

HART COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2013

**HART COUNTY, GEORGIA
FINANCIAL STATEMENTS
For the Year Ended September 30, 2013**

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June 30, 2014

Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Commissioners
Hart County
Hartwell, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Hart County, Georgia** (the "County" or "Hart County") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hart County Health Department, which represents 1.2%, 1.0%, and 15.1%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as they relate to the amounts included for the Hart County Health Department, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 error or fraud. 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hart County, Georgia as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 1 and 18 to the financial statements, the County implemented Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*, effective October 1, 2012. This standard modified the criteria which dictated whether a component unit was blended or discretely presented and the Hart County Industrial Building Authority is now reported as a blended component unit. Our opinions are not modified with respect to this matter.

As described in Note 1 to the financial statements, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 58 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hart County, Georgia's basic financial statements. The combining and individual non-major fund financial statements and schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules, the schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditor, the combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Burch, Crooms & Company, LLP

**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

This section of the Hart County, Georgia, annual financial report presents a narrative overview and an analysis of the financial activities of the County for the fiscal year ended September 30, 2013. Management encourages readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

The financial position of the County declined during fiscal year 2013. The total net position for governmental activities decreased by \$506,750 from \$58,361,549 in fiscal year 2012 to \$57,854,799 in fiscal year 2013. Unrestricted net position increased by \$110,235 from \$5,742,105 in fiscal year 2012 to \$5,852,340 in fiscal year 2013. Total net position decreased for the business-type activities by \$51,122 from \$2,726,407 in fiscal year 2012 (as restated) to \$2,675,285 in fiscal year 2013. Total net position for the primary government decreased by \$557,872 from fiscal year 2012 (as restated) to fiscal year 2013.

The assets of Hart County, Georgia exceeded its liabilities at September 30, 2013 by \$57,854,799 (net position). Of this amount, \$5,852,340 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.

As of September 30, 2013, Hart County's governmental funds reported combined ending fund balances of \$10,707,470, which is an increase of \$776,620 or 7.82% from the previous fiscal year. One of the major differences was due to a state grant received for road improvements amounting to \$452,725 received in fiscal year 2013, but yet to be expended.

With an audited unassigned General Fund fund balance in excess of 50% of General Fund expenditures as of September 30, 2013, the Hart County Board of Commissioners budgeted for excess disbursements over revenues in lieu of raising revenues through increased property tax millage. As of September 30, 2013, the unassigned fund balance for the General Fund was \$4,914,230 or 51.03% of total general fund expenditures. The County Administrator is recommending a target 25-50% of General Fund unassigned fund balance be maintained for cash flow and emergency needs.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These basic financial statements consist of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other information supplementary to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements provide both long-term and short-term information about the County's overall financial status. These statements use a format similar to a private-sector business. They include a Statement of Net Position and a Statement of Activities, which appear on pages 15 and 16 of this report.

The Statement of Net Position presents information on the County's assets and liabilities. Net position, the difference between these assets and liabilities, is a useful way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position are indicators of whether its financial health is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the current fiscal year. All of the current fiscal year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. This statement separates program revenue (charges for services, grants, and contributions) from general revenue (including taxes) which shows the extent each program must rely on taxes for funding.

**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Both of the government-wide financial statements identify the various functions of Hart County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Hart County, Georgia include general government, judicial, health and welfare, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of Hart County, Georgia are its Solid Waste and Recycling operations.

The Statement of Net Position and the Statement of Activities distinguish functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through charges and fees. These financial statements also contain discretely presented component units for which the County is financially accountable.

Governmental Activities - These activities are comprised of functions of the County which are primarily financed by taxes and intergovernmental revenues. Examples include judicial, public safety, public works, health and welfare, culture and recreation, housing and development, and general government.

Business-Type Activities - The County charges fees to cover the services it provides. These activities include solid waste services and the blended component unit, the Hart County Industrial Building Authority, which provides services to promote the expansion and development of industrial and commercial facilities in the County.

The government-wide statements can be found on pages 15 and 16 of this report.

Component Units - The County's statements include four legally separate component units for which the County is financially responsible: the Hart County Library, the Hart County Health Department, the Joint Development Authority of Franklin, Hart and Stephens Counties, and the Hart County Water & Sewer Authority. These component units are separately identified within the statements to show they are legally separate from the County.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A fund is a grouping of related accounts used to maintain control over resources which have been segregated for specific activities or objectives. Hart County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, this set of financial statements focuses on events which produce near term inflows and outflows of spendable resources, as well as on the balances of spendable resources, available at the end of the fiscal year. The fund statements also have a narrower focus than the government-wide financial statements.

By comparing functions between the two sets of statements for governmental funds and governmental activities, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison.

Hart County maintains fifteen (15) individual governmental funds. The six (6) major funds, the General Fund, the CDBG Grant, SPLOST #3, SPLOST #4, the Insurance Premium Tax Fund, and combined EIP (Employment Incentive Program) Funds are presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. Data for the nonmajor funds: SPLOST #2 (Capital Projects Fund), Multiple Grants, D.H.R. DFACS Building, Drug Abuse Treatment and Education, E911, Jail, Behavioral Health Escrow, and Law Library special revenue funds are combined into a single, aggregated presentation. Individual fund data for each of the special revenue nonmajor funds for which budgets are legally adopted is provided in the form of combining statements and individual fund statements and schedules located in the supplementary information section following the notes to the financial statements.

**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Hart County adopted an annual appropriated budgets for the General Fund and for each special revenue fund. A budgetary comparison statement is provided in order to present budgetary compliance. These comparison statements can be found following the notes to the financial statements.

Proprietary funds - The financial statements of Hart County include the Solid Waste Fund and the blended component unit, the Hart County Industrial Building Authority, as major proprietary funds. Proprietary fund statements follow the governmental fund statements in this report. The County prepares budgetary estimates for the enterprise funds. The budgetary estimates, upon which such budgets are adopted, are retained for budget control purposes and are utilized in the preparation of comparative operating statements. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the full accrual basis of accounting. The basic proprietary fund financial statements are found on pages 21 through 23 of this report.

Agency funds - Agency funds are used to account for resources held for the benefit of parties outside the County. Agency funds are not reported in the government-wide statements. The basic agency fund financial statements are found on page 24 of this report.

Component units - The County's statements include four discretely presented component units for which the County is financially responsible. These component units are included in the County's reporting entity because of the significance of their operational and financial relationships with the County. The discretely presented component units combining financial statements are found on pages 25 through 26.

Notes to the financial statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages 27 through 57 of this report.

Other information - In addition to the basic financial statements and notes, this report also includes certain required supplementary information including the County's schedule of budgetary comparisons and additional supplementary information including combining and individual fund statements. This information can be found beginning on page 58.

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**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**HART COUNTY, GEORGIA'S NET POSITION
September 30, 2013
(\$ in thousands)**

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	Restated 2012	2013	Restated 2012
Assets:						
Cash and investments	\$ 8,116	\$ 7,525	\$ 1,031	\$ 1,119	\$ 9,147	\$ 8,644
Other assets	4,457	4,126	82	84	4,539	4,210
Capital assets	46,391	47,749	5,347	5,376	51,738	53,125
Total assets	<u>58,964</u>	<u>59,400</u>	<u>6,460</u>	<u>6,579</u>	<u>65,424</u>	<u>65,979</u>
Liabilities:						
Current liabilities	1,084	857	176	44	1,260	901
Noncurrent liabilities	25	182	3,609	3,809	3,634	3,991
Total liabilities	<u>1,109</u>	<u>1,039</u>	<u>3,785</u>	<u>3,853</u>	<u>4,894</u>	<u>4,892</u>
Net position:						
Net investment in capital assets	46,209	47,418	1,922	1,860	48,131	49,278
Restricted	5,510	5,029	-	-	5,510	5,029
Nonspendable	284	172	-	-	284	-
Unrestricted	5,852	5,742	753	866	6,605	6,608
Total net position	<u>\$ 57,855</u>	<u>\$ 58,361</u>	<u>\$ 2,675</u>	<u>\$ 2,726</u>	<u>\$ 60,530</u>	<u>\$ 61,087</u>

Hart County's Net Position

As noted earlier, the net position over time can be a useful indicator of a government's financial position. As illustrated in the above table, at the end of fiscal year ending September 30, 2013, the County's assets for governmental activities exceeded liabilities by more than \$57.8 million and the County's assets for business-type activities exceeded liabilities by more than \$2.6 million bringing the total primary government net position to more than \$60.5 million.

Of the \$60.5 million in net position, Hart County's net investment in capital assets (e.g. land, buildings, machinery and equipment less any outstanding related debt used to acquire the assets and accumulated depreciation) equals 79.5% of net position. The County uses these capital assets to provide services to citizens and consequently these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the assets themselves cannot be used to liquidate these liabilities. Hart County's net position also includes restricted net position in the amount of \$5.5 million out of which \$4.4 million is restricted for capital projects, \$.9 million is restricted for public safety, and \$.2 million is restricted for economic development. Restricted net position accounts for 9.1% of total net position. The County's net position also includes a nonspendable portion that is represented by inventory and prepaid items. Finally, unrestricted net position of \$6.6 million, or 10.9% of total net position, may be used to meet the County's ongoing obligations to citizens and creditors. At the end of the current fiscal year, Hart County reported positive balances in all categories of net position.

**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**HART COUNTY GEORGIA'S CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2013**

(\$ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	Restated 2012	2013	Restated 2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,379	\$ 2,576	\$ 877	\$ 926	\$ 3,256	\$ 3,502
Operating grants and contributions	625	187	328	277	953	464
Capital grants and contributions	881	51	-	-	881	51
General revenues:						
Real and personal property taxes	4,911	4,943	-	-	4,911	4,943
Motor vehicle taxes	591	249	-	-	591	249
Sales taxes	4,759	4,724	-	-	4,759	4,724
Other taxes	978	927	-	-	978	927
Interest	31	28	2	3	33	31
Other	98	49	-	5	98	54
Total revenues	<u>15,253</u>	<u>13,734</u>	<u>1,207</u>	<u>1,211</u>	<u>16,460</u>	<u>14,945</u>
Expenses:						
Governmental activities	15,759	13,692	-	-	15,759	13,692
Business-type activities	-	-	1,258	1,189	1,258	1,189
Total expenses	<u>15,759</u>	<u>13,692</u>	<u>1,258</u>	<u>1,189</u>	<u>17,017</u>	<u>14,881</u>
Transfers	-	-	-	-	-	-
Change in net position	(506)	42	(51)	22	(557)	64
Net position, beginning, as restated	<u>58,361</u>	<u>58,319</u>	<u>2,726</u>	<u>2,704</u>	<u>61,087</u>	<u>61,023</u>
Net position, end of fiscal year	<u>\$ 57,855</u>	<u>\$ 58,361</u>	<u>\$ 2,675</u>	<u>\$ 2,726</u>	<u>\$ 60,530</u>	<u>\$ 61,087</u>

The table above is included for the purpose of comparing government-wide financial statements of activities for the fiscal year ended September 30, 2013 with fiscal year 2012.

For governmental activities, grants and contributions were \$1.5 million in fiscal year 2013 compared with \$.2 million in fiscal year 2012, a difference of \$1.3 million. The increase in the grants was mainly from: \$452,725 from the Georgia Department of Transportation for the Local Maintenance and Road Improvement Program; \$500,000 from the Community Development Block Grant Program; \$250,000 from a building donated to the County by the Hart County Hospital Authority and \$125,000 donated to the County by the Hospital Authority for the purchase of an ambulance. Real and personal property taxes decreased by \$31,527 while motor vehicle taxes increased by \$342,224. Local option sales tax and special option sales tax increased by \$34,779 in fiscal year 2013 compared to 2012, but the small increase is an indication that the local economy did not grow at the expected rate from 2012 to 2013.

Business-type activities revenue - the total revenue decreased slightly between fiscal year 2013 and 2012.

**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Financial Analysis of Governmental Funds:

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the governmental funds is to provide information on near-term inflows and balances of spendable resources. The unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose.

At September 30, 2013, the County's governmental funds reported a combined fund balance of \$10,707,470, an increase of \$776,620 compared to fiscal year 2012. Approximately 45.9% of this amount (\$4,914,230) constitutes unassigned fund balance of the General Fund. Out of the remainder of the fund balance, 2.6% (\$283,793) is nonspendable and 51.5% (\$5,509,447) is restricted.

Hart County General Fund Highlights

General Fund Components of Fund Balance:

General Fund Components of Fund Balance September 30, 2013 and 2012		
Fund Balances:	9/30/2013	9/30/2012
Nonspendable	\$ 273,873	\$ 171,999
Restricted	2,263	-
Unassigned	4,914,230	4,729,115
	\$ 5,190,366	\$ 4,901,114

The General Fund is the chief operating fund for the County. At the end of fiscal year 2013, General Fund's total fund balance was \$5,190,366 of which \$4,914,230 is unassigned fund balance. As a measure of liquidity of the General Fund, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 51.03% of total General Fund expenditures while total fund balance presents approximately 53.9% of that same amount. The General Fund fund balance is composed of cash and noncash items. Management recognizes that only the cash portion can be relied upon as liquid in the upcoming fiscal year and advises that cash fund balance should remain above a 25% minimum. As of September 30, 2013, the fund balance includes \$2,771,199 in cash. The noncash portion of the fund balance includes \$1,948,401 in EMS Accounts Receivable, net of allowance for bad debts, and \$899,662 in uncollected property taxes. The uncollected property taxes includes temporary tax collections that may or may not be a component of the final tax billings.

General Fund Revenue Highlights:

Hart County's General Fund revenues totaled \$9,919,097, which represents an increase of \$693,995 over the previous fiscal year. The major revenue sources are listed in the chart below. Real and personal property tax collections accounted for \$5,213,097 or 52.6% of General Fund revenues while motor vehicle and title fees accounted for \$591,033 or 5.96% of General Fund revenues. Sales and Use Tax collections accounted for \$2,015,691 or 20.3% of total General Fund revenues. Other revenue sources included charges for services, other taxes, fines and forfeitures, license and permits, earnings on investments, intergovernmental revenues and miscellaneous income.

Revenue by source:

	9/30/2013	9/30/2012
Real and personal property taxes	\$ 5,118,787	\$ 4,669,517
Motor vehicle and title fees	591,033	248,809
Sales and use tax	2,015,691	2,020,685
Other taxes	94,310	100,367
Licenses and permits	62,701	64,536
Intergovernmental	297,395	186,527
Fines and forfeitures	529,509	523,005
Charges for services	1,059,238	1,311,230
Investment earnings	5,049	5,127
Other revenue	145,384	95,299
	\$ 9,919,097	\$ 9,225,102

**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Total taxes collected by Hart County were \$7,819,821. Real and personal property taxes were \$37,947 or .7% higher than the fiscal year 2013 budgeted amount while motor vehicle and title fees were \$350,033 or 145.2% more than the budgeted amount. Vehicle title fees are a new revenue source for fiscal year 2013 as a result of a change in State law and were not quantified during the budget adoption process. Local Option Sales Tax (LOST) revenues decreased by \$4,994 from the previous fiscal year. The County collected \$184,309 less than anticipated in the fiscal year 2013 budget for LOST revenues. Sales taxes are a key revenue source utilized by the Hart County Board of Commissioners to keep property taxes low, however, these taxes are susceptible to overall economic conditions. Hart County's unincorporated millage rate is one of the lowest rates in the State of Georgia. The County cautiously monitors sales tax revenues due to their instability in relation to property tax revenues.

The County experienced a small decrease for license and permits revenue due to the related slow turnaround of the housing industry. For fiscal year 2013, permits revenue was \$62,701, which represents a decrease of \$1,835 or 2.8% from revenues in fiscal year 2012.

Intergovernmental revenues represents local government revenue received from other governments. Intergovernmental revenues increased for fiscal year 2013 over 2012 by \$110,868. The increase is mainly due to a contribution of \$125,000 to the County by the Hart County Hospital Authority for the purchase of an ambulance.

Charges for services decreased by \$251,992 in fiscal year 2013. The major component of the decrease was in emergency medical services fees which represented \$229,148 of the decrease. Emergency services revenue declined from \$1,149,884 in fiscal year 2012 to \$920,736 in fiscal year 2013.

Fines and forfeitures were \$20,491 below the final budgeted amount, but increased by \$6,504 over the fiscal year 2012 actual amount.

Investment income decreased slightly from fiscal year 2012 due to interest rates remaining very low.

General Fund Expenditure Highlights

Hart County's General Fund expenditures totaled \$9,629,845 compared to \$9,029,466 for the prior fiscal year. The breakdown of expenditures by function is illustrated in the chart below. The majority of the expenditures, \$4,942,331 or 51.3%, was related to public safety compared to \$4,758,218 or 52.7% in the prior fiscal year.

Overall expenditures for the general government were \$1,791,801. Total general government expenditures were under the final budget by \$82,804 and over the original budget by \$194,724. The final budget is the true milestone for analysis as conditions change during the fiscal year resulting in the Board of Commissioners adjusting the budget as conditions warrant. The Board of Commissioners recognizes that increases in the original budget will be paid from unrestricted fund balances.

Judicial expenditures were \$1,017,304. This amount was \$45,739 below the final budget and \$17,608 below the original budget.

Public safety expenditures totaled \$4,942,331 for the current fiscal year. The expenditures were under the final budget by \$6,609 and over the original budget by \$150,701

Public works expenditures were \$952,286, which was below the original and final budget by \$142,467.

Health and welfare expenditures were \$317,690, which was \$11,506 under the final budget.

Recreation and culture expenditures were \$303,744 with a positive variance from the final budget of \$11,506.

Housing and development expenditures were \$304,689, which was \$28,877 less than the final budget.

**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Expenditures by Function:

Fiscal Year 2013 Compared to Fiscal Year 2012 Expenditures by Function

	<u>9/30/2013</u>	<u>9/30/2012</u>
General government	\$ 1,791,801	\$ 1,487,209
Judicial	1,017,304	1,059,032
Public safety	4,942,331	4,758,218
Public works	952,286	814,692
Health and welfare	317,690	289,395
Recreation and culture	303,744	321,813
Housing and development	304,689	299,107
	<u>\$ 9,629,845</u>	<u>\$ 9,029,466</u>

As illustrated above, fiscal year 2013 expenditures represent \$600,379 or a 6.6% increase over the prior fiscal year. The majority of the increase was related to general government and public safety.

The following data includes the breakdown of the public safety expenditures which represents over 51% of the total General Fund expenditures.

Public Safety Comparison:

	<u>9/30/2013</u>	<u>9/30/2012</u>
Sheriff	\$ 1,856,050	\$ 1,659,763
Jail operations	1,113,943	1,104,442
Whitworth women's detention center	32,376	32,517
Emergency medical services	1,826,868	1,893,797
Animal control	45,153	30,000
Other	67,941	37,699
	<u>\$ 4,942,331</u>	<u>\$ 4,758,218</u>

General Fund Budgetary Highlights

Differences between the General Fund's original expenditure budget of \$9,425,592 and the final amended budget of \$9,962,996 amounted to \$537,404 or a 5.7% increase. The increases were mainly in the following areas:

a) general government budgeted expenditures increased due to improvements needed on a building that was donated to the County, salaries in the tax assessors office, and an increase in liability insurance premiums; b) public safety budgeted expenditures increased mainly due to higher than anticipated costs involving medical care for inmates and litigation as well as increased salaries and wages for emergency medical services, and c) public health and welfare budgeted expenditures increased related to expenditures for a new roof on the health department building in fiscal year 2013. Due to overcrowding at the Courthouse, a new tax administration building at the future County Office Campus on Reed Creek Highway was begun using prison labor prior to the current recession. Due to the recession, prison labor was removed from this project and the County ceased the construction in order to preserve capital. In January 2013, the Hart County Hospital Authority donated an office building to the County which was then utilized as a short term solution to the long range Tax Administration building.

The original and final budget for revenues was \$9,408,340. Total revenues for fiscal year 2013 were \$9,919,097, an increase of \$510,757 from the budget. These variances are partly attributed to the following: For tax revenue: vehicle title fees was \$306,864 more than the original and final budget, which was not quantified during the budget adoption cycle due to the fact that this was a new revenue source as a result of a change in State law. Future budgeting for this revenue source will be hard to quantify due to the uncertainties associated with this new State law. Intergovernmental revenue was \$125,895 more than the original and final budget. Miscellaneous revenue was \$101,686 more than the original and final budget.

**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Financial Analysis of the County's Other Funds

Other Governmental Funds
Components of Fund Balance
September 30, 2013 and 2012

<u>Fund Balances:</u>	<u>9/30/2013</u>	<u>9/30/2012</u>
Nonspendable	\$ 9,920	\$ -
Restricted	5,507,184	5,029,736
Unassigned	-	-
	<u>\$ 5,517,104</u>	<u>\$ 5,029,736</u>

SPLOST #3, a major fund, had a \$1,587,360 fund balance decrease in fiscal year 2013 from \$2,571,737 to \$984,377. Fiscal year 2012 was the final year for this fund to collect sales tax revenues. Most of the projects are in their final stages of completion. The major SPLOST #3 projects in fiscal year 2013 were: water system capital improvements, industrial development projects, fire protection equipment and improvements to recreation facilities.

SPLOST #4 is also a major fund. In July 2012, the County started collecting revenue for the SPLOST #4 program. Total revenue collected in fiscal year 2013 was \$2,743,029. At the end of fiscal year 2013, this fund had \$2,693,436 in fund balance. The major SPLOST #4 projects in fiscal year 2013 were: roads, streets and bridges repairs and improvements, fire protection equipment and capital projects for the City of Hartwell, Georgia.

Insurance Premium Tax Fund, a major fund, had a \$169,781 fund balance decrease in fiscal year 2013 from \$794,742 to \$624,961. Revenues in this fund increased by \$50,975 from the previous fiscal year. Expenditures decreased by \$9,995 from the prior fiscal year, however, expenditures exceeded revenues in fiscal year 2013. Expenditures in this fund are mainly for public safety (fire) and public works (road department).

EIP (Employment Incentive Program) is a major fund and consists of five (5) individual EIP funds consolidated for presentation in the governmental funds. The EIP funds had a \$161,421 fund balance decrease in fiscal year 2013 from \$313,961 to \$152,540.

Nonmajor Governmental Funds - As of September 30, 2013, Hart County's nonmajor governmental funds reported combined ending fund balances of \$1,061,790, of which \$1,051,870 is restricted and \$9,920 is nonspendable.

Proprietary Funds - Hart County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Solid Waste Fund - The Solid Waste Fund had operating revenues of \$947,439 and operating expenses of \$1,068,227.

Industrial Building Authority - In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 61, the County is required to report the Hart County Industrial Building Authority (HCIBA) as a blended component unit. The HCIBA had operating revenues of \$257,876 and operating expenses of \$67,704.

**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Capital Assets and Debt Administration

Capital Assets:

Hart County's Summary of Capital Assets
(net of depreciation)
Fiscal Years 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>Restated 2012</u>	<u>2013</u>	<u>Restated 2012</u>
Land	\$ 2,090,570	\$ 2,062,232	\$ 4,618,976	\$ 4,618,476	\$ 6,709,546	\$ 6,680,708
Construction in progress	533,150	290,170	-	-	533,150	290,170
Sewer extension	-	-	270,727	270,727	270,727	270,727
Buildings	7,051,920	5,790,116	216,745	225,078	7,268,665	6,015,194
Machinery, equipment and other	2,681,345	2,834,417	197,330	214,288	2,878,675	3,048,705
Vehicles	2,474,356	2,524,536	43,330	47,103	2,517,686	2,571,639
Infrastructure	30,068,435	31,721,905	-	-	30,068,435	31,721,905
Recreational upgrades	1,491,687	1,525,857	-	-	1,491,687	1,525,857
	<u>\$ 46,391,463</u>	<u>\$ 46,749,233</u>	<u>\$ 5,347,108</u>	<u>\$ 5,375,672</u>	<u>\$ 51,738,571</u>	<u>\$ 52,124,905</u>

Capital Assets - Hart County's investment in capital assets at September 30, 2013, for the primary government amounts to \$51,738,571, net of accumulated depreciation. The investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, park facilities, and infrastructure. Total decrease in capital assets for the current fiscal year was approximately .7%. As mentioned earlier, HCIBA proprietary fund is reported as a blended component unit.

Major capital asset related events during the current fiscal year included the following:

- Fire stations at Rock Springs and Reed Creek
- Cade Street Office Building (donated) and renovations
- Economic Development projects at Hart County Industrial Park
- Roof for Health Department building
- Vehicles
- Machinery and equipment
- Various infrastructure projects

Additional information regarding the County's capital assets can be found in Note 7 to the basic financial statements.

Noncurrent liabilities of the primary government decreased by approximately \$358,493 during fiscal year 2013. Beginning noncurrent liabilities was restated to include the long-term debt of the HCIBA. As previously stated, the HCIBA is now reported as a blended component unit. Additional information on the County's noncurrent liabilities is contained in Note 9.

**HART COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Economic Factors and Next Year's Budgets and Rates

The unemployment rate in Hart County has been slightly higher than other surrounding counties and the State of Georgia for the past few years. The unemployment rate decreased by 1.2% over the previous year (from 10.4% at September 30, 2012 to 9.2% at September 30, 2013). However, the overall economy is still relatively weak. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the fiscal year 2014 budget.

- (1) Decrease in tax revenues due to a decrease in the net digest as well as a decrease in sales tax revenue.
- (2) Interest rates are expected to remain at low levels throughout fiscal year 2014.
- (3) Capital projects for road improvements and anticipated grant revenues.
- (4) Declines in taxable assessed value as a percentage of estimated actual value and resulting decrease in property assessments will continue to affect the County's real property tax base.

Requests for Information

The financial report is designed to provide a general overview of Hart County's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Clerk, Hart County Board of Commissioners, 800 Chandler Street, Hartwell, Georgia 30643.

**HART COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2013**

Basic Financial Statements

**HART COUNTY, GEORGIA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,113,564	\$ 1,030,752	\$ 9,144,316	\$ 1,470,676
Receivables (net of allowance for uncollectibles)	3,168,269	46,374	3,214,643	419,102
Intergovernmental receivables	166,949	-	166,949	-
Inventory	133,273	36,061	169,334	-
Internal balances	128	(128)	-	-
Prepaid items	202,976	-	202,976	5,756
Restricted cash	2,263	-	2,263	170,647
Note receivables	785,037	-	785,037	-
Total current assets	<u>12,572,459</u>	<u>1,113,059</u>	<u>13,685,518</u>	<u>2,066,181</u>
Noncurrent assets				
Capital assets				
Non-depreciable	2,623,720	4,889,703	7,513,423	5,287,832
Depreciable, net	43,767,743	457,405	44,225,148	11,483,423
Total noncurrent assets	<u>46,391,463</u>	<u>5,347,108</u>	<u>51,738,571</u>	<u>16,771,255</u>
Total assets	<u>58,963,922</u>	<u>6,460,167</u>	<u>65,424,089</u>	<u>18,837,436</u>
LIABILITIES				
Current liabilities				
Accounts payable	195,263	37,235	232,498	356,343
Other accrued items	233,690	11,401	245,091	25,003
Customer deposits	-	-	-	76,955
Compensated absences	497,926	16,598	514,524	25,000
Current portion of capital lease payable	157,656	-	157,656	-
Current portion of notes payable	-	90,000	90,000	19,767
Current portion of landfill closure/postclosure costs	-	21,028	21,028	-
Total current liabilities	<u>1,084,535</u>	<u>176,262</u>	<u>1,260,797</u>	<u>503,068</u>
Noncurrent liabilities				
Capital lease payable, less current portion	24,588	-	24,588	-
Compensated absences, less current portion	-	-	-	22,857
Notes payable, less current portion	-	3,335,250	3,335,250	438,301
Landfill closure/postclosure care costs, less current portion	-	273,370	273,370	-
Total noncurrent liabilities	<u>24,588</u>	<u>3,608,620</u>	<u>3,633,208</u>	<u>461,158</u>
Total liabilities	<u>1,109,123</u>	<u>3,784,882</u>	<u>4,894,005</u>	<u>964,226</u>
NET POSITION				
Net investment in capital assets	46,209,219	1,921,858	48,131,077	16,328,242
Restricted for				
Public safety	891,261	-	891,261	-
Economic development	152,540	-	152,540	-
Health and welfare	10,701	-	10,701	-
Judicial	12,569	-	12,569	-
Recreation and culture	-	-	-	30,000
Housing and development	48,193	-	48,193	-
Capital projects	4,341,727	-	4,341,727	257,422
Debt service	-	-	-	28,150
Nonspendable inventory and prepaid items	336,249	-	336,249	-
Unrestricted	5,852,340	753,427	6,605,767	1,244,451
Total net position	<u>\$ 57,854,799</u>	<u>\$ 2,675,285</u>	<u>\$ 60,530,084</u>	<u>\$ 17,888,265</u>

The accompanying notes are an integral part of these financial statements.

**HART COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	EXPENSES	CHARGES FOR SERVICES	OPERATING		PRIMARY GOVERNMENT		COMPONENT UNITS	
			GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		TOTAL
Primary government:								
Governmental activities:								
General government	\$ 1,822,488	\$ 84,758	\$ 48,288	\$ 250,000	\$ (1,439,442)	\$ -	\$ (1,439,442)	\$ -
Judicial	1,029,959	572,446	-	-	(457,513)	-	(457,513)	-
Public health and welfare	330,666	195,500	70,996	-	(64,170)	-	(64,170)	-
Public safety	6,055,219	1,466,157	8,064	125,000	(4,455,998)	-	(4,455,998)	-
Public works	5,543,550	-	497,771	505,430	(4,540,349)	-	(4,540,349)	-
Recreation and culture	372,842	47,265	297	-	(325,280)	-	(325,280)	-
Housing and development	590,142	12,621	-	-	(577,521)	-	(577,521)	-
Interest and paying agent fees	14,297	-	-	-	(14,297)	-	(14,297)	-
Total governmental activities	15,759,163	2,378,747	625,416	880,430	(11,874,570)	-	(11,874,570)	-
Business-type activities:								
Solid waste	1,068,227	877,496	69,943	-	-	(120,788)	(120,788)	-
Industrial Building Authority	190,172	-	257,876	-	-	67,704	67,704	-
Total business-type activities	1,258,399	877,496	327,819	-	-	(53,084)	(53,084)	-
Total primary government	\$ 17,017,562	\$ 3,256,243	\$ 953,235	\$ 880,430	\$ (11,874,570)	\$ (53,084)	\$ (11,927,654)	\$ -
Component units	\$ 1,849,181	\$ 1,103,079	\$ 1,079,230	\$ 1,627,488	\$ -	\$ -	\$ -	\$ 1,960,616
General revenues								
Property taxes:								
Real and personal					4,911,357	-	4,911,357	-
Motor vehicle and title fees					591,033	-	591,033	-
Total property taxes					5,502,390	-	5,502,390	-
Sales taxes					4,758,720	-	4,758,720	-
Other taxes					922,223	-	922,223	-
Alcoholic beverage taxes					55,826	-	55,826	-
Investment earnings					31,312	1,962	33,274	1,426
Miscellaneous					97,349	-	97,349	-
Total general revenues					11,367,820	1,962	11,369,782	1,426
Change in net position					(506,750)	(51,122)	(557,872)	1,962,042
Net position, beginning of year, restated					58,361,549	2,726,407	61,087,956	15,958,576
Prior period adjustment					-	-	-	(32,353)
Net position, end of year					\$ 57,854,799	\$ 2,675,285	\$ 60,530,084	\$ 17,888,265

The accompanying notes are an integral part of these financial statements.

HART COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	GENERAL	CDBG GRANT	SPLOST#3	SPLOST#4	INSURANCE PREMIUM TAX	EIP	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS								
Cash and cash equivalents	\$ 2,771,199	\$ 5	\$ 901,465	\$ 3,154,230	\$ 630,423	\$ 148,847	\$ 507,395	\$ 8,113,564
Inventory	80,817	-	-	52,456	-	-	-	133,273
Receivables (net of allowance for uncollectibles)	3,052,100	-	-	-	-	3,693	112,476	3,168,269
Intergovernmental receivables	47,238	-	-	119,711	-	-	-	166,949
Due from other funds	9,635	-	99,678	-	-	475,000	456,070	1,040,383
Prepaid items	193,056	-	-	-	-	-	9,920	202,976
Restricted cash	2,263	-	-	-	-	-	-	2,263
Total assets	\$ 6,156,308	\$ 5	\$ 1,001,143	\$ 3,326,397	\$ 630,423	\$ 627,540	\$ 1,085,861	\$ 12,827,677
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 88,105	\$ -	\$ 16,766	\$ 83,320	\$ 1,330	\$ -	\$ 5,742	\$ 195,263
Other accrued liabilities	220,731	-	-	-	3,730	-	9,229	233,690
Due to other funds	6,107	5	-	549,641	402	475,000	9,100	1,040,255
Total liabilities	314,943	5	16,766	632,961	5,462	475,000	24,071	1,469,208
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - property taxes	650,999	-	-	-	-	-	-	650,999
Total deferred inflows of resources	650,999	-	-	-	-	-	-	650,999
Fund balances								
Nonspendable inventory and prepaid items	273,873	-	-	52,456	-	-	9,920	336,249
Restricted for:								
Public safety	2,263	-	-	-	624,961	-	264,037	891,261
Economic development	-	-	-	-	-	152,540	-	152,540
Health and welfare	-	-	-	-	-	-	10,701	10,701
Judicial	-	-	-	-	-	-	12,569	12,569
Housing and development	-	-	-	-	-	-	48,193	48,193
Capital projects	-	-	984,377	2,640,980	-	-	716,370	4,341,727
Unassigned	4,914,230	-	-	-	-	-	-	4,914,230
Total fund balances	5,190,366	-	984,377	2,693,436	624,961	152,540	1,061,790	10,707,470
Total liabilities and fund balances	\$ 6,156,308	\$ 5	\$ 1,001,143	\$ 3,326,397	\$ 630,423	\$ 627,540	\$ 1,085,861	\$ 12,827,677

The accompanying notes are an integral part of these financial statements.

**HART COUNTY, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Total fund balance - total Governmental Funds **\$ 10,707,470**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Certain long-term assets are not reported in the fund financial statement because they are not available to pay current-period expenditures, but they are reported as assets in the Statement of Net Position.

Notes receivable	\$ 788,730	
Less 60-day collections reported as a receivable at the fund level	<u>(3,693)</u>	785,037

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense. These assets consist of:

Land and improvements	2,090,570	
Buildings	9,341,102	
Construction in progress	533,150	
Machinery, equipment and other	5,177,726	
Vehicles	4,566,872	
Infrastructure	55,302,109	
Recreational upgrades	1,720,881	
Less: accumulated depreciation	<u>(32,340,947)</u>	
Total capital assets		46,391,463

Some of the County's revenues will be collected after year-end, but are not available soon enough to pay for the current period expenditures and therefore are deferred inflows of resources in the funds.

Unavailable revenue - property taxes		650,999
--------------------------------------	--	---------

Some liabilities are not due and payable in the current period and, therefore are not reported in the funds. Those liabilities consist of:

Capital leases	(182,244)	
Compensated absences	<u>(497,926)</u>	
Total capital leases and compensated absences		<u>(680,170)</u>

Net Position of Governmental Activities **\$ 57,854,799**

HART COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	GENERAL	CDBG Grant	SPLOST#3	SPLOST#4	INSURANCE PREMIUM TAX	EIP	OTHER NONMAJOR FUNDS	TOTAL
REVENUES								
Taxes	\$ 7,819,821	\$ -	\$ -	\$ 2,743,029	\$ 875,272	\$ -	\$ -	\$ 11,438,122
Licenses and permits	62,701	-	-	-	-	-	-	62,701
Intergovernmental	297,395	500,000	-	-	-	-	452,725	1,250,120
Fines and forfeitures	529,509	-	-	-	-	-	40,661	570,170
Charges for services	1,059,238	-	-	-	-	-	636,886	1,696,124
Investment earnings	5,049	-	2,642	2,440	1,603	24,331	677	36,742
Contributions and donations	297	-	-	-	-	-	-	297
Miscellaneous	145,087	-	-	-	-	150,210	-	295,297
Total revenues	9,919,097	500,000	2,642	2,745,469	876,875	174,541	1,130,949	15,349,573
EXPENDITURES								
Current								
General government	1,791,801	-	-	-	52,524	-	-	1,844,325
Judicial	1,017,304	-	-	-	-	-	3,899	1,021,203
Public safety	4,942,331	-	34,110	-	377,021	-	490,251	5,843,713
Public works	952,286	-	96	20,007	617,111	-	-	1,589,500
Health and welfare	317,690	-	-	-	-	-	41,194	358,884
Recreation and culture	303,744	-	5,612	-	-	-	-	309,356
Housing and development	304,689	-	43,610	58	-	335,962	2,409	686,728
Intergovernmental	-	-	278,274	438,218	-	-	19,031	735,523
Capital outlay	-	500,000	1,228,300	291,843	-	-	-	2,020,143
Debt service	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	149,281	149,281
Interest and paying agent fees	-	-	-	-	-	-	14,297	14,297
Total expenditures	9,629,845	500,000	1,590,002	750,126	1,046,656	335,962	720,362	14,572,953
Excess (deficiency) of revenues over (under) expenditures	289,252	-	(1,587,360)	1,995,343	(169,781)	(161,421)	410,587	776,620
Net change in fund balances	289,252	-	(1,587,360)	1,995,343	(169,781)	(161,421)	410,587	776,620
Fund balances, beginning of year	4,901,114	-	2,571,737	698,093	794,742	313,961	651,203	9,930,850
Fund balances, end of year	\$ 5,190,366	\$ -	\$ 984,377	\$ 2,693,436	\$ 624,961	\$ 152,540	\$ 1,061,790	\$ 10,707,470

The accompanying notes are an integral part of these financial statements.

HART COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total Governmental Funds: **\$ 776,620**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays increases exceeded the capital asset decreases in the current fiscal year depreciation exceeded capital outlays in the current period.

Expenditures for capital assets	\$ 1,023,069	
Depreciation expense	<u>(2,380,839)</u>	
Excess of depreciation expense over capital outlay		(1,357,770)

The repayment of the principal of long-term debt consumes current financial resources of the Governmental Funds; however, it does not have any effect on net position. This is the amount of debt reduction during the year.

Loan repayments		149,281
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Proceeds from contractual note receivable obligations are recorded as revenue in the funds but have no effect on net position.

Note receivable issued	330,000	
Payments received	<u>(148,198)</u>	181,802

Compensated absences are reported in the Statement of Activities but do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds.

Liability @ 9/30/13	(497,926)	
Liability @ 9/30/12	<u>440,205</u>	(57,721)

Because some revenues will not be collected for several months after the County's fiscal year end, they are not considered current financial resources and are not reported as revenues in the Governmental Funds.

Deferred revenue at 9/30/13	650,999	
Deferred revenue at 9/30/12	<u>(849,961)</u>	
Total decrease in deferred revenue		<u>(198,962)</u>

Change in net position of governmental activities		<u>\$ (506,750)</u>
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The accompanying notes are an integral part of these financial statements.

**HART COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	<u>Solid Waste</u>	<u>Industrial Building Authority</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 789,127	\$ 241,625	\$ 1,030,752
Receivables (net of allowance for uncollectibles)	33,331	13,043	46,374
Inventory	36,061	-	36,061
Total current assets	<u>858,519</u>	<u>254,668</u>	<u>1,113,187</u>
Noncurrent assets			
Capital assets, nondepreciable			
Sewer extension project	-	270,727	270,727
Land	-	4,618,976	4,618,976
Total nondepreciable capital assets at cost	<u>-</u>	<u>4,889,703</u>	<u>4,889,703</u>
Capital assets, depreciable			
Vehicles	113,180	-	113,180
Machinery, equipment and other	514,289	7,734	522,023
Buildings	252,685	-	252,685
Less: accumulated depreciation	(426,230)	(4,253)	(430,483)
Total depreciable capital assets, net	<u>453,924</u>	<u>3,481</u>	<u>457,405</u>
Total noncurrent assets	<u>453,924</u>	<u>4,893,184</u>	<u>5,347,108</u>
Total assets	<u>1,312,443</u>	<u>5,147,852</u>	<u>6,460,295</u>
LIABILITIES			
Current liabilities			
Accounts payable	33,140	4,095	37,235
Other accrued liabilities	11,401	-	11,401
Due to other funds	128	-	128
Compensated absences	16,598	-	16,598
Current portion of notes payable	-	90,000	90,000
Current portion of landfill closure/postclosure care costs	21,028	-	21,028
Total current liabilities	<u>82,295</u>	<u>94,095</u>	<u>176,390</u>
Noncurrent liabilities			
Notes payable, less current portion	-	3,335,250	3,335,250
Landfill closure/postclosure care costs, net of current portion	273,370	-	273,370
Total noncurrent liabilities	<u>273,370</u>	<u>3,335,250</u>	<u>3,608,620</u>
Total noncurrent liabilities	<u>355,665</u>	<u>3,429,345</u>	<u>3,785,010</u>
NET POSITION			
Net investment in capital assets	453,924	1,467,934	1,921,858
Unrestricted	502,854	250,573	753,427
Total net position	<u>\$ 956,778</u>	<u>\$ 1,718,507</u>	<u>\$ 2,675,285</u>

The accompanying notes are an integral part of these financial statements.

HART COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2013

	<u>Solid Waste</u>	<u>Industrial Building Authority</u>	<u>Total</u>
OPERATING REVENUES			
Intergovernmental	\$ 69,943	\$ 257,823	\$ 327,766
Charges for services - refuse collection	877,496	-	877,496
Other reimbursements	-	53	53
	<u>947,439</u>	<u>257,876</u>	<u>1,205,315</u>
Total operating revenues			
OPERATING EXPENSES			
Personnel services	404,622	149,762	554,384
Professional services	18,842	12,229	31,071
Purchased property services	6,944	-	6,944
Other purchased services	522,297	20,885	543,182
Supplies and other	80,655	6,909	87,564
Depreciation	34,867	387	35,254
	<u>1,068,227</u>	<u>190,172</u>	<u>1,258,399</u>
Total operating expenses			
Operating loss	<u>(120,788)</u>	<u>67,704</u>	<u>(53,084)</u>
Non-operating revenues			
Investment earnings	<u>1,139</u>	<u>823</u>	<u>1,962</u>
Change in net position	(119,649)	68,527	(51,122)
Net position, beginning of year, restated	<u>1,076,427</u>	<u>1,649,980</u>	<u>2,726,407</u>
Net position, end of year	<u>\$ 956,778</u>	<u>\$ 1,718,507</u>	<u>\$ 2,675,285</u>

The accompanying notes are an integral part of these financial statements.

**HART COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2013**

	<u>Solid Waste</u>	<u>Industrial Building Authority</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 897,584	\$ -	\$ 897,584
Other operating revenues	69,943	95,281	165,224
Cash payments to suppliers for goods and services	(601,534)	(35,928)	(637,462)
Cash payments to employees for services	(399,256)	-	(399,256)
	<u>(33,263)</u>	<u>59,353</u>	<u>26,090</u>
Net cash provided (used) by operating activities			
Cash flows from capital and related financing activities:			
Decrease in landfill closure/postclosure care costs	(21,028)	-	(21,028)
Principal paid on notes payable	-	(90,000)	(90,000)
Acquisition of capital assets	(6,190)	(500)	(6,690)
	<u>(27,218)</u>	<u>(90,500)</u>	<u>(117,718)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities:			
Interest received on investments	1,139	1,232	2,371
	<u>(59,342)</u>	<u>(29,915)</u>	<u>(89,257)</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents, beginning of year	848,469	271,540	1,120,009
	<u>\$ 789,127</u>	<u>\$ 241,625</u>	<u>\$ 1,030,752</u>
Cash and cash equivalents, end of year			
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (120,788)	\$ 67,704	\$ (53,084)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	34,867	387	35,254
Decrease in accounts receivable	20,088	(12,833)	7,255
Decrease in inventory	2,780	-	2,780
Increase in accounts payable	32,508	4,095	36,603
Decrease in due to other funds	(8,084)	-	(8,084)
Increase in compensated absences	3,273	-	3,273
Increase in other accrued expenses	2,093	-	2,093
	<u>87,525</u>	<u>(8,351)</u>	<u>79,174</u>
Total adjustments			
Net cash used by operating activities	<u>\$ (33,263)</u>	<u>\$ 59,353</u>	<u>\$ 26,090</u>

The accompanying notes are an integral part of these financial statements.

HART COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
September 30, 2013

	Agency Funds Total
ASSETS	
Cash	\$ 766,144
Taxes receivable	3,655,774
	<hr/>
Total assets	\$ 4,421,918
	<hr/> <hr/>
LIABILITIES	
Due to others	\$ 4,421,918
	<hr/>
Total liabilities	\$ 4,421,918
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

HART COUNTY, GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
September 30, 2013

	Library	Health Department	Joint Development Authority of Franklin, Hart & Stephens Counties	Water & Sewer Authority	Total
ASSETS					
Cash and cash equivalents	\$ 98,438	\$ 166,156	\$ 30,628	\$ 1,175,454	\$ 1,470,676
Receivables (net of allowance for uncollectibles)	-	47,774	269,073	102,255	419,102
Prepaid items	-	-	644	5,112	5,756
Restricted cash and investments	30,000	-	140,647	-	170,647
Capital assets					
Land and improvements	-	-	4,827,084	54,900	4,881,984
Water and sewer lines	-	-	-	14,093,661	14,093,661
Machinery, equipment, and other	173,166	7,904	-	62,710	243,780
Books and collections	418,140	-	-	-	418,140
Construction in progress	-	-	-	420,903	420,903
Less: accumulated depreciation	(527,466)	-	(525,040)	(2,219,652)	(3,272,158)
Capital assets, net of depreciation	63,840	7,904	4,302,044	12,412,522	16,786,310
Total assets	192,278	221,834	4,743,036	13,695,343	18,852,491
LIABILITIES					
Current liabilities					
Accounts payable	2,694	3,226	269,018	81,405	356,343
Current portion of notes payable	-	-	6,998	12,769	19,767
Customer deposits	-	-	-	76,955	76,955
Other accrued liabilities	1,399	-	20,051	3,553	25,003
Compensated absences due within one year	-	25,000	-	-	25,000
Non-current liabilities					
Notes payable, less current portion	-	-	438,301	-	438,301
Compensated absences due after one year	-	20,600	-	2,257	22,857
Total liabilities	4,093	48,826	734,368	176,939	964,226
NET POSITION					
Net investment in capital assets	63,840	7,904	3,856,745	12,399,753	16,328,242
Restricted for					
Children's reading books	30,000	-	-	-	30,000
Capital projects	-	-	112,497	144,925	257,422
Debt service	-	-	28,150	-	28,150
Unrestricted	94,345	165,104	11,276	973,726	1,244,451
Total net position	\$ 188,185	\$ 173,008	\$ 4,008,668	\$ 13,518,404	\$ 17,888,265

Note: The Library, Health Department and the Joint Development Authority of Franklin, Hart & Stephens have a June 30 year end.

The accompanying notes are an integral part of these financial statements.

HART COUNTY, GEORGIA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended September 30, 2013

	Library	Health Department	Joint Development Authority of Franklin, Hart & Stephens Counties	Water & Sewer Authority	Total
Expenses					
Public health and welfare	\$ -	\$ 573,882	\$ -	\$ -	\$ 573,882
Public works	-	-	-	835,599	835,599
Recreation and culture	228,301	-	-	-	228,301
Housing and development	-	-	195,710	-	195,710
Total expenses	<u>228,301</u>	<u>573,882</u>	<u>195,710</u>	<u>835,599</u>	<u>1,833,492</u>
Program revenues					
Charges for services	13,482	187,151	-	902,446	1,103,079
Operating grants and contributions	251,214	384,679	443,337	-	1,079,230
Capital grants and contributions	-	-	-	1,597,488	1,597,488
Total program revenues	<u>264,696</u>	<u>571,830</u>	<u>443,337</u>	<u>2,499,934</u>	<u>3,779,797</u>
Net (expense) revenue	<u>36,395</u>	<u>(2,052)</u>	<u>247,627</u>	<u>1,664,335</u>	<u>1,946,305</u>
General revenues					
Restricted contributions	30,000	-	-	-	30,000
Investment earnings	43	-	136	1,247	1,426
Miscellaneous and other	836	-	(21,168)	4,643	(15,689)
Total general revenues	<u>30,879</u>	<u>-</u>	<u>(21,032)</u>	<u>5,890</u>	<u>15,737</u>
Change in net position	67,274	(2,052)	226,595	1,670,225	1,962,042
Net position, beginning	120,911	167,037	3,806,125	11,864,503	15,958,576
Prior period adjustment	-	8,023	(24,052)	(16,324)	(32,353)
Net position, ending	<u>\$ 188,185</u>	<u>\$ 173,008</u>	<u>\$ 4,008,668</u>	<u>\$ 13,518,404</u>	<u>\$ 17,888,265</u>

Note: The Library, Health Department and the Joint Development Authority of Franklin, Hart & Stephens have a June 30 year end.

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hart County, Georgia (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below:

(A) Reporting Entity

Hart County, Georgia (the County) was established in 1853 by the Georgia General Assembly under Georgia State Law. The County is governed by a five member board of commissioners who serve on a part-time basis and are elected to staggered four-year terms. The commission appoints an Administrator who is responsible for the daily operations of the Government. In addition, there are four Constitutional Officers; the Tax Commissioner, Probate Court Judge, Sheriff, and Clerk of Superior Court. The Constitutional Officers are elected county wide. The Board of County Commissioners budgets and approves all funding used by the separate Constitutional Officers. The County provides the following services: public safety, culture-recreation, human services programs, community and economic development, environmental services, planning and zoning, employment and training, and general administration.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Hart County, Georgia (the "primary government") and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationships with the County. In conformity with GAAP, as set forth by Governmental Accounting Standards Board (GASB) 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and 34," the component units' financial statements have been included as blended or discretely presented component units. Blended component units, although legally separate entities, are in substance part of the County's operations so financial data from these units are combined with the financial data of the primary government. Management of the County has operational responsibility for the blended component units. Each discretely presented component unit, on the other hand, is reported separately in the financial statements to emphasize that it is legally separate from the County and is reported in a separate column in the government-wide financial statements.

Blended Component Unit

Hart County Industrial Building Authority

The Hart County Industrial Building Authority (HCIBA) was created in 1963 to encourage and promote the expansion and development of industrial and commercial facilities in Hart County, Georgia, so as to relieve possible unemployment within its boundaries. The HCIBA has five board members; the Chairman of the Hart County Board of Commissioners, the Mayor of the City of Hartwell, the President of the Hart County Chamber of Commerce, as well as two members appointed for five year terms by the other three members. The HCIBA is dependent upon the County for funding its long-term obligations. Complete financial statements for the HCIBA can be obtained from the Hart County Industrial Building Authority, P.O. Box 156, Hartwell, Georgia 30643.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) Reporting Entity (Continued)

Discretely Presented Component Units

Hart County Library

The Hart County Library (Library) serves all citizens of Hart County and operates pursuant to Official Code of Georgia Annotated Sections 20-5-40 through 20-5-59 to provide public library services with costs shared by participating local governmental agencies and grants from the State of Georgia. The Library Board consists of seven members appointed jointly by the Hart County Board of Commissioners, the Hartwell City Council and the Hart County Board of Education. The Library Board is without authority to determine the amount of its funding, except by submission of budget requests to local governmental units from which the Library receives support and to the State of Georgia for State and Federal funding. Membership in the Library and participation in library services is at the discretion of each participating governmental agency. The Board has the power to designate management, the power to retain unreserved fund balances of local and other funds for continued operations and is the lowest level of oversight responsibility for the Library's operations. The Hart County Board of Commissioners provides a substantial amount of financial support for the operations of the Library. Complete financial statements of the Library can be obtained from its administrative offices at 150 Benson Street, Hartwell, Georgia 30643.

Hart County Water and Sewer Authority

The Hart County Water and Sewer Authority (HCWSA) was created by House Bill No. 2141 of the Georgia Assembly on March 30, 1993. However, HCWSA did not become active until fiscal year ended September 30, 2001. HCWSA is governed by a five member Board appointed by the County Board of Commissioners for four year terms. HCWSA is the basic level of government which has oversight responsibility and control over all activities related to water and sewerage systems in Hart County. HCWSA receives most of its operating revenues from sales of water service and connection fees. HCWSA pays for capital outlay (water lines) with money it receives from Hart County Special Purpose Local Option Sales Tax and other governmental grants. HCWSA is also included as a component unit because the Hart County Board of Commissioners appoints all members of HCWSA's board and can, therefore, impose its will upon HCWSA. Complete financial statements of HCWSA can be obtained from its administrative offices at 200 Arthur Street, Hartwell Georgia 30643.

Joint Development Authority of Franklin, Hart and Stephens Counties

The Joint Development Authority of Franklin, Hart and Stephens Counties (JDA) is a public body corporate and politic, and an instrumentality of the counties of Franklin, Hart and Stephens. It has been authorized by the General Assembly of Georgia and has been created and activated by concurrent resolutions of the Boards of Commissioners of said counties duly filed with the Secretary of State of Georgia as a joint development authority under O.C.G.A. 36-62.5.1.

The purpose of JDA is to promote the economic development of the geographical areas of its operation, encourage cooperation among economic development organizations within the area of the participating counties and to exercise all the powers granted to a development authority pursuant to the provisions of O.C.G.A. 36-62-1 et seq. JDA has received a substantial amount of its funding from Hart County. JDA has a June 30 year end, and the financial statements included herein are as of and for the year ended June 30, 2013. Complete financial statements of JDA can be obtained from P.O. Box 793, Hartwell, Georgia 30643.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants or contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the fiduciary funds are excluded from the government-wide statements.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds, while business-type incorporates data from the County's enterprise funds.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Agency funds are custodial in nature and do not present results of operations or have a measurement focus but do use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider are met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, and investment income associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year, if available. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount received during the period or within the availability period for this revenue source. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this source. All other revenue items are considered to be measurable and available only when cash is received by the County.

GASB Statement 34 sets forth minimum standards (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The County has used GASB 34 minimum criteria for major fund determination. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section of this report.

The County reports the following major governmental funds:

General Fund - The general fund is the County's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are real and personal property taxes and federal and state grants. The primary expenditures are for human services, public safety, environmental, cultural and recreation services, community and economic development, and general governmental services.

SPLOST Capital Projects Fund #3 - The SPLOST Capital Projects Fund #3 accounts for the financial resources provided from the 1% Special Purpose Local Option Sales Tax approved by voters in 2005. Resources are to be used for infrastructure, industrial development, recreation, fire protection and other capital outlay projects.

SPLOST Capital Projects Fund #4 - The SPLOST Capital Projects Fund #4 accounts for the financial resources provided from the 1% Special Purpose Local Option Sales Tax approved by voters in 2010. Resources are to be used for infrastructure, industrial development, recreation, fire protection and other capital outlay projects.

Insurance Premium Tax Fund - The Insurance Premium Tax Fund accounts for the collection of the premium tax placed on insurance companies. This tax is collected at the state level and then distributed for use to the various counties in the state. The primary expenditures in this fund are for fire protection in the County and personnel expenditures for highways and streets.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Employment Incentive Program (EIP) - The EIP Funds account for the activities of the revolving loans to assist employers in Hart County in creating and/or retaining permanent jobs.

The County reports the following major proprietary funds:

Solid Waste Disposal Facility Enterprise Fund - The Solid Waste Disposal Facility Enterprise Fund accounts for the activities of the County's solid waste disposal and recycling programs.

Additionally, the County reports the following fund types:

Special Revenue Funds - This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expend for specified purposes.

Capital Projects Funds - Funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds).

Fiduciary Funds - Fiduciary funds are used to account for assets held by the County as an agent for others and therefore are not available to support County programs. The fiduciary funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. The County maintains five agency funds, which are custodial in nature, and account for the receipts and disbursements of funds by the Tax Commissioner, Clerk of Superior Court, Probate Court, Magistrate Court, and Sheriff.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. These funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of those goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accounting and reporting for its proprietary operations, the County applies all Governmental Accounting Standards Board (GASB) pronouncements. For fiscal year ended September 30, 2013, the County implemented GASB 62, codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASB No. 62 incorporated into GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989.

Under the terms of grant agreements, the County funds certain programs by specific grants, resources and/or general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply grant resources to such programs and then general revenues.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Budgetary Data Control

The Board of County Commissioners adopts an annual budget ordinance using the modified basis of accounting for all governmental and proprietary funds. The budget for the proprietary fund is for management control purposes and is not required to be reported. All capital projects funds are budgeted under project ordinances spanning more than one fiscal year and are controlled by project. Project appropriations continue until the projects are complete.

The County does not use the encumbrance system of accounting.

(E) Deposits and Investments

Georgia statutes authorize the County to invest in the following:

1. Obligations of the State of Georgia or any other State
2. Obligations of the United States
3. Obligations fully insured or guaranteed by the United States government or one of its agencies
4. Obligations of any corporation of the United States government
5. Prime bankers' acceptances
6. The State of Georgia local government investment pool (i.e., Georgia Fund I)
7. Repurchase agreements
8. Obligations of other political subdivisions of the State of Georgia

Any investment or deposit in excess of the federal depository insured amount must be 100% collateralized by State or U.S. obligations.

All investments are recorded at cost, which approximates market value.

For the purposes of the statement of cash flows, all short-term highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Instruments considered to be cash equivalents include: Treasury bills, certificates of deposit, money market funds, and cash management pools.

(F) Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds". Amounts are expected to be repaid within one fiscal year. In the government-wide financial statements, certain eliminations are made. Balances between the funds are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

(G) Receivables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants and other similar intergovernmental revenues since they are usually measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Accounts receivable comprise the majority of the proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends, the periodic aging of accounts receivable and management's evaluation of the current status of existing receivables.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) Receivables (Continued)

The major receivables for the County consist of property taxes receivable and receivables for the County's Emergency Medical Services. Real and personal property taxes are levied after acceptance of the County's tax digest by the State of Georgia Department of Revenue. Property taxes for 2012, other than vehicles, were levied and mailed on November 16, 2012. The taxes were based on January 1, 2012 assessed values and were due on January 20, 2013, after which date liens can be attached. Motor vehicle taxes are assessed January 1, based on values on January 1; due dates are based on the birth date of the registered owner.

The County bills and collects its own property taxes and also collects various taxes for the Hart County Board of Education and the State of Georgia. Collection of the County's taxes and for the other government agencies is the responsibility of the Tax Commissioner's office, which is accounted for as an agency fund. County property tax revenues are recognized when levied to the extent they result in current receivables. Only the County's tax levy is recognized as revenue when levied and uncollected taxes are recorded as deferred revenue in the general fund.

The County has been collecting property taxes on a temporary digest for the digest years of 2009, 2010, & 2011 because numerous property owners appealed the 2009 tax digest assessments. As a result, temporary bills have been issued for these years. The 2009 tax digest was finalized in November 2011 and millage rates for the final digest were set. The County is required to create a final 2009 bill for property owners. The 2010 and 2011 final bills were completed and approved by the State of Georgia in July 2013. The County produced and mailed the final billings for 2009, 2010 and 2011 in November 2013 and payment was due in January 2014. The final billings are the difference between the amount paid on the temporary billings and the final billings based on the final tax digest. Some taxpayers will be due a refund and those are expected to be paid in the next fiscal year. A 10% late penalty and interest rate of 1% per month is assessed on taxes paid late. However, there will be no late penalty due to these temporary billings.

(H) Inventories and Prepaid Expenditures

Inventories are valued at cost, using the weighted average method. The inventories of the General Fund consist of expendable supplies and are recorded as expenditures when consumed. Reported General Fund inventory is equally offset by a reservation of fund balance which indicates that it does not constitute an "available spendable resource" even though it is a component of current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(I) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the County to report and depreciate new infrastructure assets effective with the fiscal year ended September 30, 2003. Infrastructure assets are among the largest asset classes of the County. Prior to that time, neither the historical costs, nor related depreciation, of these assets had been reported in the financial statements. The County implemented the requirements for retroactive reporting of major general infrastructure assets during the fiscal year ended September 20, 2007.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Capital Assets (Continued)

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. The County defines capital assets as assets with an individual cost of more than \$5,000, and an estimated useful life of more than one year. The County's capitalization threshold for infrastructure assets is fifty thousand dollars. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings	30-80 years
Machinery, Equipment and Other	5-30 years
Vehicles	10-30 years
Books and Collections	4-17 years
Infrastructure	30-50 years
Recreational Upgrades	50 years
Water Lines	15-50 years
Improvements	20-80 years

(J) Unearned Revenue

Unearned revenue arises at the governmental and proprietary fund level and at the government wide level when resources are received by the County before it has a legal claim to them. In subsequent periods, when the County has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet or statement of net position and revenue is recognized.

(K) Compensated Absences

The vacation policy of the County provides for the accumulation of up to one week of earned but unused vacation leave for employees who earn at least three weeks of vacation per year with such leave being fully vested when earned. The County's sick leave policy provides for an unlimited accumulated of earned sick leave. Sick leave is fully vested when earned and employees will be compensated at their final rate of pay for the unused sick leave upon leaving the County's employment. The liability for accumulated unpaid benefits has been accrued in the proprietary funds and the government-wide statements of net assets as compensated absences. These amounts are not considered a current liability within the governmental fund types balance sheets since they will be paid from appropriations of subsequent years.

(L) Capital Lease Payable

In the government-wide financial statements, leases payable, long-term debt and other noncurrent obligations are reported as a liability in the applicable governmental activities or proprietary fund type statement of net position.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) Deferred Outflows/Inflows of Resources

The County implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities* as of October 1, 2012. These new standards establish accounting and financial reporting for deferred inflows and outflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. 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 does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises 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 governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

(N) Fund Equity & Net Position

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the totals of assets plus deferred outflows of resources and liabilities plus deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either a) not in spendable form (i.e., items that are not expected to be converted to cash) or, b) legally or contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of County Commissioners through the adoption of a resolution. The Board of County Commissioners also may modify or rescind the commitment.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) Fund Equity & Net Position (Continued)

Assigned - Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed by formal action of the Board of County Commissioners. The Board of Commissioners are responsible for assigning fund balance.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the General Fund.

Fund Balance Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

Net Position Flow Assumption - Sometimes the government will fund outlays for a particular purposes from both restricted (i.e., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report 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. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

(O) Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(P) Subsequent Events

Subsequent events have been evaluated by management through June 30, 2014, which is the date the financial statements were available to be issued.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements.

In the beginning of the budget process, all departments and applicable component units of the government submit requests for appropriation to the County Administrator so that a budget may be prepared. The budget is prepared by fund, function, activity and line item, and includes information on the prior year, current year estimates and requested appropriations for the next fiscal year.

Then the proposed budget is presented to the County's Board of Commissioners for review. The Board of Commissioners holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the County Administrator or the revenue estimates must be changed by an affirmative vote of a majority of the County's Board of Commissioners.

The appropriated budget is prepared by fund, function and department and is adopted on a basis consistent with GAAP. Increases in appropriations for a department require the approval of the Board of Commissioners. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the department level within individual funds.

During the year, the County's Board of Commissioners authorized amendments to include appropriations for some activities that were not originally budgeted and to reclassify certain character and functional expenditures.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 3 - FINANCIAL ASSISTANCE TO DISCRETELY PRESENTED COMPONENT UNITS

Hart County Primary Government contributed the following funds to discretely presented component units:

<u>Discretely Presented Component Unit</u>	<u>Amount of Assistance</u>
Hart County Library	\$ 77,000
Hart County Health Department	73,288
Hart County Water and Sewer Authority	1,595,211
The Joint Development Authority of Franklin, Hart and Stephens Counties	<u>1,500</u>
Total Financial Assistance to Discretely Presented Component Units	<u>\$ 1,746,999</u>

NOTE 4 - DEPOSITS AND INVESTMENT RISK

Deposits - The amount of the total bank balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the County or by its agent in the County's name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the County's name and, 3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the County's name.

The County's deposits are classified as follows at September 30, 2013:

	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Primary Government	<u>\$1,604,443</u>	<u>\$ 8,710,648</u>	<u>\$ -</u>	<u>\$10,315,091</u>	<u>\$ 9,912,723</u>
Discretely Presented Component Units:					
Hart Co. Library	71,230	32,723	-	103,953	98,438
Hart Co. Health Dept.	182,274	-	-	182,274	166,156
Hart Co. Water & Sewer Authority	250,000	940,825	-	1,190,825	1,175,454
The Joint Development Auth. of Franklin, Hart & Stephens Counties	151,275	20,000	-	171,275	171,275
Total Component Units	<u>654,779</u>	<u>993,548</u>	<u>-</u>	<u>1,648,327</u>	<u>1,611,323</u>
Total	<u>\$2,259,222</u>	<u>\$ 9,704,196</u>	<u>\$ -</u>	<u>\$11,963,418</u>	<u>\$11,524,046</u>

Primary government cash and cash equivalents reconciliation:

	<u>Cash and Cash Equivalents</u>
Primary Government - Fund Reporting Level:	
Governmental Funds - Balance Sheet	\$ 8,113,564
Governmental Funds - Balance Sheet (Restricted)	2,263
Proprietary Fund Type - Statement of Net Position	1,030,752
Statement of Fiduciary Assets and Liabilities	<u>766,144</u>
Total	<u>\$ 9,912,723</u>

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 4 - DEPOSITS AND INVESTMENT RISK (CONTINUED)

Credit Risk

State statutes authorize the County to invest in obligations of the State of Georgia or other states; obligations issued by the United States government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. The County has no investment policy that would further limit its investment choices. As of September 30, 2013, the investments in the Georgia Fund 1 were rated AAAs by Standard & Poor's.

Of the \$9,667,937 carrying amount of cash and cash equivalents for the Primary Government, \$8,222,104 is invested in the Local Government Investment Pool "Georgia Fund 1".

Georgia Fund 1 was created by OCGA 36-83-8 and operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7-like pool. Georgia Fund 1 is managed by the Office of State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share. Funds included in this Pool are not required to be collateralized. Total investments in Georgia Fund 1 as of September 30, 2013 are:

Georgia Fund 1	AAAs rated by Standard & Poor's	<u>\$ 8,222,104</u>	56 day WAM
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On May 13, 2013, the Hart County Library, a discretely presented component unit, invested restricted funds of \$30,000 in a single premium deferred annuity contract through an insurance company with an A.M. Best rating of "A" (Excellent). The amount invested in the annuity contract approximates fair value. The annuity contract does not comply with Georgia law for investment of funds.

Interest Rate Risk

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The County has no formal policy, but follows State of Georgia requirements that all deposits be federally insured or fully collateralized. At September 30, 2013, all deposits of the County were adequately insured or collateralized.

Concentration of Credit Risk

The County has no formal policy on the amount the County may invest in any one issuer.

Foreign Currency Risk

The County has no investments denominated in a foreign currency.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 5 - RECEIVABLES

Receivables are recorded on the County's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectability.

Receivables at September 30, 2013 for the County's individual major governmental funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>SPLOST #4</u>	<u>EIP</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:					
Property Taxes	\$ 899,662	\$ -	\$ -	\$ -	\$ 899,662
Accounts	3,880,265	-	3,693	112,476	3,996,434
Intergovernmental	-	119,711	-	-	119,711
Total Gross Receivables	<u>4,779,927</u>	<u>119,711</u>	<u>3,693</u>	<u>112,476</u>	<u>5,015,807</u>
Less: Allowance for Uncollectibles	<u>(1,727,827)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,727,827)</u>
Total Net Receivables	<u>\$ 3,052,100</u>	<u>\$ 119,711</u>	<u>\$ 3,693</u>	<u>\$ 112,476</u>	<u>\$ 3,287,980</u>
 Notes Receivable	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 788,730</u>	 <u>\$ -</u>	 <u>\$ 788,730</u>

On September 14, 2004, the County created a Revolving Loan Fund as required by the County's participation in the Employment Incentive Program. The Revolving Loan Fund dictates that proceeds from repayment of the loans described below be used to loan funds to assist employers in Hart County in creating and/or retaining permanent jobs primarily for low and moderate income persons.

During fiscal year 2005, the County received an Employment Incentive Grant of \$295,176. The County, in turn, made a loan to, and received a long-term note receivable from, Quality Industries, LLC in the amount of \$283,176 at a 3% interest rate per annum. The note is being repaid in equal consecutive monthly installments of \$2,372. As of September 30, 2013, the remaining balance of the note is \$85,939 with a current amount of \$26,153.

During fiscal year 2006, the County received another Employment Incentive Grant in the amount of \$92,675. A corresponding loan was made to and, a long-term note was received from, Quality Industries, LLC in the amount of \$89,300 at a 3% interest rate per annum. The note is being repaid in equal consecutive monthly installments of \$1,180. The note was paid off in July 2013 and the remaining balance of the note is \$-0-.

During fiscal year 2009, the County entered into an agreement with Fabritex, Inc. to finance the purchase of equipment. The note receivable has an original principal balance of \$145,000 together with interest of 3% per annum. The note is being repaid in equal consecutive monthly installments of \$1,400 per month. As of September 30, 2013, the remaining balance of the note is \$81,895 with a current amount of \$14,487.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 5 - RECEIVABLES - CONTINUED

During fiscal year 2011, the County entered into an agreement with Ritz Instrument Transformers, Inc. to finance the purchase of equipment. The note receivable has an original principal balance of \$470,000 together with interest of 3% per annum. The note is being repaid in equal consecutive monthly installments of \$6,210. As of September 30, 2013, the remaining balance of the note is \$331,309 with a current amount of \$65,079.

During fiscal year 2013, the County entered into an another agreement with Ritz Instrument Transformers, Inc. to finance the purchase of equipment. The note receivable has an original principal balance of \$330,000 together with interest of 3% per annum. The note is being repaid in equal consecutive monthly installments of \$4,360. As of September 30, 2013, the remaining balance of the note is \$289,587 with a current amount of \$43,782.

Receivables as of year end for the County's discretely presented component units are as follows:

	<u>Library</u>	<u>Health Department</u>	<u>Water & Sewer Authority</u>	<u>The Joint Dev. Authority of Franklin, Hart & Stephens</u>	<u>Total</u>
Accounts Receivable	<u>\$ -</u>	<u>\$ 47,774</u>	<u>\$ 102,255</u>	<u>\$ -</u>	<u>\$ 150,029</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables as of September 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Insurance Premium Tax	\$ 402
General	Solid Waste	128
General	DFACS	9,100
General	CDBG - Mt. Olivet	5
E-911	General	3,345
SPLOST #3	General	2,762
		<u>\$ 15,742</u>
EIP (Employment Incentive Program) #1	EIP #3	\$ 110,000
EIP #2	EIP #3	35,000
EIP #1	EIP #5	111,751
EIP #2	EIP #5	52,185
EIP #3	EIP #5	63,487
EIP #4	EIP #5	102,577
		<u>\$ 475,000</u>

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made. Interfund receivables net to zero. All amounts are expected to be paid within one year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 7 - CAPITAL ASSETS

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

	Beginning Balance	Change in Reporting HCIBA	Restated Balance September 30, 2012	Additions	Retirements	Ending Balance
Primary Government:						
Governmental Activities:						
Non-depreciable assets:						
Land and improvements	\$ 2,062,232	\$ -	\$ 2,062,232	\$ 28,338	\$ -	\$ 2,090,570
Construction in progress	290,170	-	290,170	242,980	-	533,150
Total non-depreciable capital assets	<u>2,352,402</u>	<u>-</u>	<u>2,352,402</u>	<u>271,318</u>	<u>-</u>	<u>2,623,720</u>
Depreciable assets:						
Buildings	8,943,076	-	8,943,076	398,026	-	9,341,102
Machinery, equipment and other	5,086,865	-	5,086,865	90,861	-	5,177,726
Vehicles	4,390,130	-	4,390,130	176,742	-	4,566,872
Infrastructure	55,215,987	-	55,215,987	86,122	-	55,302,109
Recreational upgrades	1,720,881	-	1,720,881	-	-	1,720,881
Total depreciable capital assets	<u>75,356,939</u>	<u>-</u>	<u>75,356,939</u>	<u>751,751</u>	<u>-</u>	<u>76,108,690</u>
Less accumulated depreciation for:						
Buildings	(2,152,960)	-	(2,152,960)	(136,222)	-	(2,289,182)
Machinery, equipment and other	(2,252,448)	-	(2,252,448)	(243,933)	-	(2,496,381)
Vehicles	(1,865,594)	-	(1,865,594)	(226,922)	-	(2,092,516)
Infrastructure	(23,494,082)	-	(23,494,082)	(1,739,592)	-	(25,233,674)
Recreational upgrades	(195,024)	-	(195,024)	(34,170)	-	(229,194)
Total accumulated depreciation	<u>(29,960,108)</u>	<u>-</u>	<u>(29,960,108)</u>	<u>(2,380,839)</u>	<u>-</u>	<u>(32,340,947)</u>
Total depreciable capital assets, net	<u>45,396,831</u>	<u>-</u>	<u>45,396,831</u>	<u>(1,629,088)</u>	<u>-</u>	<u>43,767,743</u>
Governmental Activities capital assets, net	<u>\$ 47,749,233</u>	<u>\$ -</u>	<u>\$ 47,749,233</u>	<u>\$ (1,357,770)</u>	<u>\$ -</u>	<u>\$ 46,391,463</u>
Business-type Activities:						
Non-depreciable assets:						
Land and improvements	\$ -	\$ 4,618,476	\$ 4,618,476	\$ 500	\$ -	\$ 4,618,976
Sewer extension	-	270,727	270,727	-	-	270,727
Total non-depreciable capital assets	<u>-</u>	<u>4,889,203</u>	<u>4,889,203</u>	<u>500</u>	<u>-</u>	<u>4,889,703</u>
Depreciable assets:						
Buildings	252,685	-	252,685	-	-	252,685
Machinery, equipment and other	508,099	7,734	515,833	6,190	-	522,023
Vehicles	113,180	-	113,180	-	-	113,180
Total depreciable capital assets	<u>873,964</u>	<u>7,734</u>	<u>881,698</u>	<u>6,190</u>	<u>-</u>	<u>887,888</u>
Less accumulated depreciation for:						
Buildings	(27,607)	-	(27,607)	(8,333)	-	(35,940)
Machinery, equipment and other	(297,679)	(3,866)	(301,545)	(23,148)	-	(324,693)
Vehicles	(66,077)	-	(66,077)	(3,773)	-	(69,850)
Total accumulated depreciation	<u>(391,363)</u>	<u>(3,866)</u>	<u>(395,229)</u>	<u>(35,254)</u>	<u>-</u>	<u>(430,483)</u>
Total depreciable capital assets, net	<u>482,601</u>	<u>3,868</u>	<u>486,469</u>	<u>(29,064)</u>	<u>-</u>	<u>457,405</u>
Business-type Activities capital assets, net	<u>\$ 482,601</u>	<u>\$ 4,893,071</u>	<u>\$ 5,375,672</u>	<u>\$ (28,564)</u>	<u>\$ -</u>	<u>\$ 5,347,108</u>

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 113,720
Housing & development	-
Judicial	4,724
Public health and welfare	14,576
Public safety	336,235
Public works	1,849,969
Recreation and culture	61,615
Total depreciation expense-governmental activities	<u>\$2,380,839</u>

Business-type activities:

Solid waste	\$ 34,867
Industrial Building Authority	387
Total depreciation expense-business-type activities	<u>\$ 35,254</u>

Discretely Presented Component Units:

Health Department

Activity for the Health Department for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable assets:				
Machinery, equipment and other	\$ 9,881	\$ -	\$ -	\$ 9,881
Less accumulated depreciation	-	(1,976)	-	(1,976)
Capital assets, net	<u>\$ 9,881</u>	<u>\$ (1,976)</u>	<u>\$ -</u>	<u>\$ 7,905</u>

Library

Activity for the Library for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable assets:				
Machinery, equipment and other	\$ 171,946	\$ 1,220	\$ -	\$ 173,166
Books and collections	412,026	10,717	(4,603)	418,140
Less accumulated depreciation for:				
Machinery, equipment and other	(134,037)	(3,143)	-	(137,180)
Books and collections	(382,781)	(12,108)	4,603	(390,286)
Capital assets, net	<u>\$ 67,154</u>	<u>\$ (3,314)</u>	<u>\$ -</u>	<u>\$ 63,840</u>

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Water and Sewer Authority

Activity for the Water and Sewer Authority for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable assets:				
Land	\$ 54,900	\$ -	\$ -	\$ 54,900
Construction in progress	337,889	1,845,242	(1,762,228)	420,903
Total non-depreciable capital assets	<u>392,789</u>	<u>1,845,242</u>	<u>(1,762,228)</u>	<u>475,803</u>
Depreciable assets:				
Water & sewer lines	12,184,708	134,352	1,774,601	14,093,661
Machinery, equipment and other	75,071	4,100	(16,461)	62,710
Total depreciable capital assets	<u>12,259,779</u>	<u>138,452</u>	<u>1,758,140</u>	<u>14,156,371</u>
Less accumulated depreciation	<u>(1,946,915)</u>	<u>(272,901)</u>	<u>164</u>	<u>(2,219,652)</u>
Total depreciable capital assets, net	<u>10,312,864</u>	<u>(134,449)</u>	<u>1,758,304</u>	<u>11,936,719</u>
Capital assets, net	<u>\$10,705,653</u>	<u>\$ 1,710,793</u>	<u>\$ (3,924)</u>	<u>\$12,412,522</u>

The Joint Development Authority of Franklin, Hart and Stephens Counties

Activity for The Joint Development Authority of Franklin, Hart and Stephens Counties for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable assets:				
Land and improvements	\$ 1,309,359	\$ -	\$ -	\$ 1,309,359
Construction in progress	-	269,018	-	269,018
Total non-depreciable capital assets	<u>1,309,359</u>	<u>269,018</u>	<u>-</u>	<u>1,578,377</u>
Depreciable assets:				
Site improvements	3,248,707	-	-	3,248,707
Less accumulated depreciation	<u>(458,558)</u>	<u>(66,482)</u>	<u>-</u>	<u>(525,040)</u>
Total depreciable capital assets, net	<u>2,790,149</u>	<u>(66,482)</u>	<u>-</u>	<u>2,723,667</u>
Capital assets, net	<u>\$ 4,099,508</u>	<u>\$ 202,536</u>	<u>\$ -</u>	<u>\$ 4,302,044</u>

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 8 - LEASES RECEIVABLE

The Hart County Industrial Building Authority (HCIBA) has taken title to certain fixtures, equipment and other personal and real property and leased said property to various companies in order to abate ad valorem property taxes as an incentive for the company to locate or expand their operations in Hart County, Georgia. The leased property is not recorded on the Statement of Net Position of HCIBA because each company has the right to purchase the property for a nominal amount at any time before or at the expiration of the lease. Each company will pay to HCIBA an annual lease payment, together with a payment in lieu of ad valorem taxes (PILOT) and any applicable utility or other government service charges. For leased property that is subject to a lien at the time the property is transferred to HCIBA, HCIBA has guaranteed the debt secured by and limited to the amount of the collateral.

Company	Leased Property (Collateral)	Material Covenants	Guarantee	Annual Lease Payment	Annual Lease Payments Begin	Start of Lease Term	End of Lease Term	Renewal Options
AgStrong Oils, LLC	1.9 acres land	Company to employ and maintain employment for at least 20 individuals and invest at least \$10,000,000 in physical assets in Hart County, Georgia by 12/31/12.	\$ 2,580,000	\$ 1,500	12/31/12	12/30/11	11/30/15	2 options through 11/30/23
Hart AgStrong, LLC	5.606 acres land	Company to employ and maintain employment for at least 10 individuals and invest at least \$4,000,000 in physical assets in Hart County, Georgia by 12/31/09.	\$ 3,990,000	\$ 1,500	12/31/10	12/30/11	01/30/14	4 options, through 2/1/2030
Industrial Properties of Georgia, LLC (and Custom Designed Controls, LLC)	5.10 acres land, 30,000 sq ft building, improvements and equipment	Company to employ and maintain employment for at least 25 individuals and invest at least \$1,000,000 in physical assets in Hart County, Georgia by 12/31/10.	\$ 780,000	\$ 10	01/01/09	01/01/09	01/15/14	None
Milbro Refractories, Inc.	8.58 acres land, 20,000 sq ft building and equipment	Company to employ and maintain employment for at least 5 individuals and invest at least \$800,000 in physical assets in Hart County, Georgia by 12/31/10.	\$ 659,555	\$ 10	12/31/08	03/06/08	02/06/31	Automatic annual renewals
Ritz Instrument Transformers, Inc.	10 acres land and equipment	Company to employ and maintain employment for at least 50 individuals and invest at least \$3,250,000 in physical assets in Hart County, Georgia by 12/31/10. Company will incur no more than \$5,000 for fees in connection with taking title of project.	\$ 4,000,000	\$ 1,500	12/01/10	12/31/09	12/30/14	None
SD Automotive Group Management, Inc.	Equipment	Company to employ and maintain employment for at least 25 individuals and invest at least \$3,000,000 in physical assets in Hart County, Georgia by 12/31/12.	\$ -	\$ 10	01/01/12	12/31/11	12/31/15	2 automatic renewing options through 1/5/22
Tenneco Automotive Operating Company, Inc.	11 parcels of land, improvements and equipment	Company to employ at least 220 individuals by 12/31/12 and to employ and maintain employment for 400 individuals and invest at least \$10,470,000 in physical assets in Hart County, Georgia by 12/31/2020. Allowed to increase investment available for abatement through 2012. If employment or investment goals are not met, "community recovery payments" must be made.	\$ 42,000,000	Amount needed to pay principal and interest payments on bond debt.	12/01/10	05/01/10	12/01/13	2 automatic renewing options, through 12/1/21

The amount of the PILOT payments are based on the amount of ad valorem tax that would be owed if the property were held in the lessees' names, multiplied by the percentages shown below for each year. No later than ten years from the inception of the lease, all lessees will pay 100% of the value of the ad valorem tax.

Amount of PILOT Payment (based on a percentage of the amount that would be owed for ad valorem tax if property were held in Lessee's name)															
Company	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
AgStrong Oils, LLC	-	-	-	-	0%	0%	0%	0%	0%	20%	40%	60%	80%	100%	100%
Hart AgStrong, LLC	-	-	0%	0%	0%	50%	85%	100%	100%	100%	100%	100%	100%	100%	100%
Industrial Properties of Georgia, LLC (and Custom Designed Controls, LLC)	0%	0%	20%	40%	60%	80%	100%	-	-	-	-	-	-	-	-
Milbro Refractories, Inc.	0%	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	100%	100%	100%
Ritz Instrument Transformers, Inc.	-	-	0%	20%	40%	60%	80%	-	-	-	-	-	-	-	-
SD Automotive Group Management, Inc.	-	-	-	-	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Tenneco Automotive Operating Company, Inc.	-	-	0%	0%	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 9 - NONCURRENT LIABILITIES

Capital Leases Payable

On July 1, 1999, the County entered into a lease purchase agreement with HHS Property Corporation to construct a building known as the Department of Family and Children's Services (DFACS) facility. The total cost of the DFACS facility was \$1,670,296. Principal payments on this lease started at the time construction was complete. The first payment was made on March 1, 2000 and the final payment will be due January 1, 2015, at which time, the County intends to take possession of the facility. Monthly payments are \$13,631 at 5.35% per annum. This lease agreement qualifies as a capital lease under FASB ASC Topic 840, Leases. The lease is collateralized by the facility.

The County, in turn, has entered into a sublease rental agreement with the Georgia Department of Human Resources (DHR) whereby DHR will rent the facility for office space of the Hart County Division of Family and Children Services (DFACS). DHR pays the County \$14,149 per month. Of this amount, \$13,631 is considered rent and \$518 is a monthly maintenance charge. The rental term runs from July 1 to June 30 of each year. The initial term began on August 1, 2000. DHR has the option of renewing this sublease agreement each July 1st for an additional term. The final additional term shall commence on the July 1st prior to the fifteenth anniversary of the initial commencement date, i.e., July 1, 2014 and expire at 11:59 p.m. on the day before the fifteenth anniversary of the initial commencement date.

During fiscal year 2013, the County made total payments of \$163,577 toward the DFACS building lease. Of this total payment, \$149,280 was a reduction of principal while \$14,297 was interest paid.

The future minimum lease obligations for the DFACS lease as of September 30, 2013 is as follows:

Year Ending <u>September 30</u>	<u>DFACS</u>
2014	<u>163,577</u>
2015	<u>24,545</u>
Total	<u>188,122</u>
Less: Interest	<u>(5,878)</u>
Present Value of Minimum Lease Payments	<u>\$ 182,244</u>

Landfill Closure and Post Closure Care Costs

State and federal laws and regulations require the County to close and place a final cover on a landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the landfill site for a period of thirty years after closure. On May 1, 1997, in accordance with the provisions of the Georgia Comprehensive Solid Waste Management Act (OCGA 12-8-20) and the Rules of Solid Waste Management, Chapter 391-3-4, the County was issued a closure certificate for its landfill. Although closure and post closure care costs will generally be paid near or after the date the landfill stops accepting waste, generally accepted accounting principles require a portion of the estimated closure and post closure care costs to be reported as an operating expense in each period for which the landfill accepts waste. The \$294,398 reported as landfill closure and post closure care liability at September 30, 2013 represents the cumulative estimated total amount necessary to perform all future post closure functions based on the use of 100% of the estimated capacity of the landfill. The amount reported is based on what it would cost to perform all post closure care in 2013. The County has closed the landfill and no useful life exists. Actual costs may be different due to changes in inflation, technology, or applicable laws or regulations. The County meets the Environmental Protection Agency financial assurance requirements using the financial test method because it has sufficient assets to cover the post closure care costs.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 9 - NONCURRENT LIABILITIES (CONTINUED)

CHANGES IN NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 440,205	\$ 88,528	\$ (30,807)	\$ 497,926	\$ 497,926
Capital leases	331,524	-	(149,280)	182,244	157,656
Governmental Activities noncurrent liabilities	<u>\$ 771,729</u>	<u>\$ 88,528</u>	<u>\$ (180,087)</u>	<u>\$ 680,170</u>	<u>\$ 655,582</u>
Business-type Activities:					
Compensated absences	\$ 13,325	\$ 4,423	\$ (1,150)	\$ 16,598	\$ 16,598
Landfill closure/postclosure	315,426	-	(21,028)	294,398	21,028
Business-type Activities noncurrent liabilities	<u>\$ 328,751</u>	<u>\$ 4,423</u>	<u>\$ (22,178)</u>	<u>\$ 310,996</u>	<u>\$ 37,626</u>

The capital lease, which consists of a lease for a building housing the Division of Family & Children Services, will be paid from the Special Revenue (DFACS) Fund. The landfill closure and postclosure cost will be paid by the Solid Waste Fund. The compensated absences liability will be paid from the fund from which the employee's salaries are paid as follows:

Fund	Compensated Absences Liability
Governmental Activities:	
General	\$ 472,472
E-911	13,489
Insurance Premium	11,965
Total	<u>\$ 497,926</u>
Business-type Activities:	
Solid waste	<u>\$ 16,598</u>

BLENDING COMPONENT UNITS

Hart County Industrial Building Authority

Conduit Debt Obligations

In June 2010, HCIBA issued in its name Series 2009 taxable industrial development revenue bonds in the amount of \$42,000,000. Monies obtained from the bond issuance were used to acquire, construct and equip a manufacturing facility for Tenneco Automotive Operating Company, Inc. (Tenneco) serving Hart County, Georgia. The bonds are limited obligation bonds wherein payments of principal and interest are to be made exclusively from lease payments paid by Tenneco under a capital lease. HCIBA has no obligation to pay on the Series 2009 bonds, therefore, neither the bond debt nor the capital lease is included in the financial statements of HCIBA. The bonds mature on December 1, 2021. The outstanding balance of the Series 2009 bonds payable at December 31, 2012 was \$27,000,000.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 9 - NONCURRENT LIABILITIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

Hart County Industrial Building Authority (Continued)

Notes Payable

In July 2007, HCIBA borrowed \$720,000 on a rural economic development loan from Hart Electric Membership Corporation through the United States Department of Agriculture (USDA) to repay debt previously borrowed to finance property used in the development of Gateway Industrial Park in Hart County, Georgia. According to the terms of the note, payments of \$7,500 with interest at 0.0% per annum are due beginning August 2009 and every month thereafter for a term of 96 months, maturing in July 2017. The note is secured by an intergovernmental agreement from Hart County, Georgia wherein the County agrees to fund the payments from funds earmarked for economic development.

In October 2011, HCIBA purchased 133.9 acres of land located in Gateway Industrial Park in Hart County, Georgia from Janiece Murray White in exchange for a promissory note in the amount of \$3,012,750. According to the terms of the note, the full amount of the principal with interest at 0.0% per annum is due in October 2014. The note is secured by the property purchased.

Notes payable activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	<u>\$3,515,250</u>	<u>\$ -</u>	<u>\$ (90,000)</u>	<u>\$3,425,250</u>	<u>\$ 90,000</u>

The schedule of maturities on the notes payable is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2013	\$ 90,000	\$ -	\$ 90,000
2014	3,102,750	-	3,102,750
2015	90,000	-	90,000
2016	90,000	-	90,000
2017	52,500	-	52,500
Thereafter	-	-	-
Total	<u>\$ 3,425,250</u>	<u>\$ -</u>	<u>\$ 3,425,250</u>

DISCRETELY PRESENTED COMPONENT UNITS

Health Department

Noncurrent liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 43,862</u>	<u>\$ 27,148</u>	<u>\$ (25,410)</u>	<u>\$ 45,600</u>	<u>\$ 25,000</u>

The Compensated Absences will be paid by the Hart County Health Department.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 9 - NONCURRENT LIABILITIES (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Water and Sewer Authority

Note payable activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note Payable	\$ 25,286	-	\$ (12,517)	\$ 12,769	\$ 12,769

In fiscal year 2003, HCWSA began the Waterline Extension/Lavonia Connector Phase 1 project. It was funded by the City of Lavonia and a Georgia Environmental Facilities Authority (GEFA) Loan. The project was completed in June 2005, at a cost of \$196,165. Current depreciation was \$3,923 and the book value at September 30, 2013 is \$158,894.

The GEFA Loan is a low interest loan with an original principal loan amount of \$116,918. As of September 30, 2013 the GEFA Loan carried a balance of \$12,769 with an annual interest rate of 2%. The first payment of \$3,232 was due on October 1, 2004 and then quarterly thereafter. Below is the future minimum obligated payments:

Year Ending September 30	Interest	Principal	Total Payment
2014	\$ 160	\$ 12,769	\$ 12,929
Total	\$ 160	\$ 12,769	12,929
	Less: Interest		(160)
	Present Value of Minimum Payments		\$ 12,769

The GEFA Loan will be paid by Hart County Water and Sewer Authority.

The Joint Development Authority of Franklin, Hart and Stephens Counties

Conduit Debt Obligations

In October, 2004, JDA issued in its name two Series 2004 taxable industrial development revenue bonds in the amounts of \$15,400,000 and \$13,000,000. Monies obtained from the bond issuances were used to construct and equip a manufacturing facility for TI Group Automotive Systems, L.L.C. serving Hart County, Georgia. The bonds are limited obligation bonds wherein payments of principal and interest are to be made exclusively from lease payments paid by TI Group Automotive Systems, L.L.C. under a capital lease. JDA has no obligation to pay on the Series 2004 bonds, therefore, neither the bond debt nor the capital lease is included in the financial statements of JDA. The \$15,400,000 bonds mature on October 1, 2015 and the \$13,000,000 bonds mature on October 1, 2017. The outstanding balance of the \$15,400,000 bonds payable at June 30, 2013 was \$15,400,000. The outstanding balance of the \$13,000,000 bonds payable at June 30, 2013 was unconfirmed.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 9 - NONCURRENT LIABILITIES (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

The Joint Development Authority of Franklin, Hart and Stephens Counties (Continued)

In November, 2007, JDA issued in its name Series 2007 taxable industrial revenue bonds in the amount of \$40,000,000. Monies obtained from the bond issuance was used to acquire, construct and equip a manufacturing facility for Fenner-Dunlop Americas, Inc. serving Hart and Franklin Counties, Georgia. The bonds are limited obligation bonds wherein payments of principal and interest are to be made exclusively from lease payments paid by Fenner-Dunlop Americas, Inc. under a capital lease. JDA has no obligation to pay on the Series 2007 bonds, therefore, neither the bond debt nor the capital lease is included in the financial statements of JDA. The bonds mature on November 1, 2019. The outstanding balance of the \$40,000,000 bonds payable at June 30, 2013 was unconfirmed.

Notes Payable

Notes payable activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 451,980	\$ -	\$ (6,681)	\$ 445,299	\$ 6,998

On July 18, 2002, JDA borrowed on a promissory note from the United States Department of Agriculture (U.S.D.A.) \$500,000 for capital improvements. According to the terms of the note, total payments of \$28,150 including interest at 4.75% per annum are due beginning July 18, 2003 and every year thereafter. In addition, JDA must set aside in a reserve account \$2,815 annually until such balance reaches \$28,150. JDA reached the required balance in the reserve account during fiscal year 2012. The improvements were completed at a cost of \$3,239,529 with accumulated depreciation of \$520,452 at June 30, 2013.

The amortization of the U.S.D.A. note is as follows:

Year Ending June 30	U.S.D.A. Loan		
	Principal	Interest	Total Payment
2014	\$ 6,998	\$ 21,152	\$ 28,150
2015	7,331	20,819	28,150
2016	7,679	20,471	28,150
2017	8,044	20,106	28,150
2018	8,426	19,724	28,150
2019-2023	48,525	92,225	140,750
2024-2028	61,200	79,550	140,750
2029-2033	77,182	63,568	140,750
2034-2038	97,339	43,411	140,750
2039-2043	122,575	18,175	140,750
Total	\$ 445,299	\$ 399,201	844,500
Less: Interest Present Value of Minimum Lease Payments			(399,201)
			<u>\$ 445,299</u>

The above notes will be paid by The Joint Development Authority of Franklin, Hart and Stephens Counties.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 10 - EMPLOYEE BENEFITS AND RETIREMENT PLAN

The County provides certain group insurance benefits for eligible employees who are employed over 90 days. The County does not provide other post employment benefits (OPEB).

NOTE 11 – PENSION PLANS

A. Defined Contribution Plan

The County adopted the Hart County Defined Contribution Money Plan, which operates in conjunction with a Deferred Compensation Plan as discussed below. The plan is administered by Mack Poss and Associates, an independent third party. The plan can be amended or removed by a majority vote of the Hart County Board of Commissioners. During the fiscal year ended September 30, 2013, the County contributed \$84,443 to the plan, based on covered salaries of \$2,814,755. Total payroll was \$6,324,509. Plan members made voluntary contributions of \$122,786.

B. Deferred Compensation Plan

The County offers a deferred compensation plan created in Fiscal Year 1994, in accordance with Internal Revenue Code 457. The plan is available to all full time County employees (who work more than thirty hours per week) after one year of employment. Employees may defer a portion of their salary through voluntary contributions to the plans with the maximum contribution being 25%, up to the maximum allowed by federal law with certain catch-up provisions for employees who are at least 50 years old.

The contributions from both of the above plans are invested with Lincoln National Life and ING Insurance Companies. The following is a summary of the Hart County employee retirement plan:

- (1) Only full time employees are eligible.
- (2) Employees must complete one year of service to be eligible for participation in the plan. One year of service is defined as 12 consecutive months of full time service. Any employee with a break in full time service will be treated as a new employee.
- (3) The plan is structured in the following manner:
 - A. Upon completion of one to three years of service, the employer will match 50% of the employee's contribution to a maximum of 3% of the employee's annual salary.
 - B. Upon completion of three to five years of service, the employer will match 75% of the employee's contribution to a maximum of 3% of the employee's annual salary.
 - C. Upon completion of five or more years of service, the employer will match 100% of the employee's contribution to a maximum of 3% of the employee's annual salary.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 11 – PENSION PLANS (CONTINUED)

- (4) Employees will be 100% vested after completion of five years of service. Employees will be 100% vested in his/her contribution immediately.
- (5) Participation in the plan and increases in the County match percentage will begin at the first of the month following the employee's anniversary date.
- (6) Employees may contribute up to 25% of their annual salary or the maximum allowed by federal law. There are additional catch-up provisions for employees nearing retirement.
- (7) Employees will have a choice regarding how their contributions are invested as detailed below:
 - A. A fixed account (i.e. annuity) with ING insurance company.
 - B. Fixed and variable accounts (i.e. mutual funds) with Lincoln National - the variable accounts are managed by Janis and Fidelity.
 - C. Employees may participate in any combination of available funds in 10% increments.
- (8) Employee and employer contributions are tax deferred. Taxes will be due upon withdrawal.

NOTE 12 - RISK FINANCING ACTIVITIES

Material estimates have been made by management about the historical cost of capital assets and the life of the depreciated capital assets. Management has used a conservative approach on these estimates.

The County is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined together with other municipalities in the state as part of the Association of County Commissioners of Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Association of County Commissioners of Georgia 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 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 any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pool's agents and attorneys to represent the County in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

The funds are 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 worker's compensation law of Georgia. The funds are to pay all costs taxed against the 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.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 12 - RISK FINANCING ACTIVITIES (CONTINUED)

There have been no significant reductions of insurance coverage from coverage in the prior year and settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grant Contingencies:

The County participates in a number of Revenue Sharing Grants. Expenditures financed by Revenue Sharing Grants are subject to a compliance audit by the grantor or its representative. If expenditures are disallowed due to noncompliance with program regulations, the County may be required to reimburse the grantor government. The County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the County.

Litigation:

The County is a defendant in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the County. Management intends to contest these open cases vigorously. The County's legal counsel has stated that the outcome of these lawsuits is not presently determinable.

Other:

In November 2012, the Board of Commissioners voted to approve an Intergovernmental Agreement for HCWSA to borrow \$2,221,700 from the Georgia Environmental Facilities Authority to finance the costs of acquiring, constructing and installing additions, extensions, or improvements to the water system in Hart County. The loan was approved in February 2013 and the initial draw on the loan was made in February 2014. The County has guaranteed the repayment of the loan.

NOTE 14 - RECONCILIATION OF FUNDS EXPENDED TO COMPONENT UNITS

The funds expended between the Joint Development Authority of Franklin, Hart & Stephens Counties and Hart County require a reconciliation due to JDA having a year end of June 30, 2013. Reconciliation of monies expended by Hart County and revenues received by JDA are as follows:

Total Funds contributed or expended by Hart County fiscal year 2013 on behalf of JDA.	\$ 1,500
Less funds paid to JDA between June 30, 2013 and September 30, 2013	<u>-</u>
Revenue shown on the Joint Development Authority of Franklin, Hart & Stephens Counties audit for year ended June 30, 2013	<u><u>\$ 1,500</u></u>

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 14 - RECONCILIATION OF FUNDS EXPENDED TO COMPONENT UNITS -
(CONTINUED)**

The funds expended between the Hart County Library and Hart County also require a reconciliation due to the Library having a year end of June 30, 2013. Reconciliation of monies expended by Hart County and revenues received by the Library are as follows:

Total funds contributed or expended by Hart County fiscal year 2013 on behalf of the Library.	\$ 77,000
Less funds paid to the Library between June 30, 2013 and September 30, 2013	(19,250)
Plus funds paid to the Library between June 30, 2012 and September 30, 2012	<u>19,250</u>
Revenue shown on the Hart County Library audit for year ended June 30, 2013	<u>\$ 77,000</u>

NOTE 15 - JOINT VENTURES

Hart County participates jointly with Franklin County, Georgia in the Franklin-Hart Airport. Both Hart and Franklin County have agreed to allocate funds as part of their respective budgets toward the venture. The Airport is a separate entity that maintains and accumulates assets of its individual ownership. The Airport entity will apply for grants and seek other outside revenue needed to supplement the entity's budget. Hart County contributed \$3,500 to the Airport during the year ended September 30, 2013. A copy of the Airport financial statements can be obtained from Franklin-Hart Airport, 710 Hartwell Street, Royston, Georgia 30662.

Under Georgia Law, the County, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues thereto. During the year ended September 30, 2013, the County paid \$22,839 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official in each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. A copy of the GMRC financial statements can be obtained from GMRC, 1310 West Ridge Road, Gainesville, Georgia 30501.

NOTE 16 - EMPLOYMENT INCENTIVE PROGRAM FUND

For reporting purposes, management has consolidated five Employment Incentive Program (EIP) Funds. This consolidation will help to properly report the financial figures for the Employment Incentive Program as a whole. The following is a reconciliation of fiscal year 2013 ending Fund Balance.

EIP Fund #1	\$ 246,506
EIP Fund #2	97,062
EIP Fund #3	(66,565)
EIP Fund #4	161,369
EIP Fund #5	<u>(285,833)</u>
Total Fiscal Year 2013 Fund Balance	<u>\$ 152,539</u>

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 17 - INTERGOVERNMENTAL AGREEMENTS

The County has an agreement with various municipalities in the County relating to their allocation and share of the local option sales tax (LOST). The Cities share of the LOST funds are as follows: City of Hartwell - 21%; City of Royston - 4.25%; Town of Canon - .25% and Town of Bowersville - 1%.

The Hart County Industrial Building Authority (HCIBA) has a Rural Economic Development and Grant Loan requiring annual payments of \$90,000. The County advances this amount to the HCIBA on an annual basis.

In June 2013, the County entered into an agreement with the HCIBA whereby the HCIBA purchased approximately 130 acres of land to develop a new commercial and industrial development park to be known as Gateway III by issuing a note in favor of the United States Department of Agriculture in the amount of \$3,012,750. The agreement calls for the County to fund the annual debt service payments totaling \$140,280 annually for 40 years.

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, the County is required to change its presentation of certain component units in the financial statements. As a result, the Hart County Industrial Building Authority will be presented as a blended component unit (proprietary fund).

As a result of the change in accounting principle, the County has made the following restatement to beginning net position.

Business-type activities: The County has determined that a restatement of beginning net position for the business-type activities is necessary to record HCIBA in accordance with GASB 61, and record a prior period adjustment for omitted activity of HCIBA (as discussed in Note 19):

Net position September 30, 2012 , as previously reported	\$ -
- Prior period adjustment for HCIBA activity (Note 19)	<u>1,649,980</u>
Net position September 30, 2012, as restated	<u><u>\$ 1,649,980</u></u>

NOTE 19 - PRIOR PERIOD ADJUSTMENT

HCIBA: The County has determined that a restatement of beginning net position of the business-type activities is necessary to correctly report the assets and the net effect of revenues and expenses which were not recorded in the prior year in the amount of \$1,649,980. HCIBA was not previously reported as a component unit. See note 18 above for overall restatement of net position by opinion unit.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 20 - SUBSEQUENT EVENTS

The following is a summary of significant subsequent events occurring after year end:

(1) On May 2, 2012, the Georgia Department of Revenue approved the final millage and final tax digest for 2009. The Georgia Department of Revenue also approved the final digests and tax millage rates for 2010 and 2011 on June 19, 2013 and July 12, 2013, respectively. The Tax Commissioner's office produced and issued final billings for 2009, 2010, and 2011 based on the final digests on November 20, 2013. Payments on these final billings were due January 20, 2014. Refunds due to taxpayers for overpayments on those years (differences between the temporary and final billing amounts) began being processed in February 2014 and management expects all refunds to be completed by the end of August 2014.

(2) On September 27, 2013, the Georgia Department of Revenue approved the final digest and millage for 2012. Per the court order for the temporary tax collection for 2012, no final bills were issued for 2012.

(3) In September 2013, the Hart County Industrial Building Authority (HCIBA) and the Joint Development Authority of Franklin, Hart and Stephens Counties (JDA) entered into an agreement for the HCIBA to purchase 11 acres of land from the JDA for \$5,000 per acre. This land is intended to be sold at a later date to a prospective industry with financing over a five year period at a 0% interest rate. The HCIBA intends to pay JDA for the land as payments are received from the buyer.

(4) In September 2013, the HCIBA's note payable to Janiece Murray White for \$3,012,750 was repaid using federal funds through a USDA rural development loan of the same amount to be repaid over 40 years at 3.5% interest beginning October 2013. The County has agreed to provide funding for the monthly payments of \$11,690 per month. Pursuant to the loan requirements, the County contributed \$140,280 from the SPLOST 3 fund to HCIBA prior to year-end to fund the required debt service reserve fund.

(5) In October 2013, JDA approved replacing their USDA promissory note with a new 15 year loan from a local bank with a fixed interest rate of 3.5%. The shorter loan term and lower interest rate would result in a net savings of approximately \$240,000 over the life of the loan. The County has agreed to provide future funding assistance to JDA since the annual payments would increase.

(6) In October 2013, the County adopted the 2013 Tax Millage Rollback and Rate.

(7) In October 2013, the Hart County Water & Sewer Authority approved the extension of water lines into the Bethany Church area at a maximum cost of \$2,000,000.

(8) In November 2013, a bid was awarded for a new ambulance at a cost of \$122,143. The funds for the ambulance had previously been donated to the County by the Hart County Hospital Authority.

(9) In December 2013, the Hart County Water & Sewer Authority awarded a bid for water lines in the Nancy Hart community at a cost of \$1,144,956.

(10) In January 2014, the Hart County Water & Sewer Authority awarded a bid for water lines for Lightwood Road at a cost of \$514,310. A subsequent change order was approved in April 2014 for an increase of \$63,195 due to expansion in the scope of the work.

(11) In January 2014, the Georgia Department of Community Affairs accepted the 2011 Single Audit under OMB Circular A-133.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 20 - SUBSEQUENT EVENTS (CONTINUED)

(12) In January 2014, the County approved an Employment Incentive Program loan to Lake Foods, Inc. in the amount of \$125,000. The funds were disbursed in March 2014.

(13) In February 2014, the Georgia Department of Transportation Local Maintenance and Improvement Program approved and remitted a grant for road improvement projects to the County in the amount of \$499,218.

(14) In March 2014, the County entered into agreements with the U.S. Army Corps of Engineers to lease Milltown and Long Point Recreation areas that were slated for closure.

(15) In April 2014, Governor Nathan Deal signed legislation to enact the creation of the Hart County Board of Elections effective January 1, 2015.

(16) In April 2014, a bid was awarded for road paving projects at an estimated cost of \$1,350,000.

(17) In May 2014, the Hart County Water & Sewer Authority awarded a bid for the Airline connector water project at a cost of \$1,067,835. A subsequent change order was approved for a cost reduction of \$110,000 due to a change in materials.

(18) In May 2014, the County experienced a sinkhole in the Reed Creek area. The estimated cost to repair the damage and relocate the water lines is estimated at a cost of \$306,000. The Georgia Department of Transportation (DOT) has agreed to pay \$225,000 towards the installation of water lines in order to repair the damages to the road.

Required Supplementary Information

**HART COUNTY, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2013
(Required Supplementary Information)**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,624,840	\$ 7,624,840	\$ 7,819,821	\$ 194,981
Licenses and permits	24,200	24,200	62,701	38,501
Intergovernmental	171,500	171,500	297,395	125,895
Fines and forfeitures	550,000	550,000	529,509	(20,491)
Charges for services	989,100	989,100	1,059,238	70,138
Investment earnings	4,400	4,400	5,049	649
Contributions & donations	900	900	297	(603)
Miscellaneous	43,400	43,400	145,087	101,687
Total revenues	9,408,340	9,408,340	9,919,097	510,757
EXPENDITURES				
Current expenditures				
General government				
General government	105,142	105,142	58,759	(46,383)
Board of registrars	36,370	54,987	54,987	-
Elections	21,833	41,754	41,754	-
Professional	117,000	122,592	118,357	(4,235)
Executive	362,125	362,125	360,010	(2,115)
Tax commissioner	312,227	312,227	282,326	(29,901)
Tax assessors	407,630	462,430	462,430	-
Risk management	143,000	154,029	154,029	-
Buildings and properties	87,500	255,069	255,069	-
General administration fees	4,250	4,250	4,080	(170)
Total general government	1,597,077	1,874,605	1,791,801	(82,804)
Judicial				
Superior court	97,261	97,261	97,458	197
Clerk of superior court	269,590	270,267	259,415	(10,852)
Probate court	303,657	303,824	303,824	-
Juvenile court	48,800	50,561	50,561	-
Grand jury	52,783	52,783	50,711	(2,072)
Public defender	69,193	69,251	69,251	-
District attorney	9,340	14,884	14,884	-
Magistrate court	176,544	176,544	143,532	(33,012)
Board of equalization	7,744	27,668	27,668	-
Total judicial	1,034,912	1,063,043	1,017,304	(45,739)
Public Safety				
Sheriff	1,858,095	1,858,095	1,856,050	(2,045)
Jail operations	1,057,529	1,113,943	1,113,943	-
Whitworth women's center	30,000	32,376	32,376	-
Coroner and medical examiner	14,095	15,558	15,558	-
Emergency management	29,100	57,100	52,383	(4,717)
Emergency medical service	1,765,811	1,826,868	1,826,868	-
Animal control	37,000	45,000	45,153	153
Total public safety	\$ 4,791,630	\$ 4,948,940	\$ 4,942,331	\$ (6,609)

continued....

**HART COUNTY, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2013
(Required Supplementary Information)**

continued....	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public Works				
Highways & streets	\$ 673,634	\$ 673,634	\$ 582,454	\$ (91,180)
Maintenance shop	421,119	421,119	369,760	(51,359)
Solid waste	-	-	72	72
Total public works	<u>1,094,753</u>	<u>1,094,753</u>	<u>952,286</u>	<u>(142,467)</u>
Public Health and Welfare				
Health	76,188	116,188	109,042	(7,146)
Behavioral health	-	-	-	-
Welfare	34,000	34,000	34,000	-
Senior citizens center	111,928	111,928	110,773	(1,155)
Transportation services	67,080	67,080	63,875	(3,205)
Total public health and welfare	<u>289,196</u>	<u>329,196</u>	<u>317,690</u>	<u>(11,506)</u>
Recreation and Culture				
Recreation	225,093	241,893	226,744	(15,149)
Library administration	77,000	77,000	77,000	-
Total recreation and culture	<u>302,093</u>	<u>318,893</u>	<u>303,744</u>	<u>(15,149)</u>
Housing and Development				
Conservation	-	-	4,283	4,283
Agricultural resources	76,253	76,253	74,515	(1,738)
Economic development & assistance	223,328	240,028	208,606	(31,422)
Airport authority	3,500	3,500	3,500	-
Community action programs	100	100	100	-
Adult basic education	12,750	13,685	13,685	-
Total housing and development	<u>315,931</u>	<u>333,566</u>	<u>304,689</u>	<u>(28,877)</u>
Total expenditures	<u>9,425,592</u>	<u>9,962,996</u>	<u>9,629,845</u>	<u>(333,151)</u>
Excess (deficiency) of revenues over (under) expenditures	(17,252)	(554,656)	289,252	843,908
Other financing sources (uses)				
Carryover of funds	17,252	554,656	-	(554,656)
Net change in fund balance	-	-	289,252	289,252
Fund balance, beginning of year	-	-	4,901,114	4,901,114
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,190,366</u>	<u>\$ 5,190,366</u>

HART COUNTY, GEORGIA
INSURANCE PREMIUM TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2013
(Required Supplementary Information)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 819,000	\$ 875,272	\$ 875,272	\$ -
Intergovernmental	-	-	-	-
Investment earnings	1,300	1,603	1,603	-
Total revenues	<u>820,300</u>	<u>876,875</u>	<u>876,875</u>	<u>-</u>
EXPENDITURES				
Current				
General government	22,000	22,839	52,524	29,685
Public safety	356,547	377,021	377,021	-
Public works	618,644	617,111	617,111	-
Total expenditures	<u>997,191</u>	<u>1,016,971</u>	<u>1,046,656</u>	<u>29,685</u>
Excess (deficiency) of revenues over (under) expenditures	(176,891)	(140,096)	(169,781)	(29,685)
Other financing sources (uses)				
Transfers in (out) - General Fund	211,945	140,096	-	(140,096)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	35,054	-	(169,781)	(169,781)
Fund balances, beginning of year	-	-	794,742	794,742
Fund balances, end of year	<u>\$ 35,054</u>	<u>\$ -</u>	<u>\$ 624,961</u>	<u>\$ 624,961</u>

HART COUNTY, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2013

NOTE 1 - BUDGETARY INFORMATION

Budgets for the general fund and the insurance premium tax fund are adopted on a basis that is consistent with accounting principles generally accepted in the United States as applied to governments.

During the fiscal year ended September 30 2013, no expenditures in any department in the general fund or in the insurance premium tax fund were materially in excess of the amounts appropriated. Excesses are considered to be material if they are both greater than \$10,000 and over three percent of the department level budget (the legal level of control).

Supplementary Information

Combining Statements

Nonmajor Governmental Funds

**HART COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2013**

	Capital Projects Fund	Special Revenue Funds							TOTAL
	SPLOST #2	Multiple Grant Fund	D.H.R. DFACS Building	Drug Abuse Treatment and Education	E911	Jail	Behavioral Health Escrow	Law Library	
ASSETS									
Cash and cash equivalents	\$ 263,645	\$ -	\$ 15,075	\$ 3,621	\$ 162,926	\$ 1,366	\$ 48,193	\$ 12,569	\$ 507,395
Receivables (net of allowance for uncollectibles)	-	-	178	927	108,831	2,540	-	-	112,476
Due from other funds	-	452,725	-	-	3,345	-	-	-	456,070
Prepaid items	-	-	-	-	9,920	-	-	-	9,920
Total assets	\$ 263,645	\$ 452,725	\$ 15,253	\$ 4,548	\$ 285,022	\$ 3,906	\$ 48,193	\$ 12,569	\$ 1,085,861
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 5,442	\$ 300	\$ -	\$ -	\$ 5,742
Other accrued items	-	-	-	-	9,229	-	-	-	9,229
Due to other funds	-	-	9,100	-	-	-	-	-	9,100
Total liabilities	-	-	9,100	-	14,671	300	-	-	24,071
Fund balances									
Nonspendable	-	-	-	-	9,920	-	-	-	9,920
Restricted	263,645	452,725	6,153	4,548	260,431	3,606	48,193	12,569	1,051,870
Total fund balances	263,645	452,725	6,153	4,548	270,351	3,606	48,193	12,569	1,061,790
Total liabilities and fund balances	\$ 263,645	\$ 452,725	\$ 15,253	\$ 4,548	\$ 285,022	\$ 3,906	\$ 48,193	\$ 12,569	\$ 1,085,861

HART COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	Capital Projects Fund	Special Revenue Funds							TOTAL
	SPLOST #2	Multiple Grant Fund	D.H.R. DFACS Building	Drug Abuse Treatment and Education	E911	Jail	Behavioral Health Escrow	Law Library	
REVENUES									
Charges for services	\$ -	\$ -	\$ 169,789	\$ -	\$ 461,097	\$ -	\$ 6,000	\$ -	\$ 636,886
Fines and forfeitures	-	-	-	8,924	-	25,895	-	5,842	40,661
Intergovernmental	-	452,725	-	-	-	-	-	-	452,725
Investment earnings	347	-	-	2	309	1	18	-	677
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	347	452,725	169,789	8,926	461,406	25,896	6,018	5,842	1,130,949
EXPENDITURES									
Current									
Judicial	-	-	-	-	-	-	-	3,899	3,899
Public safety	-	-	-	-	466,027	24,224	-	-	490,251
Health and welfare	-	-	17,402	23,792	-	-	-	-	41,194
Housing and development	-	-	-	-	-	-	2,409	-	2,409
Intergovernmental	19,031	-	-	-	-	-	-	-	19,031
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service									
Principal	-	-	149,281	-	-	-	-	-	149,281
Interest and paying agent fees	-	-	14,297	-	-	-	-	-	14,297
Total expenditures	19,031	-	180,980	23,792	466,027	24,224	2,409	3,899	720,362
Excess (deficiency) of revenues over (under) expenditures	(18,684)	452,725	(11,191)	(14,866)	(4,621)	1,672	3,609	1,943	410,587
Fund balances, beginning of year	282,329	-	17,344	19,414	274,972	1,934	44,584	10,626	651,203
Fund balances, end of year	\$ 263,645	\$ 452,725	\$ 6,153	\$ 4,548	\$ 270,351	\$ 3,606	\$ 48,193	\$ 12,569	\$ 1,061,790

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditures for specified purposes.

Insurance Premium Tax Fund - This major fund is used to account for the County's share of the state tax on insurance companies collected by Georgia. The monies collected are used for the fire department and street department.

Multiple Grant Fund - This fund is used to account for the proceeds received from the State of Georgia LMIG/Road Grant. The grant funds received are used specifically for road improvements and maintenance.

DFACS Building Fund - This fund is used to account for the collection of rental payments received from the Department of Human Resources for the the Department of Family and Children's Services (DFACS).

Drug Abuse Treatment and Education Fund - This fund is used to account for the County's share of fines and forfeitures collected by the Court system specifically designated for drug abuse treatment and education.

E911 Fund - This fund is used to account for the County's share of telephone fees for the operation of their 911 emergency system.

10% Jail Fund - This fund is used to account for the collection of fines and forfeitures specifically designated for operation of the County's Jail.

Behavioral Health Escrow Fund - This fund is used to account for the maintenance and upkeep of the Behavioral Health facility.

Law Library - The Law Library records are maintained separately from the County and is used to account for the court fines and fees legally restricted for the operation of the County's Law Library. There is no legally adopted budget for the Law Library.

HART COUNTY, GEORGIA
MULTIPLE GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 452,725	\$ 452,725
Total revenues	<u>-</u>	<u>-</u>	<u>452,725</u>	<u>452,725</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	452,725	452,725
Other financing sources (uses) Transfers in (out) - General Fund	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	452,725	452,725
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 452,725</u>	<u>\$ 452,725</u>

HART COUNTY, GEORGIA
DFACS BUILDING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 169,789	\$ 169,789	\$ 169,789	\$ -
Total revenues	<u>169,789</u>	<u>169,789</u>	<u>169,789</u>	<u>-</u>
EXPENDITURES				
Current				
Health and welfare	7,100	17,402	17,402	-
Debt service				
Principal	146,000	149,280	149,280	-
Interest and paying agent fees	20,000	14,297	14,297	-
Total expenditures	<u>173,100</u>	<u>180,979</u>	<u>180,979</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(3,311)	(11,190)	(11,190)	-
Other financing sources (uses)				
Transfers in (out) - General Fund	3,311	11,190	-	(11,190)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(11,190)	(11,190)
Fund balances, beginning of year	-	-	17,344	17,344
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,154</u>	<u>\$ 6,154</u>

HART COUNTY, GEORGIA
DRUG ABUSE TREATMENT AND EDUCATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 7,600	\$ 8,924	\$ 8,924	\$ -
Investment earnings	50	2	2	-
Total revenues	<u>7,650</u>	<u>8,926</u>	<u>8,926</u>	<u>-</u>
EXPENDITURES				
Current				
Health and welfare	12,500	23,792	23,792	-
Total expenditures	<u>12,500</u>	<u>23,792</u>	<u>23,792</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(4,850)	(14,866)	(14,866)	-
Other financing sources (uses)				
Transfers in (out) - General Fund	4,850	14,866	-	(14,866)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(14,866)	(14,866)
Fund balances, beginning of year	-	-	19,414	19,414
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,548</u>	<u>\$ 4,548</u>

HART COUNTY, GEORGIA
E911 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 372,400	\$ 461,097	\$ 461,097	\$ -
Investment earnings	-	309	309	-
Total revenues	<u>372,400</u>	<u>461,406</u>	<u>461,406</u>	<u>-</u>
EXPENDITURES				
Current				
Public safety	476,263	466,027	466,027	-
Total expenditures	<u>476,263</u>	<u>466,027</u>	<u>466,027</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(103,863)	(4,621)	(4,621)	-
Other financing sources (uses)				
Transfers in (out) - General Fund	103,863	4,621	-	(4,621)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(4,621)	(4,621)
Fund balances, beginning of year	-	-	274,972	274,972
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,351</u>	<u>\$ 270,351</u>

HART COUNTY, GEORGIA
10% JAIL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 26,700	\$ 26,700	\$ 25,895	\$ (805)
Investment earnings	-	-	1	1
Total revenues	<u>26,700</u>	<u>26,700</u>	<u>25,896</u>	<u>(804)</u>
EXPENDITURES				
Current				
Public safety	27,500	27,500	24,224	(3,276)
Total expenditures	<u>27,500</u>	<u>27,500</u>	<u>24,224</u>	<u>(3,276)</u>
Excess (deficiency) of revenues over (under) expenditures	(800)	(800)	1,672	2,472
Other financing sources (uses)				
Transfers in (out) - General Fund	800	800	-	(800)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	1,672	1,672
Fund balances, beginning of year	-	-	1,934	1,934
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,606</u>	<u>\$ 3,606</u>

HART COUNTY, GEORGIA
BEHAVIORAL HEALTH ESCROW SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Investment earnings	150	18	18	-
Total revenues	<u>6,150</u>	<u>6,018</u>	<u>6,018</u>	<u>-</u>
EXPENDITURES				
Current				
Housing and development	2,000	2,409	2,409	-
Total expenditures	<u>2,000</u>	<u>2,409</u>	<u>2,409</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	4,150	3,609	3,609	-
Other financing sources (uses)				
Transfers in (out) - General Fund	<u>(4,150)</u>	<u>(3,609)</u>	<u>-</u>	<u>3,609</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	3,609	3,609
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>44,584</u>	<u>44,584</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,193</u>	<u>\$ 48,193</u>

**HART COUNTY, GEORGIA
LAW LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2013**

	Budgeted Amounts Original	Final	Actual	Variance with Final Budget
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 5,842	\$ 5,842
Investment earnings	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>5,842</u>	<u>5,842</u>
EXPENDITURES				
Current				
Public safety	-	-	3,899	3,899
Total expenditures	<u>-</u>	<u>-</u>	<u>3,899</u>	<u>3,899</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	1,943	1,943
Other financing sources (uses)				
Transfers in (out) - General Fund	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	1,943	1,943
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>10,626</u>	<u>10,626</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,569</u></u>	<u><u>\$ 12,569</u></u>

Agency Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

HART COUNTY, GEORGIA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
September 30, 2013

	<u>TAX COMMISSIONER</u>	<u>CLERK OF SUPERIOR COURT</u>	<u>PROBATE COURT</u>	<u>MAGISTRATE COURT</u>	<u>SHERIFF</u>	<u>TOTAL</u>
ASSETS						
Cash	\$ 393,205	\$ 260,682	\$ 48,998	\$ 16,060	\$ 47,199	\$ 766,144
Taxes receivable	3,655,774	-	-	-	-	3,655,774
Total assets	<u>\$ 4,048,979</u>	<u>\$ 260,682</u>	<u>\$ 48,998</u>	<u>\$ 16,060</u>	<u>\$ 47,199</u>	<u>\$ 4,421,918</u>
LIABILITIES						
Due to others	<u>\$ 4,048,979</u>	<u>\$ 260,682</u>	<u>\$ 48,998</u>	<u>\$ 16,060</u>	<u>\$ 47,199</u>	<u>\$ 4,421,918</u>

HART COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
September 30, 2013

	<u>TAX COMMISSIONER</u>	<u>CLERK OF SUPERIOR COURT</u>	<u>PROBATE COURT</u>	<u>MAGISTRATE COURT</u>	<u>SHERIFF</u>	<u>TOTAL</u>
ASSETS						
Cash, balance September 30, 2012	\$ 248,533	\$ 224,048	\$ 9,983	\$ 18,514	\$ 35,850	\$ 536,928
Additions	20,093,170	453,446	456,520	215,659	161,562	21,380,357
Deductions	(19,948,498)	(416,812)	(417,505)	(218,113)	(150,213)	(21,151,141)
Cash, balance September 30, 2013	<u>393,205</u>	<u>260,682</u>	<u>48,998</u>	<u>16,060</u>	<u>47,199</u>	<u>766,144</u>
Taxes receivable, September 30, 2012	3,994,367	-	-	-	-	3,994,367
Additions	16,557,641	-	-	-	-	16,557,641
Deductions	(16,896,234)	-	-	-	-	(16,896,234)
Taxes receivable, September 30, 2013	<u>3,655,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,655,774</u>
Total assets	<u><u>\$ 4,048,979</u></u>	<u><u>\$ 260,682</u></u>	<u><u>\$ 48,998</u></u>	<u><u>\$ 16,060</u></u>	<u><u>\$ 47,199</u></u>	<u><u>\$ 4,421,918</u></u>
 LIABILITIES						
Due to others, September 30, 2012	\$ 4,242,900	\$ 224,048	\$ 9,983	\$ 18,514	\$ 35,850	\$ 4,531,295
Additions	20,093,170	453,446	456,520	215,659	161,562	21,380,357
Deductions	(20,287,091)	(416,812)	(417,505)	(218,113)	(150,213)	(21,489,734)
Due to others, September 30, 2013	<u>4,048,979</u>	<u>260,682</u>	<u>48,998</u>	<u>16,060</u>	<u>47,199</u>	<u>4,421,918</u>
Total liabilities	<u><u>\$ 4,048,979</u></u>	<u><u>\$ 260,682</u></u>	<u><u>\$ 48,998</u></u>	<u><u>\$ 16,060</u></u>	<u><u>\$ 47,199</u></u>	<u><u>\$ 4,421,918</u></u>

Supplemental Schedules

This section contains schedules required by the State of Georgia.

HART COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL
OPTION SALES TAX (SPLOST #2)
For the Year Ended September 30, 2013

Project	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>	<u>Estimated Percentage of Completion</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Years</u>		
Roads, streets and bridges	\$ 4,500,000	\$ 4,500,000	\$ 5,743,298	\$ -	\$ 5,743,298	100.00%
Water system and capital outlay	3,300,000	3,300,000	3,019,662	-	3,019,662	91.50%
Industrial development capital outlay	1,860,000	1,860,000	2,271,546	-	2,271,546	100.00%
County library/literacy center capital outlay	300,000	300,000	320,998	-	320,998	100.00%
Fire protection equipment	1,020,000	1,020,000	1,140,776	-	1,140,776	100.00%
Recreational facilities	1,020,000	1,020,000	1,020,200	-	1,020,200	100.00%
Total	<u>\$ 12,000,000</u>	<u>\$ 12,000,000</u>	<u>\$ 13,516,480</u>	<u>\$ -</u>	<u>\$ 13,516,480</u>	

Note A: The SPLOST schedule has been prepared on the modified accrual basis of accounting.

Note B: On November 7, 2000, the Special One Percent Sales Tax #2 was approved by voters in Hart County with funds to be specifically used for:

- 1) Roads, streets & bridges
- 2) Economic development
- 3) Recreational facilities
- 4) County Library/Literacy Center
- 5) Fire fighting equipment
- 6) Water projects

HART COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL
OPTION SALES TAX (SPLOST #3)
For the Year Ended September 30, 2013

Project	Estimated Cost		Expenditures		Total	Estimated Percentage of Completion
	Original	Current	Prior Years	Current Years		
Roads, streets and bridges	\$ 4,036,600	\$ 4,036,600	\$ 6,643,951	\$ -	\$ 6,643,951	100.00%
Water system capital outlay	3,200,000	3,200,000	1,999,023	1,091,467	3,090,490	96.58%
Industrial development capital outlay	3,200,000	3,200,000	1,901,976	336,805	2,238,781	69.96%
Capital outlay projects for the City of Royston	99,000	99,000	49,627	47,994	97,621	98.61%
Capital outlay projects for the Town of Bowersville	83,000	83,000	92,130	-	92,130	100.00%
Capital outlay projects for the Town of Canon	15,000	15,000	15,000	-	15,000	100.00%
Sewer improvements for the City of Hartwell	2,246,400	2,246,400	2,628,523	-	2,628,523	100.00%
Fire protection equipment	1,360,000	1,360,000	1,262,637	97,363	1,360,000	100.00%
Recreational facilities	1,360,000	1,360,000	1,178,079	14,870	1,192,949	87.72%
Total	\$ 15,600,000	\$ 15,600,000	\$ 15,770,946	\$ 1,588,499	\$ 17,359,445	

Note A: The SPLOST schedule has been prepared on the modified accrual basis of accounting.

Note B: On November 8, 2005, the Special One Percent Sales Tax #3 was approved by voters in Hart County with funds to be specifically used for:

- 1) Roads, streets & bridges
- 2) Water system capital outlay projects
- 3) Economic development capital outlay projects
- 4) Recreational facilities
- 5) Fire fighting equipment
- 6) Water & sewer projects for the City of Hartwell
- 7) Capital outlay projects for the City of Royston and Towns of Bowersville and Canon

Note C: The estimated \$15,600,000 SPLOST was approved by election held on November 8, 2005, and shall continue for a period of 6 years with collections that started on April 1, 2006.

HART COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL
OPTION SALES TAX (SPLOST #4)
For the Year Ended September 30, 2013

Project	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>	Estimated Percentage of Completion
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Years</u>		
Roads, streets and bridges	\$ 3,994,880	\$ 3,994,880	\$ 171,469	\$ 182,552	\$ 354,021	8.86%
Water system capital outlay	3,200,000	3,200,000	-	3,743	3,743	0.12%
Industrial development capital outlay	3,200,000	3,200,000	-	58	58	0.00%
Capital outlay projects for the City of Royston	358,400	358,400	-	8,869	8,869	2.47%
Capital outlay projects for the Town of Bowersville	185,600	185,600	-	18,580	18,580	10.01%
Capital outlay projects for the Town of Canon	37,120	37,120	-	-	-	0.00%
Capital outlay projects for the City of Hartwell	2,304,000	2,304,000	107,816	410,769	518,585	22.51%
Fire protection equipment	1,360,000	1,360,000	24	125,554	125,578	9.23%
Recreational facilities	<u>1,360,000</u>	<u>1,360,000</u>	<u>2,882</u>	<u>-</u>	<u>2,882</u>	0.21%
Total	<u>\$ 16,000,000</u>	<u>\$ 16,000,000</u>	<u>\$ 282,191</u>	<u>\$ 750,125</u>	<u>\$ 1,032,316</u>	

Note A: The SPLOST schedule has been prepared on the modified accrual basis of accounting.

Note B: On November 2, 2010, the Special One Percent Sales Tax #3 was approved by voters in Hart County with funds to be specifically used for:

- 1) Roads, streets & bridges
- 2) Water system capital outlay projects
- 3) Economic development capital outlay projects
- 4) Recreational facilities
- 5) Fire fighting equipment
- 6) Capital outlay projects for the Cities of Hartwell and Royston and Towns of Bowersville and Canon

Note C: The estimated \$16,000,000 SPLOST was approved by election held on November 2, 2010, and shall continue for a period of 6 years with collections that started on April 1, 2012.

Compliance and Single Audit Section

This section contains compliance reports and schedules required by
OMB Circular A-133 and *Government Auditing Standards*.

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June 30, 2014

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Chairman and
Members of the Board of Commissioners
Hart County
Hartwell, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hart County, Georgia, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Hart County, Georgia's basic financial statements and have issued our report thereon dated June 30, 2014. We did not audit the financial statements of the Hart County Health Department, a component unit of Hart County, Georgia. Those financial statements were audited by another auditor whose reports have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Hart County Health Department, is based on the reports of the other auditor.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in item 2013-002 of the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in item 2013-001 of the accompanying schedule of findings and questioned costs to be a significant deficiency.

BURCH, CROOMS & COMPANY, LLP

Hart County, Georgia
Page 2
June 30, 2014

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hart County, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-002.

We noted certain other matters involving the internal control over financial reporting that we have reported to the management of Hart County, Georgia in a separate letter dated June 30, 2014.

Hart County, Georgia's Responses to Findings

Hart County, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hart County, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Burch, Crooms & Company, LLP

BURCH, CROOMS & COMPANY, LLP
Certified Public Accountants

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June 30, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Honorable Chairman and
Members of the Board of Commissioners
Hart County
Hartwell, Georgia

Report on Compliance for the Sole Major Federal Program

We have audited Hart County, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on Hart County, Georgia's major federal program for the year ended September 30, 2013. Hart County, Georgia's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Hart County, Georgia's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hart County, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Hart County, Georgia's compliance.

Basis for Qualified Opinion on CFDA 14.228 Community Development Block Grant

As described in the accompanying schedule of findings and questioned costs, Hart County, Georgia did not comply with requirements regarding CFDA 14.228 Community Development Block Grant as described in item 2013-002 for Reporting. Compliance with such requirements is necessary, in our opinion, for Hart County, Georgia to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 14.228 Community Development Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hart County, Georgia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.228 Community Development Block Grant for the year ended September 30, 2013.

BURCH, CROOMS & COMPANY, LLP

Hart County, Georgia
Page 2
June 30, 2014

Other Matters

Hart County, Georgia's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Hart County, Georgia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Hart County, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hart County, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hart County, Georgia's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Hart County, Georgia's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Hart County, Georgia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Burch, Crooms & Company, LLP

HART COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
<i>Passed-through the Georgia Department of Transportation</i>			
Formula Grants for Other Than Urbanized Areas	20.509	GA-18-4033	\$ 19,951
Formula Grants for Other Than Urbanized Areas	20.509	GA-18-4028	4,585
Total passed through the Georgia Department of Transportation			<u>24,536</u>
<i>Passed-through the Georgia Department of Human Services</i>			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	42700-362-0000013114	9,155
Total U.S. Department of Transportation			<u>33,691</u>
<u>U.S. Department of the Interior</u>			
Payments in Lieu of Taxes (PILT)	15.226	N/A	<u>48,288</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed-through the Georgia Department of Community Affairs</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	11p-y-073-1-5359	<u>500,000</u>
<u>U.S. Department of Defense</u>			
<i>Passed-through the Georgia Office of the State Treasurer</i>			
Payments to States in Lieu of Real Estate Taxes	12.112	N/A	<u>20,511</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed-through the Georgia Emergency Management Agency</i>			
Emergency Management Performance Grants	97.042	OEM13-075S01	7,564
Emergency Management Directed Training Award	97.042	OEM13-075S02	500
Total U.S. Department of Homeland Security			<u>8,064</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed-through the Georgia Department of Human Services</i>			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	42700-362-0000013114	<u>944</u>
<i>Passed-through The Legacy Link, Inc.</i>			
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	Hart - TIII C1	20,799
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	Hart - TIII C2	27,137
Nutritional Services Incentive Program	93.053	Hart - NSIP	4,719
Social Services Block Grant	93.667	Hart - SSBG	756
Total passed-through The Legacy Link, Inc.			<u>53,411</u>
Total U.S. Department of Health and Human Services			<u>54,355</u>
Total Expenditures of Federal Awards			<u>\$ 664,909</u>

HART COUNTY, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards is a summary of the expenditures relating to Hart County, Georgia's federal award programs. The schedule is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Hart County, Georgia, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of Hart County, Georgia.

Note 2 - Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles outlined in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

HART COUNTY, GEORGIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not considered material weaknesses? X Yes none reported

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not considered material weaknesses? Yes X reported

Type of auditor's report issued on compliance for major programs: Qualified opinion on Community Development Block Grant program

Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: X Yes No

Identification of major federal program for the year:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grant - State's Programs and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Does the auditee qualify as a low risk auditee under Section 530 of OMB Circular A-133? Yes X No

HART COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2013-001

Significant deficiency in internal control over financial reporting

Condition: County personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the County relies on the external auditors for technical assistance in applying generally accepted accounting principles and for the preparation of the County's financial statements. This situation is common for governments of similar size and structure to Hart County. Under current accounting standards, providing technical assistance does not impair the independence of the external auditor. However, changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that the County Clerk or Assistant Clerk is not trained to perform the daily accounting functions, but that the County has elected as a cost benefit to outsource this expertise to their auditors.

Criteria: Effective internal control requires that the County accept responsibility and understanding of the audited financial report.

Effect: Failure to understand the financial statements may lead to material misstatements.

Questioned costs: No questioned costs noted.

Cause: The County has a limited number of personnel for certain functions.

Recommendation: County personnel should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the County's financial statements.

Corrective action plan: Management concurs with this finding. The Board of Commissioners and management have determined that personnel should receive training to the extent that it is economically feasible and to continue to rely on the technical assistance of the external auditors or other qualified professionals when necessary.

Contact person: Betty Floyd, Assistant County Clerk

Finding 2013-002

*Material weakness in internal control over financial reporting
Noncompliance material to financial statements*

Summary: Single Audit was not performed as required for the year ended September 30, 2011, resulting in the Georgia Department of Community Affairs not accepting the County's FY2011 financial statements. New funding was delayed pending submission of the FY2011 Single Audit.

See details under **SECTION III**

HART COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2013-002

Material weakness in internal control over reporting requirements
Noncompliance with reporting requirements

Agency: U.S. Department of Housing and Urban Development
(Passed-through the Georgia Department of Community Affairs)

CFDA #: 14.228

Program: Community Development Block Grant - State's Programs and
Non-Entitlement Grants in Hawaii

Award period: FY2011

Condition: Single Audit was not performed as required for the year ended September 30, 2011.

Criteria: OMB Circular A-133 requires a Single Audit be performed when federal awards expenditures for the year exceed the threshold amount (\$500,000).

Effect: Failure to meet the Single Audit reporting requirements resulted in noncompliance with grant reporting requirements and state audit submission requirements, and could delay or negatively impact the County's eligibility for future federal and state grant funds.

Questioned costs: No questioned costs noted.

Cause: The County did not have a process in place for accumulating federal awards expenditures and evaluating the applicability of the Single Audit requirements.

Context: The Georgia Department of Community Affairs did not accept the County's September 30, 2011 audit submission due to noncompliance with the Single Audit requirements of OMB Circular A-133. The County was placed on the state's listing of noncompliant local governments resulting in delayed funding of new grant awards until the Single Audit was completed and submitted. As of September 30, 2013, the September 30, 2011 Single Audit was in process, but had not yet been submitted. In January 2014, the Georgia Department of Community Affairs accepted the FY2011 Single Audit and removed the County from the listing of noncompliant governments.

Recommendation: We recommend management implement procedures to accumulate federal awards expenditures across all County departments, including component units. Management should review the listing of federal awards expenditures periodically to determine whether Single Audit requirements may apply in any given year.

Corrective action plan: Management concurs with this finding. The County has adopted a tracking system for all federal awards. Management will review that system each quarter. For those fiscal years that the threshold amount of \$500,000 is reached the County will have a Single Audit performed.

Contact person: Betty Floyd, Assistant County Clerk

HART COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2011-01

Federal program: (CFDA # 14.228) Community Development Block Grant - State's Programs and Non-Entitlement Grants in Hawaii

Status: The County was made aware of their noncompliance with allowable cost principles and matching requirements after September 30, 2013 as a result of the performance of the FY2011 Single Audit. The County developed a tracking system to accumulate costs related to federal awards and track responsibilities for compliance requirements related to all future grants. This system was in effect for FY2014. No issues of noncompliance related to this issue were noted in the FY2013 audit so this finding was not repeated.

Finding 2011-02

Federal program: (CFDA # 14.228) Community Development Block Grant - State's Programs and Non-Entitlement Grants in Hawaii

Status: The County was not aware of their noncompliance with the Single Audit reporting requirements for FY2011 until FY2013. As of September 30, 2013, the FY2011 Single Audit was in process. The County developed a tracking system to accumulate costs related to federal awards and track responsibilities for compliance requirements related to all future grants. This system was in effect for FY2014. The completed FY2011 Single Audit was accepted by the Georgia Department of Community Affairs in January 2014 and the County was removed from the listing of noncompliant local governments.

Reported in current year as **Finding 2013-002**.