HEARD COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

HEARD COUNTY, GEORGIA
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Heard County, Georgia

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Heard County, Georgia, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. 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 from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, 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 the Heard County, Georgia as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

The budgetary comparison information on pages 26, and the Pension Schedule on page 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

I have applied certain limited procedures to the budgetary and pension information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other information

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 combining nonmajor fund financial statements, and schedule of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedule of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and schedule of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 20, 2013, on my consideration of the Heard County, Georgia's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the heard County, Georgia's internal; control over financial reporting and compliance.

Richland, Georgia
December 20, 2013

HEARD COUNTY, GEORGIA
Statement of Net Position
Primary Government as of June 30, 2013
Component Units as of June 30, 2013

	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	$ 5,289,185	$ 614,559	$ 264,399	$ 197	$ 1,581,660
Investments	-	-	-	1,371,466	-
Accounts receivable	27,210	166,808	-	310,045	386,855
Sales tax receivable	268,222	-	-	-	-
Property tax receivable	206,471	-	-	-	-
Notes receivable-current	16,484	-	-	-	198,334
Inventory	-	47,101	-	-	-
Prepaid expenses	-	25,953	-	-	-
Restricted assets					
Cash	-	1,211,710	-	-	-
Notes receivable-noncurrent	13,162	-	-	-	1,509,294
Nondepreciable Capital Assets	7,647,167	352,133	-	-	407,853
Depreciable Capital Assets, Net	32,090,072	18,392,259	11,939	-	508,397
Other assets	62,122	12,045	-	-	-
Total Assets	45,620,095	20,822,568	276,338	1,681,708	4,592,393
LIABILITIES					
Accounts payable	521,577	223,383	-	-	1,474
Customer deposits	-	179,207	-	-	-
Other	-	58,251	-	-	-
Long-term liabilities:					
Portion due within one year:	-	157,747	7,404	-	96,083
Portion due after one year:	863,951	1,202,091	24,160	2,000,000	1,296,757
Total Liabilities	1,385,528	1,820,679	31,564	2,000,000	1,394,314
NET POSITION					
Invested in Capital Assets, Net of Related Debt	39,737,239	17,396,599	11,939	-	916,250
Restricted for:					
Debt service	-	118,823	-	(318,292)	-
Economic development	-	-	-	-	-
Public Health	-	-	115,357	-	-
Public safety	-	-	-	-	-
Capital Projects	-	863,975	-	-	-
Customer deposits	-	-	-	-	-
Unrestricted	4,497,328	622,492	117,478	-	2,281,829
Total Net Position	$ 44,234,567	$ 19,001,889	$ 244,774	$ (318,292)	$ 3,198,079

HEARD COUNTY, GEORGIA
Statement of Activities
Primary Government Year Ended June 30, 2013
Component Units Years Ended June 30, 2013

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	$ 1,446,166	$ 209,572	$ -	$ -	$ (1,236,594)
Court Administration	1,000,258	-	-	-	(1,000,258)
Public Safety	6,948,790	773,842	-	-	(6,174,948)
Public Works	790,817	-	135,186	510,272	(145,359)
Culture and recreation	1,071,848	-	-	-	(1,071,848)
Housing and development	309,103	-	-	-	(309,103)
Health and Welfare	1,125,198	-	172,305	-	(952,893)
Intergovernmental	1,387,879	-	-	-	(1,387,879)
Interest on debt	166,759	-	-	-	(166,759)
Total Governmental Activities	14,246,818	983,414	307,491	510,272	(12,445,641)
Business-Type Activities					
Total Business-Type Activities:	-	-	-	-	-
Total Primary Government	14,246,818	983,414	307,491	510,272	(12,445,641)
Component Units:					
Heard County Water Authority	2,448,825	2,134,199	28,140	371,976	85,490
Heard County Health Department	291,911	104,363	179,381	-	(8,167)
Heard County Public Facilities Authority	-	-	-	-	-
Heard County Development Authority	171,303	507,200	80,864	-	416,761
Total Component Units	$ 2,912,039	$ 2,745,762	$ 288,385	$ 371,976	$ 494,084

	Primary Government: Governmental Activities	Component Units
Change in Net Assets:		
Net (expense) revenue	$ (12,445,641)	$ 494,084
General Revenues		
Property taxes	3,117,374	-
Sales taxes	8,526,546	-
Payment in lieu of taxes	969,736	-
Insurance premium tax	447,109	-
Other taxes	156,091	-
Investment Revenue	12,305	112,606
Other	319,295	-
Total general revenues and transfers	13,548,456	112,606
Changes in net position	1,102,815	606,690
Net position beginning of year	43,131,752	21,509,860
Net position at end of year	$ 44,234,567	$ 22,116,550

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2013

	General	2007 Special Purpose Local Option Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 3,255,933	$ 1,440,081	$ -	$ 593,171	$ 5,289,185
Investments	-	-	-	-	-
Accounts Receivable	27,210	-	-	29,646	56,856
Sales Taxes Receivable	268,222	-	-	-	268,222
Property Taxes Receivable	206,471	-	-	-	206,471
Due from other funds	-	-	-	-	-
Total Assets	3,757,836	1,440,081	-	622,817	5,820,734
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	521,577	-	-	-	521,577
Total Liabilities	521,577	-	-	-	521,577
Deferred Inflows of Resources	206,471	-	-	-	206,471
Fund Balances					
Restricted for:					
Capital expenditures	-	1,440,081	-	319,360	1,759,441
Public safety	-	-	-	160,794	160,794
Lending	-	-	-	142,663	142,663
Debt service	-	-	-	-	-
Unassigned	3,029,788	-	-	-	3,029,788
Total Fund Balances	3,029,788	1,440,081	-	622,817	5,092,686
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,757,836	$ 1,440,081	$ -	$ 622,817	$ 5,820,734

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, 2013

Total Governmental Funds Balances	$	5,092,686
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets of $50,505,657 net of accumulated depreciation of $10,768,418 used in governmental activities are not financial resources and, therefore, are not reported in the funds.		39,737,239
Pension liability overfunded is not recorded as an asset in the funds		62,122
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Deferred property taxes		206,471
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Due in more than one year		(863,951)
Net Assets of Governmental Activities	$	44,234,567

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, 2013

	General	2007 Special Purpose Local Option Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 7,609,137	$ 4,294,229	$ -	$ 319,360	$ 12,222,726
Charges for Services	801,985	-	-	-	801,985
Licenses and Permits	79,258	-	-	-	79,258
Fines and Forfeitures	80,028	-	-	22,143	102,171
Intergovernmental	1,277,227	510,272	-	-	1,787,499
Interest	9,433	1,876	-	996	12,305
Other	217,202	-	-	102,093	319,295
Total Revenues	10,074,270	4,806,377	-	444,592	15,325,239
Expenditures					
Current					
General government	1,388,499	-	-	9	1,388,508
Judicial	993,573	-	-	-	993,573
Public safety	6,337,937	-	-	76,227	6,414,164
Public works	384,851	-	-	-	384,851
Culture and recreation	688,792	-	-	-	688,792
Housing and development	307,705	-	-	-	307,705
Health and welfare	1,113,731	-	-	-	1,113,731
Intergovernmental	-	1,387,879	-	-	1,387,879
Capital outlay	-	1,698,315	-	66,667	1,764,982
Debt service:					
Principal retirement	-	-	3,617,771	-	3,617,771
Interest and fiscal charges	-	-	176,383	-	176,383
Total Expenditures	11,215,088	3,086,194	3,794,154	142,903	18,238,339
Excess (deficiency) of Revenues Over (Under) Expenditures	(1,140,818)	1,720,183	(3,794,154)	301,689	(2,913,100)
Other Financing Sources (Uses)					
Transfers in	-	-	2,287,930	300	2,288,230
Transfers out	(300)	(2,287,930)	-	-	(2,288,230)
Total Other Financing Sources (Uses)	(300)	(2,287,930)	2,287,930	300	-
Net Change in Fund Balances	(1,141,118)	(567,747)	(1,506,224)	301,989	(2,913,100)
Fund Balances (Deficit) at Beginning	4,170,906	2,007,828	1,506,224	320,828	8,092,204
Fund Balances at End of Year	$ 3,029,788	$ 1,440,081	$ -	$ 622,817	$ 5,179,104

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, 2013

Net Change in Fund Balances—Total Governmental Funds	$ (2,913,100)
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	1,764,942
Depreciation	(1,503,257)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:	
Property Taxes	24,394
Decrease in long-term compensated absences	80,663
Increase in pension plan asset	(338)
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	9,624
Repayment of long-term bonds	3,617,771
Retirement of long-term post-closure costs	22,116
Change in Net Assets of Governmental Activities	$ 1,102,815

HEARD COUNTY, GEORGIA
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

	Tax Commissioner	Clerk of Court	Probate Office	Magistrate Office	Sheriff Office	Tax Sale Escrow	Total
ASSETS							
Cash	$ 132,281	$ 36,444	$ 445	$ 5,328	$ 450	$ 19,737	$ 194,685
Taxes receivable	658,321	-	-	-	-	-	658,321
Total assets	790,602	36,444	445	5,328	450	19,737	853,006
LIABILITIES							
Due to others	790,602	36,444	445	5,328	450	19,737	853,006
Total liabilities	$ 790,602	$ 36,444	$ 445	$ 5,328	$ 450	$ 19,737	$ 853,006

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2013

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, 2013. 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, 2013. 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, 2013. 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, 2013. 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 2013 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 position.

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 position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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.

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.

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 position 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 position 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 position. The only interfund balances which remain on the government-wide statement of net position 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. Bank days are limited to 240 days.

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.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from property taxes.

Net Position

Net position represent the difference between assets and liabilities. Net position 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 position is 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 position 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.

Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, ii is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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, 2013. At year end, the carrying amount of the County’s deposits was $5,289,185 and the respective bank balances totaled $6,342,905. At June 30, 2013, the County’s deposits were fully insured and collateralized according to state law.

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

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

	Balance June 30, 2012	Adjustments and Additions	Transfers & Disposals	Balance June 30, 2013
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 7,118,953	$ -	$ -	$ 7,118,953
Construction in progress	573,286	-	45,072	528,214
Total	7,692,239	-	45,072	7,647,167
Capital assets being depreciated				
Roads	8,896,362	1,142,860	-	10,039,222
Buildings	24,700,938	446,352	-	25,147,290
Equipment	3,448,260	154,258	-	3,602,518
Vehicles	4,002,916	66,544	-	4,069,460
	41,048,476	1,810,014	-	42,858,490
Less accumulated depreciation for:				
Roads	(1,110,650)	(250,981)	-	(1,361,631)
Buildings	(2,974,827)	(595,264)	-	(3,570,091)
Equipment	(2,319,272)	(276,841)	-	(2,596,113)
Vehicles	(2,872,388)	(368,195)	-	(3,240,583)
	(9,277,137)	(1,491,281)	-	(10,768,418)
Total capital assets being depreciated, net	31,771,339	318,733	-	32,090,072
Governmental activities capital assets, net	$ 39,463,578	$ 318,733	$ 45,072	$ 39,737,239

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General Government	$ 59,972
Judicial	1,793
Public Safety	602,305
Public Works	428,183
Culture and recreation	383,056
Housing and development	1,222
Health and Welfare	14,750
	$ 1,491,281

7. INTERFUND ACTIVITY

Interfund transfers during the year ended June 30, 2013 were as follows:

	Transfers from: Major Funds		
Transfer to:	General Fund	2007 Special Purpose Local Option Tax	Total
Governmental Activities			
Debt Service	$ -	$ 2,287,930	$ 2,287,930
Non-Major Funds	300	-	300
	$ 300	$ 2,287,930	$ 2,288,230

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 2002 SPLOST Fund to close out the last SPLOST project for that issuance.

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 $267,449 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.

Changes in outstanding long-term debt-

Changes in long-term debt were as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within 1 year
General Obligation Bonds	$ 3,617,771	$ -	$ 3,617,771	$ -	$ -
Compensated absences	677,165	11,728	92,391	596,502	-
Landfill post-closure	289,565	-	22,116	267,449	22,116
	$ 4,584,501	$ 11,728	$ 3,732,278	$ 863,951	$ 22,116

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.

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 $1,071,980 at June 30, 2013.

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 $435,000 at June 30, 2013.

As of June 30, 2013, the Water Authority had $104,686 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
2014	$ 157,747	$ 61,104	$ 218,851
2015	168,283	52,049	220,332
2016	13,841	42,385	56,226
2017	14,423	41,803	56,226
2018	15,029	41,197	56,226
2019-2023	85,172	195,958	281,130
2024-2028	104,644	176,486	281,130
2029-2033	128,568	152,561	281,129
2034-2038	157,962	123,167	281,129
2039-2043	194,076	87,053	281,129
2044-2048	238,447	42,682	281,129
2049-2050	81,646	2,695	84,341
	$ 1,359,838	$ 1,019,140	$ 2,378,978

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

	Balance June 30, 2012	Additions	Reductions	Balance June 30,2013	Amounts Due Within 1 year
USDA WWTP Loan	$ 1,072,070	$ -	$ 12,232	$ 1,059,838	$ 145,000
Revenue Bonds	435,000	-	135,000	300,000	12,747
	$ 1,507,070	$ -	$ 147,232	$ 1,359,838	$ 157,747

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, 2013. Annual Pension Cost- For 2013, the County's annual pension cost of $139,213. The required contribution was determined as a part of the December 31, 2013 actuarial valuation and was $25,020. 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, 2013 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, 2013, covered compensation totaled $1,385,351, out of total compensation of $6,100,905.

Membership in the plan is as follows:

Active participants	36
Vested	28
Retirees	23
	87

Trend Information:

As Of Jan. 1	Annual Pension Cost	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
2013	139,213	N/A	N/A	(62,122)
2012	119,493	119,155	100%	(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)

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 Plan is overfunded as of January 1, 2013.

Annual Pension Cost

	2013	2012
Derivation of Net Pension Obligation		
Net Pension Obligation beginning	$ (62,460)	$ (64,405)
Annual Pension Cost for prior year	119,493	107,355
Actual contributions to Plan prior year	119,155	105,410
Increase in NPO	338	1,945
Net Pension Obligation ending	$ (62,122)	$ (62,460)
Derivation of Annual Pension Cost		
Annual required contribution	$ 138,876	$ 119,155
Interest on NPO	(4,814)	(4,841)
Amortization of NPO	5,151	5,179
Annual Pension Cost	$ 139,213	$ 119,493

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, 2013 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, 2013, 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 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, 2013. The 2002 SPLOST has been completed.

Summaries of receipts and expenditures of these issues were as follows:

2002 SPLOST-These projects were completed during the year and the SPLOST was closed out.

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
Jail and Animal Control facility	-	6,800,000	6,800,000		
Public Safety facilities and equipment	1,594,450	2,407,165	2,407,165	-	2,407,165
Recreational Capital projects	1,594,450	2,133,179	2,133,179	519,695	2,652,874
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	$ 24,247,651	$ 24,247,650	$ 519,695	$ 17,967,345

2007 SPLOST	Original Estimated	Current Estimated	Prior Years	Current Year	Total
Expenditures for:					
Road projects	$ 6,000,000	$ 6,000,000	$ 2,673,768	$ 1,187,889	$ 3,861,657
Recreation complex	12,000,000	12,771,727	12,738,224	33,503	12,771,727
EMA Headquarters	1,750,000	3,441,449	3,441,449	-	3,441,449
Roosterville fire station	1,500,000	1,500,000	711,800	365,420	1,077,220
Sheriff equipment	550,000	550,000	265,515	74,478	339,993
WARRS comm. equipment	1,000,000	1,000,000	40,000	-	40,000
911 center	750,000	1,019,123	1,003,877	15,246	1,019,123
Codes enforcement equip.	125,000	125,000	-	-	-
Courthouse renovation	600,000	600,000	209,692	10,499	220,191
Administration building annex	4,435,000	4,435,000	-	-	-
City of Franklin	2,690,000	2,690,000	2,651,424	339,762	2,991,186
City of Centralhatchee	1,495,000	1,495,000	1,473,486	238,071	1,711,557
City of Ephesus	1,495,000	1,495,000	1,473,486	238,071	1,711,557
Water projects	3,280,000	3,280,000	2,160,883	571,975	2,732,858
	$ 37,670,000	$ 40,402,299	$ 28,843,604	$ 3,074,914	$ 31,918,518

2013 SPLOST had no expenditures during the year ended June 30, 2013.

2013 SPLOST	Original Estimated	Current Estimated	Prior Years	Current Year	Total
Expenditures for:					
Administrative projects	$ 4,380,000	$ 4,380,000	$ -	$ -	$ -
Animal control projects	350,000	350,000	-	-	-
Cooperative extension facility	200,000	200,000	-	-	-
Fire-EMS projects	2,679,000	2,679,000	-	-	-
Old Jail facility	100,000	100,000	-	-	-
Parks and recreation projects	370,000	370,000	-	-	-
Roads and bridges	8,625,000	8,625,000	-	-	-
Solid waste improvements	101,000	101,000	-	-	-
Sheriff Department projects	805,000	805,000	-	-	-
Water projects	7,500,000	7,500,000	-	-	-
	$ 25,110,000	$ 25,110,000	$ -	$ -	$ -

16. EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2013, General Fund expenditures exceeded appropriations as follows:

Public safety	$ 173,204

This amount was due to unexpected expenditures near the end of the fiscal year. The amount was funded through general revenues generated from other departments spending less than budgeted amounts.

HEARD COUNTY, GEORGIA
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2013

	Budgeted Amounts		
	Original	**Final**	**Actual**
Revenues			
Taxes	$ 9,088,835	$ 9,088,835	$ 7,609,137
Charges for Services	918,000	918,000	801,985
Licenses and Permits	113,775	113,775	79,258
Fines and Forfeitures	98,000	98,000	80,028
Intergovernmental	2,192,325	2,192,325	1,277,227
Interest	-	-	9,433
Other	271,100	271,100	217,202
Total Revenues	12,682,035	12,682,035	10,074,270
Expenditures			
Current			
General government	1,666,723	1,666,723	1,388,499
Judicial	1,014,111	1,014,111	993,573
Public safety	6,164,733	6,164,733	6,337,937
Public works	1,579,330	1,579,330	384,851
Culture and recreation	769,322	769,322	688,792
Housing and development	324,674	324,674	307,705
Health and welfare	1,163,142	1,163,142	1,113,731
Debt service	-	-	-
Total Expenditures	12,682,035	12,682,035	11,215,088
Excess (deficiency) of Revenues Over (Under) Expenditures	-	-	(1,140,818)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	(300)
Net Change in Fund Balances	-	-	(1,141,118)
Fund Balances (Deficit) at Beginning	4,170,906	4,170,906	4,170,906
Fund Balances at End of Year	4,170,906	4,170,906	3,029,788

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%
2012	2,204,962	2,783,405	79.2%	578,443	1,385,351	41.8%

Heard County, Georgia
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For Year Ended June 30, 2013

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.

HEARD COUNTY, GEORGIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue				
	Revolving Loan Fund	Jail Fund	Drug Abuse Treatment Fund	Inmate Welfare Fund	Seized Assets
ASSETS					
Cash and Cash Equivalents	$ 113,017	$ 1,336	$ 23,893	$ 7,266	$ 105,780
Due from other funds	-	-	-	-	-
Loan receivable	29,646	-	-	-	-
Total Assets	142,663	1,336	23,893	7,266	105,780
LIABILITIES					
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	-	-	-
FUND BALANCES					
Restricted for public safety	-	1,336	23,893	7,266	105,780
Restricted for loans	142,663	-	-	-	-
Restricted for capital projects	-	-	-	-	-
Total Fund Balances	142,663	1,336	23,893	7,266	105,780
Total Liabilities and Fund Balances	$ 142,663	$ 1,336	$ 23,893	$ 7,266	$ 105,780

	Special Revenue	Capital Projects		Total
	Law Library Fund	2012 SPLOST	2002 SPLOST	Other Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 22,519	$ 319,360	$ -	$ 593,171
Due from other funds	-	-	-	-
	-	-	-	29,646
Total Assets	22,519	319,360	-	622,817
LIABILITIES				
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
FUND BALANCES				
Restricted for public safety	22,519	-	-	160,794
Restricted for loans	-	-	-	142,663
Restricted for capital projects	-	319,360	-	319,360
Total Fund Balances	22,519	319,360	-	622,817
Total Liabilities and Fund Balances	$ 22,519	$ 319,360	$ -	$ 622,817

HEARD COUNTY, GEORGIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2013

	Special Revenue				
	Revolving Loan Fund	Jail Fund	Drug Abuse Treatment Fund	Inmate Welfare Fund	Seized Assets
Revenues					
Fines	$ -	$ 9,895	$ 9,153	$ -	$ -
Tax	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Other income	-	12,116	-	43,948	46,029
Investment income	995	1	-	-	-
Total Revenues	995	22,012	9,153	43,948	46,029
Expenditures					
Administration	9	-	-	-	-
Public safety	-	22,012	6,229	44,797	-
Public Welfare	-	-	-	-	-
Capital outlay	-	-	-	-	14,672
Total Expenditures	9	22,012	6,229	44,797	14,672
Excess (deficiency) of Revenues Over (Under) Expenditures	986	-	2,924	(849)	31,357
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Net Change in Fund Balances	986	-	2,924	(849)	31,357
Fund Balances (Deficit) at Beginning	141,677	1,336	20,969	8,115	74,423
Fund Balances at End of Year	$ 142,663	$ 1,336	$ 23,893	$ 7,266	$ 105,780

	Special Revenue	Capital Projects		Total
	Law Library Fund	2012 SPLOST	2002 SPLOST	Other Governmental Funds
Revenues				
Fines	$ 3,095	$ -	$ -	$ 22,143
Tax	-	319,360	-	319,360
Intergovernmental	-	-	-	-
Other income	-	-	-	102,093
Investment income	-	-	-	996
Total Revenues	3,095	319,360	-	444,592
Expenditures				
Administration	-	-	-	9
Public safety	3,189	-	-	76,227
Public Welfare	-	-	-	-
Capital outlay	-	-	51,995	66,667
Total Expenditures	3,189	-	51,995	142,903
Excess (deficiency) of Revenues Over (Under) Expenditures	(94)	319,360	(51,995)	301,689
Other Financing Sources (Uses)				
Transfers In	-	-	300	300
Transfers Out	-	-	-	-
Net Change in Fund Balances	(94)	319,360	(51,695)	301,989
Fund Balances (Deficit) at Beginning	22,613	-	51,695	320,828
Fund Balances at End of Year	$ 22,519	$ 319,360	$ -	$ 622,817

HEARD COUNTY, GEORGIA
Schedule of State Awards Expended
For theYear Ended June 30, 2013

State Program Name	Contract Number	State Received	Federal Revenue	Total Expenditures
DHR HCCP	93-131300070-99	45,000	-	45,000
DHR Sr. Center	04-074-13	1,523	25,897	76,428
		$ 46,523	$ 25,897	$ 121,428

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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, 2013, which collectively comprise Heard, County, Georgia‘s basic financial statements and have issued my report thereon dated December 20, 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 of the financial statements, I considered Heard County, Georgia’s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heard County, Georgia's internal control. Accordingly, I do not express an opinion on the effectiveness of Heard County, Georgia's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that I consider to be a significant deficiency. 13-1.

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 Findings

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.

Purpose of This Report

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

Richland, Georgia
December 20, 2013

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

Deficiency

13-1 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.