1,469,791)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Property Taxes		(86,297)
Decrease in long-term compensated absences		(59,951)
Increase in pension plan asset		62,460
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		9,625
Repayment of long-term bonds		3,312,769
Retirement of long-term post-closure costs		22,116
Change in Net Assets of Governmental Activities	$	2,387,784

HEARD COUNTY, GEORGIA
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

	Tax Commissioner	Clerk of Court	Probate Office	Magistrate Office	Sheriff Office	Tax Sale Escrow	Total
ASSETS							
Cash	$ 25,712	$ 26,535	$ 445	$ 5,328	$ 450	$ 19,737	$ 78,207
Taxes receivable	540,611	-	-	-	-	-	540,611
Total assets	566,323	26,535	445	5,328	450	19,737	618,818
LIABILITIES							
Due to others	566,323	26,535	445	5,328	450	19,737	618,818
Total liabilities	$ 566,323	$ 26,535	$ 445	$ 5,328	$ 450	$ 19,737	$ 618,818

See accompanying notes to the basic financial statements.

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, 2012. 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, 2012. 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, 2012. 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, 2012. 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 2012 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.

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 Balances

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable**—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

- **Restricted**—Amounts that can be spent only for specific purposes because of the County Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

- **Committed**—Amounts that can be used only for specific purposes determined by a formal action by the County Commision ordinance.

- **Assigned**—Amounts that are designated by the Commission Chair for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by County Commission.

- **Unassigned**—All amounts not included in other spendable classifications.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the County's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the County's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

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 certificates of deposit with a maturity date of three months or less

Investments

State statutes authorize the County to invest in obligations of United States government and agencies thereof, general obligations of the State of Georgia or any of its political subdivisions, or banks to the extent they are insured by the FDIC.

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, 2012. At year end, the carrying amount of the County's deposits was $6,271,084 and the respective bank balances totaled $6,348,182. At June 30, 2012, the County's deposits were fully insured and collateralized according to state law.

Investments- At June 30, 2012, the County had $1,280,254 invested in Georgia Fund 1, an external investment pool. Georgia Fund 1 is the combined state general fund and local government investment pool managed by the Office of the State Treasurer. 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, 2012, the County's investments consisted of

Name	Rating	Balance	Weighted Average Maturity
Georgia Fund 1	AAAm	$ 1,281,799	56 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, 2012, was as follows:

	Balance June 30, 2011	Adjustments and Additions	Transfers & Disposals	Balance June 30, 2012
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 7,118,953	$ -	$ -	$ 7,118,953
Construction in progress	528,214	45,072	-	573,286
Total	7,647,167	45,072	-	7,692,239
Capital assets being depreciated				
Roads	8,895,979	383	-	8,896,362
Buildings	24,377,233	323,705	-	24,700,938
Equipment	3,522,572	105,148	(179,460)	3,448,260

Vehicles	3,994,482	208,963	(200,529)	4,002,91
	40,790,266	638,199	(379,989)	41,048,47
Less accumulated depreciation for				
Roads	(888,241)	(222,409)	-	(1,110,65
Buildings	(2,389,389)	(585,438)	-	(2,974,82
Equipment	(2,216,360)	(282,372)	179,460	(2,319,27
Vehicles	(2,681,370)	(379,572)	188,554	(2,872,38
	(8,175,360)	(1,469,791)	368,014	(9,277,13
Total capital assets being depreciated, net	32,614,906	(831,592)	(11,975)	31,771,33
Governmental activities capital assets, net	$ 40,262,073	$ (786,520)	$ (11,975)	$ 39,463,57

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General Government	$ 62,951
Judicial	3,085
Public Safety	611,161
Public Works	394,997
Culture and recreation	380,202
Housing and development	2,302
Health and Welfare	15,092
	$ 1,469,791

7. INTERFUND ACTIVITY

Interfund balances at June 30, 2012 consisted of the following:

	Due From
Due To	General Fund
2007 SPLOST	$ 851,978

The balance represents finds that were mistakenly wire transferred into the General Fund instead of the SPLOST Fund. The General Fund will repay these funds.

Interfund transfers during the year ended June 30, 2012 were as follows:

	Transfers from:		
	Major Funds		
	2007 Special Purpose Local	Non-major	
Transfer to:	Option Tax	Funds	Total
Governmental Activities			
General Fund	$ -	$ 41	$ 41
Debt Service	3,342,383	-	3,342,383
	$ 3,342,383	$ 41	$ 3,342,424

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 DARE Fund to the General Fund to close out the DARE Fund.

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, 2012, 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% $3,617,771

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 was $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, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within 1 year
General Obligation Bonds	$ 6,930,540	$ -	$ 3,312,769	$ 3,617,771	$ 3,617,771
Compensated absences	617,213	86,366	26,414	677,165	-
Landfill post-closure	311,681	-	22,116	289,565	22,116
	$ 7,859,434	$ 86,366	$ 3,361,299	$ 4,584,501	$ 3,639,887

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
2013	$ 3,617,770	$ 135,333	$ 3,753,103

Heard County Water Authority

The Heard County Water Authority borrowed money from USDA for a waste water treatment plar construction loan. Interest is at 4.125%. The loan is payable in 456 monthly installments of $4,685 witl the balance due December 5, 2049. The loan is collateralized by the assets of the Authority. Th balance of this loan was $1,071,980 at June 30, 2012.

The Authority is also obligated for payment of revenue bonds in the original amount of $795,000, bearin interest at the annual rate of 5.875%. The bonds are secured by a second lien on the net revenues of th Water Authority (net revenues before depreciation and amortization). Should the net revenues b insufficient to pay the principal and interest, then Heard County has committed to fund the deficiency The balance of the revenue bonds was $435,000 at June 30, 2012.

As of June 30, 2012, the Water Authority had $104,686 in sinking funds to repay principal and interest a it becomes due. Debt service to maturity for the long term debt was as follows:

	Principal	Interest	Total
2013	$ 147,232	$ 69,550	$ 216,782
2014	157,747	61,104	218,851
2015	168,283	52,049	220,332
2016	13,841	42,385	13,841
2017	14,423	41,803	56,226
2018-2022	81,735	199,395	281,130
2023-2027	100,422	180,708	281,130
2028-2032	123,381	157,749	281,130
2033-2037	151,590	129,540	281,130
2038-2042	186,247	94,883	281,130
2043-2047	228,828	52,302	281,130
2048-2050	133,251	7,222	140,473
	$ 1,506,980	$ 1,088,690	$ 2,553,285

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	$ -	$ 6,020	$ 1,071,980	$ 12,232
GEFA loan	98,668	-	98,668	-	-
Revenue Bonds	560,000	-	125,000	435,000	135,000
	$ 1,736,668	$ -	$ 229,688	$ 1,506,980	$ 147,232

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 January 1, 2012. Annual Pension Cost- For 2012, the County's annual pension cost of $119,493. The required contribution was determined as a part of the December 31, 2012 actuarial valuation and was $13,488. 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 5.0% 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, 2012 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, 2012, covered compensation totaled $1,319,382, out of total compensatio of $5,450,001.

Membership in the plan is as follows:

Retirees and beneficiaries receiving benefits	25
Terminated participants entitled to future benefits	23
Active participating employees	35
	83

Trend Information:

As Of Jan. 1	Annual Pension Cost	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
2012	119,493	N/A	N/A	(62,460)
2011	107,355	105,410	98%	(64,405)
2010	103,450	106,877	103%	(60,978)
2009	100,141	107,815	108%	(53,304)
2008	81,766	85,329	104%	(49,741)
2007	74,347	76,939	103%	(47,149)

Funded status is as follows:

The schedule of funding progress, presented as required supplementary information following the note to the financial statements present trend information about whether the actuarial values of plan assets a increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Plan overfunded as of January 1, 2012.

Annual Pension Cost

	2012	2011
Derivation of Net Pension Obligation		
Net Pension Obligation beginning	$ (64,405)	$ (60,978)
Annual Pension Cost for prior year	107,355	103,450
Actual contributions to Plan prior year	105,410	106,877
Increase in NPO	1,945	(3,427)
Net Pension Obligation ending	$ (62,460)	$ (64,405)
Derivation of Annual Pension Cost		
Annual required contribution	$ 119,155	$ 107,005
Interest on NPO	(4,841)	(4,991)
Amortization of NPO	5,179	5,341
Annual Pension Cost	$ 119,493	$ 107,355

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, 2012 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, 2012, the County paid $10,006 in such dues. Membership

in the RC is required under O.C.G.A. Section 50-8-34. The RC governing Board included the ch elected official of each county included in the RDC area. Member governments are liable for any debts 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, 201 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	$ -	$ 7,406,5
County Buildings	3,980,550	508,488	508,488	-	508,4
Construction of Jail and Animal Control Facility		6,800,000	6,800,000	-	6,800,0
Public Safety facilities and equipment	1,594,450	2,407,165	2,316,560	90,605	2,407,1
Recreation facilities and equipment	1,594,450	2,133,179	2,133,179	-	2,133,1
Intergovernmental transfers:					
Heard Co. Water Authority	1,000,000	1,050,000	1,050,000	-	1,050,0
City of Franklin	1,350,000	1,867,380	1,867,380	-	1,867,3
City of Ephesus	750,000	1,037,459	1,037,459	-	1,037,4
City of Centralhatchee	750,000	1,037,459	1,037,459	-	1,037,4
	$ 15,000,000	$ 24,247,651	$ 24,157,045	$ 90,605	$ 24,247,65

2007 SPLOST	Original Estimated	Current Estimated	Prior Years	Current Year	Total
Expenditures for:					
Road projects	$ 6,000,000	$ 6,000,000	$ 2,643,268	$ 30,500	$ 2,673,76
Recreation complex	12,000,000	12,738,224	12,736,719	1,505	12,738,22
EMA Headquarters	1,750,000	3,441,449	3,319,499	121,950	3,441,44
Roosterville fire station	1,500,000	1,500,000	339,854	371,946	711,80
Sheriff equipment	550,000	550,000	265,515	-	265,515
WARRS comm. equipment	1,000,000	1,000,000	40,000	-	40,000
911 center	750,000	1,003,877	1,003,877	-	1,003,877
Codes enforcement equip.	125,000	125,000	-	-	-
Courthouse renovation	600,000	600,000	186,447	23,245	209,692
Administration building annex	4,435,000	4,435,000	-	-	-
City of Franklin	2,690,000	2,690,000	2,152,521	498,903	2,651,424
City of Centralhatchee	1,495,000	1,495,000	1,195,845	277,641	1,473,486
City of Ephesus	1,495,000	1,495,000	1,195,845	277,641	1,473,486
Water projects	3,280,000	3,280,000	2,060,883	100,000	2,160,883
	$ 37,670,000	$ 40,353,550	$ 27,140,273	$ 1,703,331	$ 28,843,604

HEARD COUNTY, GEORGIA
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2012

	Budgeted Amounts		
	Original	Final	Actual
Revenues			
Taxes	$ 8,543,400	$ 8,527,900	$ 8,051,726
Charges for Services	933,900	720,500	779,284
Licenses and Permits	109,275	273,775	67,833
Fines and Forfeitures	98,000	98,000	131,429
Intergovernmental	2,124,000	2,124,000	1,587,768
Interest	-	-	13,699
Other	172,200	236,600	185,332
Total Revenues	11,980,775	11,980,775	10,817,071
Expenditures			
Current			
General government	1,658,267	1,658,267	1,422,997
Judicial	976,422	976,422	902,565
Public safety	5,978,375	5,978,375	5,602,494
Public works	1,507,823	1,507,823	1,235,750
Culture and recreation	753,952	753,952	579,361
Housing and development	333,464	333,464	300,385
Health and welfare	1,087,103	1,087,103	1,069,474
Other	-	-	
Debt service	-	-	-
Total Expenditures	12,295,406	12,295,406	11,113,026
Excess (deficiency) of Revenues Over (Under) Expenditures	(314,631)	(314,631)	(295,955)
Other Financing Sources (Uses)			
Transfers in	-	-	41
Transfers out	-	-	-
Net Change in Fund Balances	(314,631)	(314,631)	(295,914)
Fund Balances (Deficit) at Beginning	4,466,820	4,466,820	4,466,820
Fund Balances at End of Year	4,152,189	4,152,189	4,170,906

HEARD COUNTY, GEORGIA
Schedule of Funding Progress

Year Ended 12/31	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Funded Ratio	Unfunded ALL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2001	1,264,198	1,522,526	83.0%	258,328	659,629	39.2%
2002	1,205,169	1,603,340	75.2%	398,171	629,625	63.2%
2003	1,331,880	1,642,041	81.1%	310,161	635,510	48.8%
2004	1,368,136	1,777,596	77.0%	409,460	715,838	57.2%
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%
2011	2,087,750	2,566,005	81.4%	478,255	1,319,382	36.2%

Heard County, Georgia
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For Year Ended June 30, 2012

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, 2012

	Special Revenue				
	Revolving Loan Fund	Jail Fund	Drug Abuse Treatment Fund	Inmate Welfare Fund	Seized Assets
ASSETS					
Cash and Cash Equivalents	$ 96,724	$ 1,336	$ 20,969	$ 8,115	$ 74,423
Due from other funds	-	-	-	-	-
Loan receivable	44,953	-	-	-	-
Total Assets	141,677	1,336	20,969	8,115	74,423
LIABILITIES					
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	-	-	-
FUND BALANCES					
Restricted for public safety	-	1,336	20,969	8,115	74,423
Restricted for loans	141,677	-	-	-	-
Restricted for capital projects	-	-	-	-	-
Total Fund Balances	141,677	1,336	20,969	8,115	74,423
Total Liabilities and Fund Balances	$ 141,677	$ 1,336	$ 20,969	$ 8,115	$ 74,423

	Special Revenue		Capital Projects	Total Other Governmental Funds
	DARE Fund	Law Library Fund	2002 SPLOST	
ASSETS				
Cash and Cash Equivalents	$ -	$ 22,613	$ 51,695	$ 275,875
Due from other funds	-	-	-	-
	-	-	-	44,953
Total Assets	-	22,613	51,695	320,828
LIABILITIES				
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
FUND BALANCES				
Restricted for public safety	-	22,613	-	127,456
Restricted for loans	-	-	-	141,677
Restricted for capital projects	-	-	51,695	51,695
Total Fund Balances	-	22,613	51,695	320,828
Total Liabilities and Fund Balances	$ -	$ 22,613	$ 51,695	$ 320,828

HEARD COUNTY, GEORGIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2012

	Special Revenue				
	Revolving Loan Fund	Jail Fund	Drug Abuse Treatment Fund	Inmate Welfare Fund	Seized Assets
Revenues					
Fines	$ -	$ 6,335	$ 6,156	$ -	$ 32,661
Intergovernmental	-	-	-	-	
Other income	-	13,737	-	37,918	-
Investment income	1,453	3	17	-	-
Total Revenues	1,453	20,075	6,173	37,918	32,661
Expenditures					
Administration	-	-	-	-	-
Public safety	-	23,556	1,438	37,205	-
Public Welfare	-	-	-	-	-
Capital outlay	-	-	-	-	43,521
Total Expenditures	-	23,556	1,438	37,205	43,521
Excess (deficiency) of Revenues Over (Under) Expenditures	1,453	(3,481)	4,735	713	(10,860)
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Net Change in Fund Balances	1,453	(3,481)	4,735	713	(10,860)
Fund Balances (Deficit) at Beginning	140,224	4,817	16,234	7,402	85,283
Fund Balances at End of Year	$ 141,677	$ 1,336	$ 20,969	$ 8,115	$ 74,423

	Special Revenue		Capital Projects	Total Other Governmental Funds
	DARE Fund	Law Library Fund	2002 SPLOST	
Revenues				
Fines	$ -	$ 3,288	$ -	$ 48,440
Intergovernmental	-	-	-	-
Other income	-	-	36,551	88,206
Investment income	-	-	-	1,473
Total Revenues	-	3,288	36,551	138,119
Expenditures				
Administration	-	-	-	-
Public safety	-	2,538	-	64,737
Public Welfare	-	-	-	-
Capital outlay	-	-	90,605	134,126
Total Expenditures	-	2,538	90,605	198,863
Excess (deficiency) of Revenues Over (Under) Expenditures	-	750	(54,054)	(60,744)
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(41)	-	-	(41)
Net Change in Fund Balances	(41)	750	(54,054)	(60,785)
Fund Balances (Deficit) at Beginning	41	21,863	105,749	381,613
Fund Balances at End of Year	$ -	$ 22,613	$ 51,695	$ 320,828

HEARD COUNTY, GEORGIA
Schedule of State Awards Expended
For theYear Ended June 30, 2012

State Program Name	Contract Number	State Received	Federal Revenue	Total Expenditures
DHR HCCP	427-93-121200045-99	44,000	-	49,207
DHR Sr. Center	04-074-12	38,866	29,672	171,302
		$ 82,866	$ 29,672	$ 220,509

Kim Kimmel
Certified Public Accountant
PO 39
Richland, Georgia 31825

Member:
American Institute of CPAs
Georgia Society of CPAs

229-887-2543
229-887-3402 fax

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, 2012, which collectively comprise Heard, County, Georgia's basic financial statements and have issued my report thereon dated June 12, 2013. 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.

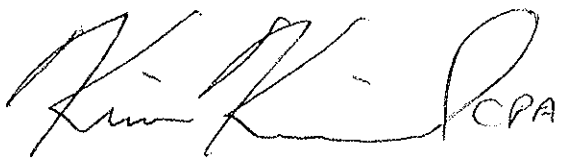
However, I identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies in internal control over financial reporting. The item is listed as 12-1. A significant deficiency is a deficiency, 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
June 12, 2013

HEARD COUNTY, GEORGIA
Schedule of Findings and Responses
Year Ended Jun 30, 2012

Deficiency

12-1 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.