HART COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2012

HART COUNTY, GEORGIA
FINANCIAL STATEMENTS
For the Year Ended September 30, 2012

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January 2, 2014

Independent Auditor's Report

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

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 as of and for the year ended September 30, 2012 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hart County, Georgia's management. 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, a component unit of Hart County, Georgia, which represents 1.3 percent, 1.0 percent, and 22.3 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Joint Development Authority of Franklin, Hart & Stephens Counties, a component unit of Hart County, Georgia, which represents 25.7 percent, 23.9 percent, and .4 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the financial statements, insofar as they relate to the amounts included for the Hart County Health Department and the Joint Development Authority of Franklin, Hart & Stephens Counties, is based on the reports of the other auditors.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2014 on our consideration of Hart County, Georgia'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* and and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hart County, Georgia's financial statements as a whole. The combining and individual fund financial statements and schedules, and the state reporting section with the special purpose local option sales tax reports are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, and the special purpose local option sales tax reports are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Burch, Crooms & Company, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hart County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2012. Management's discussion and analysis (MD&A) focuses on current year activities and resulting changes, please read it in conjunction with the County's financial statements.

Financial Highlights

The total assets of Hart County were $60,815,481, which exceeded its liabilities of $1,377,505 at the close of the most recent fiscal year by $59,437,976.

The government's total net assets increased by $31,840 from that of the prior year.

As of the close of the 2012 fiscal year, Hart County's governmental funds reported combined ending fund balances of $9,930,850 an increase of $1,248,104 in comparison with the prior year.

With an audited undesignated, unreserved General Fund fund balance in excess of 50% of General Fund expenditures at the close of Fiscal Year 2012, the Hart County Board of Commissioners budgeted for excess disbursements over revenues in lieu of raising revenues through increased property tax millage. By the end of the 2012 fiscal year, the fund balance for the General Fund was $4,901,114 or 54% of total general fund expenditures. The County Administrator is recommending a target 25-50% of General 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 Hart County's basic financial statements. Hart County's basic financial statements are compromised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements provide a broad overview of Hart County finances in a manner similar to that of private-sector businesses. The statements include:

> Statement of net assets presents the County's assets and liabilities, with the difference between the two reported as net assets. Over time, the change in net assets is an indicator of the improvement (an increase) or deterioration (a decrease) in the County's financial condition.
>
> Statement of activities presents the revenues and expenses of the County. The difference between these is the change in net assets for the year.

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.

Government-wide financial statements. The government-wide financial statements include not only Hart County, Georgia itself (known as the primary government), but also legally separate component units (Library, Health Department, The Joint Development Authority of Franklin, Hart and Stephens Counties, and the Water & Sewer Authority) for which Hart County, Georgia is financially accountable. Financial information for these component units is reported separately from financial information presented for the primary government itself.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources, available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near term financing decision. 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 between governmental funds and governmental activities.

The County maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, SPLOST #3, SPLOST #4, the Insurance Premium Tax Fund, and combined EIP (Employment Incentive Program) Funds, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts annual appropriated budgets for its general fund, capital projects funds, proprietary fund and special revenue funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with its budget. The Juvenile Court was orginially budgeted in Superior Court for the fiscal year ended September 30, 2012. At the request of the Superior Court Judge, the expenditures for Juvenile Court were accounted for in a newly created Juvenile Court budget. Based on actual spending in Fiscal Year 2012, the Fiscal Year 2013 budget has been adopted to reduce the Superior Court budget and fund the new Juvenile Court budget.

Proprietary funds. The County maintains one proprietary fund. Proprietary funds are used to account for quasi-business functions where revenues typically come from charges or fees. The County uses a proprietary fund to account for its solid waste operation. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste operation, which is a major fund of the County.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which includes the County's schedule of budgetary comparisons and additional supplementary information including combining and individual fund statements.

This report includes two schedules which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on fund financial statements.

- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statement but are reported as deferred revenue on the fund statements.

- Unless due and payable, long-term liabilities, such as lease obligations, compensated absences, bonds and notes payable, and others only appear as liabilities in the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the government fund financial statements.

- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements but are not reported as expenditures on the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, the change in net assets may serve as an indicator of the improvement (an increase) or deterioration (a decrease) in the County's financial condition. Hart County's assets exceeded liabilities by $59,735,796 at the close of the fiscal year. The table below shows the split of net assets between governmental and business-type

HART COUNTY, GEORGIA'S NET ASSETS
September 30, 2012
($ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Cash and Investments	$ 7,525	$ 6,624	$ 848	$ 877	$ 8,373	$ 7,501
Other Assets	4,126	3,664	84	113	4,210	3,777
Capital Assets	47,749	49,244	483	517	48,232	49,761
Total Assets	59,400	59,532	1,415	1,507	60,815	61,039
Other Liabilities	857	881	44	21	901	902
Long Term Debt Outstanding	182	332	294	336	476	668
Total Liabilities	1,039	1,213	338	357	1,377	1,570
Net Assets:						
Invested in Capital Assets, Net of Debt	47,418	48,770	483	517	47,901	49,287
Restricted	5,029	-	-	-	5,029	-
Nonspendable	172	-	-	-	172	-
Unrestricted	5,742	9,549	594	633	6,336	10,182
Total Net Assets	$ 58,361	$ 58,319	$ 1,077	$ 1,150	$ 59,438	$ 59,469

By far the largest portion of the County's net assets at the end of the fiscal year were invested in capital assets. The more than $47 million represents the investment in those assets less any outstanding debt used to acquire those assets. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since those assets themselves will not be liquidated to retire the associated debt.

HART COUNTY GEORGIA'S CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2012

($ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenues						
Charges for Services	$ 2,576	$ 2,613	$ 926	$ 831	$ 3,502	$ 3,444
Grants and Contributions	238	1,082	23	27	261	1,109
General Revenues						
Taxes	10,892	10,786	-	-	10,892	10,786
Interest	28	21	1	2	29	23
Other	-	-	-	-	-	-
Total Revenues	13,734	14,502	950	860	14,684	15,362
EXPENSES						
Governmental Activities	13,692	14,039	-	-	13,692	14,039
Solid Waste	-	-	1,023	1,118	1,023	1,118
Total Expenses	13,692	14,039	1,023	1,118	14,715	15,157
Transfers	-	-	-	-	-	-
Increase (Decrease) in Net Assets	42	463	(73)	(258)	(31)	205
Net Assets, Beginning	58,319	57,856	1,150	1,408	59,469	59,264
Net Assets, Ending	$ 58,361	$ 58,319	$ 1,077	$ 1,150	$ 59,438	$ 59,469

Total government-wide revenue for Fiscal Year 2012 was $14.6 million with $10.9 million in taxes, $.26 million in grants and contributions and $3.5 million in charges for services.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S 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 County's governmental funds is to provide information on near-term inflows and outflows of spendable resources. Such information is useful in evaluating a government's near-term financing requirements.

Governmental revenues were down from Fiscal Year 2012. Grants and contributions decreased approximately $0.8 million.

Property tax revenues consisted of over $5.1 million, while sales tax revenues also exceeded $4.7 million in the governmental funds. Sales taxes are a key revenue source that the Hart County Board of Commissioners utilizes to keep property taxes low, however these taxes are susceptible to the overall economic conditions. The Hart County unincorporated tax millage rate is one of the lowest rates in the State of Georgia. However, the County cautiously monitors sales tax revenues due to their instability in relation to property tax revenues.

Expenditures in the governmental funds were $13.7 million of which $6.0 million was for public safety and $3.9 million was for public works. The general fund expenditures per capita in Hart County are the lowest rate of expenditure per capita in comparison with 10 surrounding Georgia Counties.

Proprietary fund. The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Revenues in business type activities (Solid Waste Fund) was $.9 million which represents an increase of approximately $90,000 fom the previous year.

Expenses in business-type activities (Solid Waste Fund) were approximately $1.0 million in FY 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Hart County's Government-wide investment in capital assets at September 30, 2012 was $48.2 million, net of $30.4 million in accumulated depreciation. The investment, which includes land, buildings, roads, bridges, machinery and equipment, park facilities, infrastructure and vehicles, is covered in Note 7.

Major capital asset additions in 2012 consisted of approximately $.88 million. The additions were composed of approximately: a) $19,000 in recreational equipment, b) $45,000 in building improvements, $43,300 in machinery and equipment, c) $312,000 in vehicles, and d) $454,000 in infrastructure assets.

Long-term debt of the primary government decreased by approximately $141,000 during Fiscal Year 2012. Additional information on the County's debt is contained in Note 8.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget, the final budget and actual results of the General Fund are shown on the Budgetary Comparison Schedule.

ECONOMIC CONDITION AND OUTLOOK

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 1.4% over the previous year (from 11.8% at September 30, 2011 to 10.4% at September 30, 2012). However, the overall economy is still relatively weak. Several factors were considered during preparation of the budget for fiscal year 2013 including the following:

(1) Decrease in tax revenues due to a decrease in the net digest as well as a decrease in sales tax revenue.
(2) Decrease in interest rates on bank balances.
(3) Capital projects for road improvements and anticipated grant revenues.

REQUEST 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 information should be addressed to the Clerk to the Commission at 800 Chandler Street, Hartwell, GA 30643.

HART COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2012

Basic Financial Statements

HART COUNTY, GEORGIA
STATEMENT OF NET ASSETS
September 30, 2012

	PRIMARY GOVERNMENT			
ASSETS	Governmental Activities	Business-Type Activities	Total	Component Units
Current assets				
Cash and cash equivalents	$ 7,522,576	$ 848,469	$ 8,371,045	$ 1,448,521
Receivables (net of allowance for uncollectibles)	2,945,193	53,419	2,998,612	125,730
Intergovernmental receivables	231,453	-	231,453	-
Inventory	166,200	38,841	205,041	-
Internal balances	8,212	(8,212)	-	-
Prepaid items	171,999	-	171,999	4,865
Restricted cash	2,263	-	2,263	129,705
Note receivables	603,234	-	603,234	-
Total current assets	11,651,130	932,517	12,583,647	1,708,821
Noncurrent assets				
Capital assets				
Non-depreciable	2,352,402	-	2,352,402	4,895,953
Depreciable, net	45,396,831	482,601	45,879,432	9,998,641
Total noncurrent assets	47,749,233	482,601	48,231,834	14,894,594
Total assets	59,400,363	1,415,118	60,815,481	16,603,415
LIABILITIES				
Current liabilities				
Accounts payable	66,027	632	66,659	58,940
Other accrued items	201,058	9,308	210,366	3,086
Customer deposits	-	-	-	61,685
Compensated absences	440,205	13,325	453,530	17,000
Current portion of capital lease payable	149,471	-	149,471	-
Notes payable	-	-	-	19,197
Current portion of landfill closure/postclosure costs	-	21,028	21,028	-
Total current liabilities	856,761	44,293	901,054	159,908
Noncurrent liabilities				
Capital lease payable, less current portion	182,053	-	182,053	-
Compensated absences, less current portion	-	-	-	26,862
Notes payable, less current portion	-	-	-	458,069
Landfill closure/postclosure care costs, less current portion	-	294,398	294,398	-
Total noncurrent liabilities	182,053	294,398	476,451	484,931
Total liabilities	1,038,814	338,691	1,377,505	644,839
NET ASSETS				
Invested in capital assets, net of related debt	47,417,709	482,601	47,900,310	14,350,022
Restricted for				
Public safety	1,071,648	-	1,071,648	
Economic development	313,961	-	313,961	
Health and welfare	36,758	-	36,758	
Judicial	10,626	-	10,626	
Housing and development	44,584	-	44,584	
Capital projects	3,552,159	-	3,552,159	200,249
Debt service	-	-	-	28,152
Nonspendable prepaid items	171,999		171,999	
Unrestricted	5,742,105	593,826	6,335,931	1,380,153
Total net assets	$ 58,361,549	$ 1,076,427	$ 59,437,976	$ 15,958,576

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

HART COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNITS
Primary government								
Governmental activities								
General government	$ 1,629,326	$ 95,333	$ 49,477	$ -	$ (1,484,516)	$ -	$ (1,484,516)	
Judicial	1,037,786	569,245	-	-	(468,541)	-	(468,541)	
Public health and welfare	308,364	188,851	72,381	42,030	(5,102)	-	(5,102)	
Public safety	6,002,554	1,662,609	7,587	5,000	(4,327,358)	-	(4,327,358)	
Public works	3,896,181	-	57,105	3,711	(3,835,365)	-	(3,835,365)	
Recreation and culture	376,861	45,351	208	-	(331,302)	-	(331,302)	
Housing and development	419,012	14,373	-	-	(404,639)	-	(404,639)	
Interest and paying agent fees	22,221	-	-	-	(22,221)	-	(22,221)	
Total governmental activities	13,692,305	2,575,762	186,758	50,741	(10,879,044)	-	(10,879,044)	
Business-type activities								
Solid waste	1,023,181	925,780	22,646	-	-	(74,755)	(74,755)	
Total primary government	$ 14,715,486	$ 3,501,542	$ 209,404	$ 50,741	(10,879,044)	(74,755)	(10,953,799)	
Component units	$ 2,245,492	$ 921,589	$ 1,113,134	$ 183,806				$ (26,963)
General revenues								
Property taxes					5,191,693	-	5,191,693	-
Sales taxes					4,723,941	-	4,723,941	-
Other taxes					867,883	-	867,883	-
Alcoholic beverage taxes					60,274	-	60,274	-
Investment earnings					27,953	1,118	29,071	2,303
Miscellaneous					49,097	-	49,097	1,154
Total general revenues					10,920,841	1,118	10,921,959	3,457
Change in net assets					41,797	(73,637)	(31,840)	(23,506)
Net assets, beginning of year					58,319,752	1,150,064	59,469,816	16,371,629
Prior period adjustment					-	-	-	(389,547)
Net assets, end of year					$ 58,361,549	$ 1,076,427	$ 59,437,976	$ 15,958,576

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

HART COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012

	GENERAL	SPLOST#3	SPLOST#4	INSURANCE PREMIUM TAX	EIP	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash and cash equivalents	$ 2,819,480	$ 2,506,971	$ 473,218	$ 802,468	$ 309,120	$ 611,319	$ 7,522,576
Inventory	82,354	-	83,846	-	-	-	166,200
Receivables (net of allowance for uncollectibles)	2,881,229	-	-	-	4,841	59,123	2,945,193
Intergovernmental receivables	-	-	231,453	-	-	-	231,453
Due from other funds	17,251	65,056	-	-	145,000	-	227,307
Prepaid items	171,999	-	-	-	-	-	171,999
Restricted cash	2,263	-	-	-	-	-	2,263
Total assets	$ 5,974,576	$ 2,572,027	$ 788,517	$ 802,468	$ 458,961	$ 670,442	$ 11,266,991
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 33,525	$ 290	$ 25,368	$ 1,663	$ -	$ 5,181	$ 66,027
Other accrued liabilities	189,976	-	-	3,149	-	7,933	201,058
Due to other funds	-	-	65,056	2,914	145,000	6,125	219,095
Deferred revenues	849,961	-	-	-	-	-	849,961
Total liabilities	1,073,462	290	90,424	7,726	145,000	19,239	1,336,141
Fund balances							
Restricted for							
Public safety	-	-	-	794,742	-	276,906	1,071,648
Economic development	-	-	-	-	313,961	-	313,961
Health and welfare	-	-	-	-	-	36,758	36,758
Judicial	-	-	-	-	-	10,626	10,626
Housing and development	-	-	-	-	-	44,584	44,584
Capital projects	-	2,571,737	698,093	-	-	282,329	3,552,159
Nonspendable prepaid items	171,999	-	-	-	-	-	171,999
Unassigned	4,729,115	-	-	-	-	-	4,729,115
Total fund balances	4,901,114	2,571,737	698,093	794,742	313,961	651,203	9,930,850
Total liabilities and fund balances	$ 5,974,576	$ 2,572,027	$ 788,517	$ 802,468	$ 458,961	$ 670,442	$ 11,266,991

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 ASSETS
September 30, 2012

Total fund balance - total governmental funds		**$ 9,930,850**
Amounts reported for governmental activities in the statement of net assets 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 assets.		
Notes receivable	$ 608,076	
Less 60-day collections reported as a receivable at the fund level	(4,842)	603,234
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense. These assets consist of:		
Land and improvements	2,062,232	
Buildings	8,943,076	
Construction in progress	290,170	
Machinery, equipment and other	5,086,865	
Vehicles	4,390,130	
Infrastructure	55,215,987	
Recreational upgrades	1,720,881	
Less: accumulated depreciation	(29,960,108)	
Total capital assets		47,749,233
Some of the County's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Unearned property taxes		849,961
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	(331,524)	
Compensated absences	(440,205)	
Total capital leases and compensated absences		(771,729)
Net Assets of Governmental Activities		**$ 58,361,549**

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

HART COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	GENERAL	SPLOST#3	SPLOST#4	INSURANCE PREMIUM TAX	EIP	OTHER NONMAJOR FUNDS	TOTAL
REVENUES							
Taxes	$ 7,039,378	$ 1,723,077	$ 980,178	$ 819,300	$ -	$ -	$ 10,561,933
Licenses and permits	64,536	-	-	-	-	-	64,536
Intergovernmental	186,527	-	-	5,000	-	-	191,527
Fines and forfeitures	523,005	-	-	-	-	43,313	566,318
Charges for services	1,311,230	-	-	-	-	571,950	1,883,180
Investment earnings	5,127	3,244	106	1,600	20,825	762	31,664
Contributions and donations	231	-	-	-	-	-	231
Miscellaneous	95,068	-	-	-	122,569	-	217,637
Total revenues	9,225,102	1,726,321	980,284	825,900	143,394	616,025	13,517,026
EXPENDITURES							
Current							
General government	1,487,209	-	-	22,473	-	-	1,509,682
Judicial	1,059,032	-	-	-	-	4,013	1,063,045
Public safety	4,758,218	83,837	-	386,121	-	525,994	5,754,170
Public works	814,692	-	-	648,057	-	-	1,462,749
Health and welfare	289,395	-	-	-	-	28,175	317,570
Recreation and culture	321,813	-	-	-	-	-	321,813
Housing and development	299,107	-	-	-	6,151	1,277	306,535
Intergovernmental	-	338,123	107,816	-	-	-	445,939
Capital outlay	-	725,338	174,375	-	-	24,129	923,842
Debt service							
Principal	-	-	-	-	-	141,356	141,356
Interest and paying agent fees	-	-	-	-	-	22,221	22,221
Total expenditures	9,029,466	1,147,298	282,191	1,056,651	6,151	747,165	12,268,922
Excess (deficiency) of revenues over (under) expenditures	195,636	579,023	698,093	(230,751)	137,243	(131,140)	1,248,104
Net change in fund balances	195,636	579,023	698,093	(230,751)	137,243	(131,140)	1,248,104
Fund balances, beginning of year	4,705,478	1,992,714	-	1,025,493	176,718	782,343	8,682,746
Fund balances, end of year	$ 4,901,114	$ 2,571,737	$ 698,093	$ 794,742	$ 313,961	$ 651,203	$ 9,930,850

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 Year Ended September 30, 2012

Net change in fund balances - total governmental funds:		**$ 1,248,104**
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	$ 878,173	
Depreciation Expense	(2,372,923)	
Excess of depreciation expense over capital outlay		(1,494,750)
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 assets. This is the amount of debt reduction during the year.		
Loan Repayments		141,356
Proceeds from contractual note receivable obligations are recorded as revenue in the funds but have no effect on net assets.		
Payments Received		(106,813)
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 @ 9/30/12	(440,205)	
Liability @ 9/30/11	412,248	(27,957)
Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
Deferred Revenue at 9/30/12	849,961	
Deferred Revenue at 9/30/11	(568,104)	
Total Increase in Deferred Revenue		281,857
Change in Net Assets of Governmental Activities		**$ 41,797**

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

HART COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2012

	SOLID WASTE
ASSETS	
Current assets	
Cash and cash equivalents	$ 848,469
Receivables (net of allowance for uncollectibles)	53,419
Inventory	38,841
Total current assets	940,729
Noncurrent assets	
Capital assets	
Vehicles	113,180
Machinery, equipment and other	508,099
Buildings	252,685
Less: accumulated depreciation	(391,363)
Total noncurrent assets	482,601
Total assets	1,423,330
LIABILITIES	
Current liabilities	
Accounts payable	632
Other accrued liabilities	9,308
Due to other funds	8,212
Compensated absences	13,325
Current portion of landfill closure/postclosure care costs	21,028
Total current liabilities	52,505
Noncurrent liabilities	
Landfill closure/postclosure care costs, net of current portion	294,398
Total liabilities	346,903
NET ASSETS	
Invested in capital assets	482,601
Unrestricted	593,826
Total net assets	$ 1,076,427

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

HART COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended September 30, 2012

	SOLID WASTE
OPERATING REVENUES	
Intergovernmental	$ 22,646
Charges for services - refuse collection	925,780
Total operating revenues	948,426
OPERATING EXPENSES	
Personnel services	384,678
Professional services	19,516
Purchased property services	2,141
Other purchased services	525,288
Supplies and other	56,845
Depreciation	34,713
Total operating expenses	1,023,181
Operating loss	(74,755)
Non-operating revenues	
Investment earnings	1,118
Change in net assets	(73,637)
Net assets, beginning of year	1,150,064
Net assets, end of year	$ 1,076,427

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

HART COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2012

	SOLID WASTE
Cash flows from operating activities:	
Cash received from customers	$ 934,824
Other operating revenues	22,646
Cash payments to suppliers for goods and services	(583,938)
Cash payments to employees for services	(382,619)
Net cash used by operating activities	(9,087)
Cash flows from capital and related financing activities:	
Decrease in landfill closure/postclosure care costs	(21,028)
Acquisition of capital assets	-
Net cash used by capital and related financing activities	(21,028)
Cash flows from investing activities:	
Interest received on investments	1,118
Net decrease in cash and cash equivalents	(28,997)
Cash and cash equivalents, beginning of year	877,466
Cash and cash equivalents, end of year	$ 848,469
Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating loss	$ (74,755)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	34,713
Decrease in accounts receivable	9,044
Decrease in inventory	11,682
Decrease in accounts payable	(42)
Increase in due to other funds	8,212
Increase in compensated absences	963
Increase in other accrued expenses	1,096
Total adjustments	65,668
Net cash used by operating activities	$ (9,087)

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, 2012

	Agency Funds Total
ASSETS	
Cash	$ 536,928
Taxes receivable	3,994,367
Total assets	$ 4,531,295
LIABILITIES	
Due to others	$ 4,531,295
Total liabilities	$ 4,531,295

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

HART COUNTY, GEORGIA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2012

	Library	Health Department	Joint Development Authority of Franklin, Hart & Stephens Counties	Water & Sewer Authority	Total
ASSETS					
Cash and cash equivalents	$ 56,817	$ 164,163	$ 28,894	$ 1,198,647	$ 1,448,521
Receivables (net of allowance for uncollectibles)	-	39,819	-	85,911	125,730
Prepaid items	-	-	-	4,865	4,865
Restricted cash	-	-	129,705	-	129,705
Capital assets					
Land and improvements	-	-	4,558,064	-	4,558,064
Water and sewer lines	-	-	-	12,184,708	12,184,708
Machinery, equipment, and other	171,946	9,881	-	142,371	324,198
Books and collections	412,026	-		-	412,026
Construction in progress	-	-	-	337,889	337,889
Less: accumulated depreciation	(516,818)	-	(458,558)	(1,946,915)	(2,922,291)
Capital assets, net of depreciation	67,154	9,881	4,099,506	10,718,053	14,894,594
Total assets	123,971	213,863	4,258,105	12,007,476	16,603,415
LIABILITIES					
Current liabilities					
Accounts payable	3,060	2,964	-	52,916	58,940
Current portion of notes payable	-	-	6,681	12,516	19,197
Customer deposits	-	-	-	61,685	61,685
Other accrued liabilities	-	-	-	3,086	3,086
Compensated absences due within one year	-	17,000	-	-	17,000
Non-current liabilities					
Notes payable, less current portion	-	-	445,299	12,770	458,069
Compensated absences due after one year	-	26,862	-	-	26,862
Total liabilities	3,060	46,826	451,980	142,973	644,839
NET ASSETS					
Invested in capital assets, net of related debt	67,154	9,881	3,647,526	10,625,467	14,350,028
Restricted for					
Capital projects	-	-	100,249	100,000	200,249
Debt service	-	-	28,152	-	28,152
Unrestricted	53,757	157,156	30,198	1,139,036	1,380,147
Total net assets	$ 120,911	$ 167,037	$ 3,806,125	$ 11,864,503	$ 15,958,576

Note: The Library, Health Department and the Joint Dev. 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, 2012

	Library	Health Department	Joint Development Authority of Franklin, Hart & Stephens Counties	Water & Sewer Authority	Total
Expenses					
Public health and welfare	$ -	$ 547,573	$ -	$ -	$ 547,573
Public works	-	-	-	833,469	833,469
Recreation and culture	246,679	-	-	-	246,679
Housing and development	-	-	594,808	-	594,808
Total expenses	246,679	547,573	594,808	833,469	2,222,529
Program revenues					
Charges for services	11,805	166,896	-	742,888	921,589
Operating grants and contributions	254,241	351,261	507,632	-	1,113,134
Capital grants and contributions	-	-	-	183,806	183,806
Total program revenues	266,046	518,157	507,632	926,694	2,218,529
Net (expense) revenue	19,367	(29,416)	(87,176)	93,225	(4,000)
General revenues					
Investment earnings	15	-	243	2,045	2,303
Miscellaneous and other	622	-	(21,772)	(659)	(21,809)
Total general revenues	637	-	(21,529)	1,386	(19,506)
Change in net assets	20,004	(29,416)	(108,705)	94,611	(23,506)
Net assets, beginning	512,825	174,082	3,914,830	11,769,892	16,371,629
Prior period adjustment and special items	(411,918)	22,371	-	-	(389,547)
Net assets, ending	$ 120,911	$ 167,037	$ 3,806,125	$ 11,864,503	$ 15,958,576

Note: The Library, Health Department and the Joint Dev. Authority of Franklin, Hart & Stephens have a June 30 Year End.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hart County, Georgia (the County) was established in 1853 by the Georgia General Assemby 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.

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following is a summary of the more significant accounting policies:

(A) REPORTING ENTITY

The County is one of 159 counties established in Georgia under State Law. As required by GAAP, these financial statements present the County and its component units, which are legally separate entities for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organizations; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. The discretely presented component units below are reported in a separate column in the County's government-wide financial statements to emphasize they are legally separate from the County.

Hart County Library

The Hart County 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 7 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hart County Health Department

Hart County Health Department is constituted and operated in accordance with the Georgia Health Code 88-2, Georgia Laws 1964. The District Health Director is the Executive Officer of the Hart County Health Department and is responsible for the overall coordination of the local health activities. Hart County Health Department is funded by the State and County under the Grant-in-Aid provisions, and operates under the supervision of the local Board of Health.

Hart County Water and Sewer Authority

The Hart County Water and Sewer Authority was created by House Bill No. 2141 of the Georgia Assembly on March 30, 1993. However, the Authority did not become active until fiscal year ended September 30, 2001. The Authority is governed by a five member Board appointed by the County Board of Commissioners for four year terms. The Authority is the basic level of government which has oversight responsibility and control over all activities related to water and sewerage systems in Hart County. The Authority receives most of its operating revenues from sales of water service and connection fees. The Authority pays for capital outlay (water lines) with money it receives from Hart County Special Purpose Local Option Sales Tax and other governmental grants. The Authority is also included as a component unit within the Hart County governmental "reporting entity" as defined by GASB pronouncement 14, because the Hart County Board of Commissioners appoints all members of the Authority's board and can, therefore, impose its will upon the Authority.

Joint Development Authority of Franklin, Hart and Stephens Counties

The Authority 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 the Authority 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Complete financial statements of the above component units may be obtained from the administrative offices at the following locations:

HART COUNTY LIBRARY
150 Benson Street
Hartwell, Georgia 30643
(June 30, 2012 year end)

HART COUNTY HEALTH DEPARTMENT
64 Reynolds Street
Hartwell, Georgia 30643
(June 30, 2012 year end)

HART COUNTY WATER AND SEWER AUTHORITY
200 Arthur Street
Hartwell, Georgia 30643
(September 30, 2012 year end)

JOINT DEVELOPMENT AUTHORITY OF FRANKLIN, HART AND STEPHENS COUNTIES
P.O. Box 793
Hartwell, Georgia 30643
(June 30, 2012 year end)

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Changes in Net Assets, which are the government-wide statements, report information on all of the nonfiduciary activities of the County and its component units. Most of the interfund activity has been removed from these statements. The County's governmental activities, which are supported primarily by taxes and intergovernmental revenues, are reported separately from its business-type activities, which rely on charges for services for support. Likewise, the County is reported separately from certain legally separate component units for which the County is financially accountable.

The Statement of Activities demonstates the degree to which the direct expenses of specific functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for services and grants or contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not properly included among program revenues, including all taxes, are reported as general revenues.

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. Major individual governmental funds are included as separate columns in the fund financial statements. The proprietary fund distinguishes operating revenues and expenses from nonoperating items. The operating items generally result from providing services in collection with the fund's principal ongoing operations. All revenues and expenses not meeting the operating criteria are reported as nonoperating items.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the County considers property taxes as available if they are collected within 60 days of the end of the current fiscal period for which they are levied. Expenditures are recognized when a fund liability is incurred, if measurable. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is made.

In the governmental funds statements, property and other taxes, investment earnings, and charges for services of the current fiscal period are susceptible to accrual and thus counted as revenues for the current fiscal period if recevied within 60 days of year-end. With the exception of sales tax distributions, revenues collected beyond 60 days after year-end are not susceptible to accrual because generally they are either not available or not measurable until received in cash. Sales tax distributions are accrued and treated as revenue for the current fiscal period if received within 90 days of year-end.

The County reports the following major funds:

General Fund - The general fund is the general operating fund of the County. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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 to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

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 (assets equal liabilities) and do not involve measurement of results of operations. The County maintains five agency funds: the Tax Commissioner Fund, which collects and disburses taxes; the Clerk of Superior Court fund, the Probate Court fund and the Magistrate Court fund, which all account for monies received from the court system; and the Sheriff's Fund, which accounts for monies confiscated from and owned by inmates and for monies used to fight drug crimes in the County.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The County has the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

All funds of the County are accounted for during the year on the modified accrual basis of accounting in accordance with Georgia General Statutes. The governmental funds are also reported using the modified accrual basis of accounting. The proprietary funds are reported using the full accrual basis of accounting.

The County recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nealy equal value in return. Various intergovernmental revenues, sales taxes, property taxes and most donations are examples of nonexchange transactions.

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.

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. 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 law authorizes local governments to invest in the following types of obligations:

1. Obligations of the State of Georgia or of any other states
2. Obligations of the United States Government
3. Obligations fully insured or guaranteed by the government or governmental agency
4. Obligations of any corporation of the 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 bank deposit in excess of the total FDIC insured amount must be secured by 110% of an equivalent amount of State or U.S. obligations.

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

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

(F) Receivables and Payables

Outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide statements as "internal balances".

(G) Taxes Receivable Deferred Revenues

Property taxes, other than vehicles, are levied and billed November 15 and are due on January 21 (lien date). Interest of 1% per month is assessed on taxes not paid by January 21, 2012. A penalty of 10% is assessed on taxes not paid within 90 days of this date. Property taxes become past due on January 22. Property taxes on certain registered motor vehicles are assessed and collected throughout the year. The taxes are based on the assessed values as of January 1, 2012.

Ad valorem taxes collected wtihin 60 days after the fiscal year end for the year ended September 30, 2012 and prior years are accrued within the funds because the amounts are considered measurable and available. The remaining ad valorem taxes receivable are not accrued, as the amount is not considered available. These taxes receivable are significantly past due and are not considered to be an available resource to finance the operations of the subsequent year. GAAP states that property taxes, which are measurable but not available, should be initially recorded as deferred revenues under the modified accrual basis of accounting. The receivable amount is reduced by an allowance for uncollectible taxes and an amount equal to the net receivable is shown as deferred revenue on the combined balance sheet.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County bills and collects its own property taxes and also those for the School Board and the State. 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 have not yet been determined because the final tax digests for those years are not yet complete. It is anticipated that those final tax digests and billings will be completed in the next fiscal year. An interest rate of 1% per month is assessed on taxes paid late. However, there will be no penalty assessed due to these temporary billings.

(H) Allowances for Uncollectible Accounts

Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

(I) 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. 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.

(J) 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 estimated useful lives of the respective assets ranging as follows:

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

(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

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

(M) Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of any related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either a) not in spendable form or, b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors, or laws or regulations of other governments.

Committed Fund Balance - The commited fund balance represent the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners through the adoption of a resolution. Any changes or removal of specific purposes requires majority action by the Board of Commissioners.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned Fund Balance - The assigned fund balance is the portion of fund balance that has been budgeted by the County's Board of Commissioners.

Future Capital Projects - portion of fund balance in a capital project fund that have not yet been assigned to a specific project.

Debt Service - portion of fund balance that has been budgeted for future debt service payments.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

When both restricted and unrestricted amounts of fund balance are available for us 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: Committed, Assigned, and Unassigned.

(N) 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.

(O) Subsequent Events

Subsequent events have been evaluated by management through December XX, 2013, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) 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 and 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.

NOTE 3 - FINANCIAL ASSISTANCE TO COMPONENT UNITS

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

Component Unit	Amount of Assistance
Hart County Library	$ 77,000
Hart County Health Department	73,292
Hart County Water and Sewer Authority	183,806
The Joint Development Authority of Franklin, Hart and Stephens Counties	-
Total Financial Assistance to Component Units	$ 334,098

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, 2012:

	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
Primary Government	$1,358,135	$7,614,167	$ -	$ 8,972,302	$ 8,910,236
Component Units					
Hart Co. Library	44,861	12,680	-	57,541	56,817
Hart Co. Health Dept.	187,985		-	187,985	164,163
Hart Co. Water & Sewer Authority	250,000	949,022	-	1,199,022	1,198,647
The Joint Development Auth. Of Franklin, Hart & Stephens Counties	140,808	20,090	-	160,898	158,599
Total Component Units	623,654	981,792	-	1,605,446	1,578,226
Total	$1,981,789	$8,595,959	$ -	$10,577,748	$10,488,462

Primary government cash and cash equivalents reconciliation:

	Cash and Cash Equivalents
Primary Government - Fund Reporting Level:	
Governmental Funds - Balance Sheet	$ 7,522,576
Governmental Funds - Balance Sheet (Restricted)	2,263
Proprietary Fund Type - Statement of Net Assets	848,469
Statement of Fiduciary Assets and Liabilities	536,928
Total	$ 8,910,236

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, 2012, the investments in the Georgia Fund 1 were rated AAAm by Standard & Poor's.

Of the $8,910,236 carrying amount of cash and cash equivalents for the Primary Government, $7,228,059 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. Total investments in Georgia Fund 1 as of September 30, 2012 are:

Georgia Fund I	AAAm rated	$ 7,228,059	58 day WAM

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 collaterized. At September 30, 2012, 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.

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 collectibility.

Receivables as of year end for the County's individual major funds and nonmajor governmental funds are as follows:

	General Fund	SPLOST #4	EIP	Other Nonmajor Governmental Funds	Total Governmental Funds
Receivables:					
Property Taxes	$ 936,592	$ -	$ -	$ -	$ 936,592
Accounts	3,441,688	-	4,841	59,123	3,505,652
Intergovernmental	-	231,453	-	-	231,453
Total Gross Receivables	4,378,280	231,453	4,841	59,123	4,673,697
Less: Allowance for Uncollectibles	(1,497,051)	-	-	-	(1,497,051)
Total Net Receivables	$ 2,881,229	$ 231,453	$ 4,841	$ 59,123	$ 3,176,646
Note Receivable	$ -	$ -	$ -	$ 608,076	$ 608,076

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 $2,371.53. As of September 30, 2012, the remaining balance of the note is $109,317 with a current amount of $25,504.

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 $1,179.75. As of September 30, 2012, the remaining balance of the note is $10,870 with a current amount of $10,870.

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 $1,400.13 per month. As of September 30, 2012, the remaining balance of the note is $94,857 with a current amount of $14,141.

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 $6,210.25. As of September 30, 2012, the remaining balance of the note is $393,032 with a current amount of $61,723.

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

	Library	Health Department	Water & Sewer Authority	The Joint Dev. Authority of Franklin, Hart & Stephens	Total
Accounts Receivable	$ -	$ 39,819	$ 85,911	$ -	$ 125,730

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables as of September 30, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
General	Insurance Premium Tax	$ 2,914
General	E-911 Fund	$ 6,125
General	Solid Waste	$ 8,212
		$ 17,251
Employment Incentive Programs:		
EIP #1	EIP #3	$ 110,000
EIP #2	EIP #3	$ 35,000
		$ 145,000

The balances reported as Due to/Due from represent loans between the borrower funds and the lender funds. These balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between the funds are made.

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Primary Government:				
Governmental Activities:				
Non-Depreciable Assets:				
Land and Improvements	$ 2,062,232	$ -	$ -	$ 2,062,232
Construction in Progress	452,277	67,817	229,924	290,170
Total Non-depreciable Capital Assets	2,514,509	67,817	229,924	2,352,402
Depreciable Assets:				
Buildings	8,908,023	35,053	-	8,943,076
Machinery, Equipment and Other	5,010,961	75,904		5,086,865
Vehicles	4,078,138	311,992		4,390,130
Infrastructure	54,598,656	617,331		55,215,987
Recreational Upgrades	1,720,881	-		1,720,881
Total Depreciable Capital Assets	74,316,659	1,040,280	-	75,356,939
Less Accumulated Depreciation				
Buildings	(2,023,062)	(129,898)		(2,152,960)
Machinery, Equipment and Other	(2,008,180)	(244,268)		(2,252,448)
Vehicles	(1,637,639)	(227,955)		(1,865,594)
Infrastructure	(21,757,450)	(1,736,632)		(23,494,082)
Recreational Upgrades	(160,854)	(34,170)		(195,024)
Total Accumulated Depreciation	(27,587,185)	(2,372,923)	-	(29,960,108)
Total Depreciable Capital Assets, Net	46,729,474	(1,332,643)	-	45,396,831
Governmental Activities Capital Assets, Net	$ 49,243,983	$ (1,264,826)	$ 229,924	$ 47,749,233
Business-type Activities:				
Depreciable Assets:				
Buildings	$ 252,685	$ -	$ -	$ 252,685
Machinery, Equipment and Other	508,099	-	-	508,099
Vehicles	113,180	-	-	113,180
Total Depreciable Capital Assets	873,964	-	-	873,964
Less Accumulated Depreciation				
Buildings	(19,274)	(8,333)	-	(27,607)
Machinery, Equipment and Other	(275,072)	(22,607)	-	(297,679)
Vehicles	(62,304)	(3,773)	-	(66,077)
Total Accumulated Depreciation	(356,650)	(34,713)	-	(391,363)
Business-type Activities Capital Assets, Net	$ 517,314	$ (34,713)	$ -	$ 482,601

NOTE 7 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Government	$ 108,234
Housing & Development	302
Judicial	4,478
Public Health and Welfare	10,706
Public Safety	342,006
Public Works	1,845,947
Recreation and Culture	61,250
Total Depreciation Expense-Governmental Activities	$ 2,372,923
Business-type Activities:	
Solid Waste	$ 34,713

Discretely Presented Component Units:

Health Department
Activity for the Health Department for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable Assets:				
Machinery, Equipment and Other	$ 30,479	$ 9,881	$ 30,479	$ 9,881
Less Accumulated Depreciation	(30,479)	-	(30,479)	-
Capital Assets, net	$ -	$ 9,881	$ -	$ 9,881

Library
Activity for the Library for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable Assets:				
Machinery, Equipment and Other	$ 170,578	$ 1,369	$ -	$ 171,947
Books and Collections	815,472	11,843	(415,290)	412,025
Less Accumulated Depreciation				
Machinery, Equipment and Other	(128,974)	(5,063)	-	(134,037)
Books and Collections	(373,146)	(13,007)	3,372	(382,781)
Capital Assets, net	$ 483,930	$ (4,858)	$ (411,918)	$ 67,154

Retirements include a prior period adjustment to correct the beginning balance in books and collections.

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Water and Sewer Authority

Activity for the Water and Sewer Authority for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Construction in Progress	$ 216,962	$ 479,736	$ (358,809)	$ 337,889
Depreciable Assets:				
Water & Sewer Lines	11,750,290	434,417	-	12,184,707
Machinery, Equipment and Other	72,673	2,398	-	75,071
Total Depreciable Capital Assets	11,822,963	436,815	-	12,259,778
Less Accumulated Depreciation/Amortization				
Water & Sewer Lines	(1,631,418)	(245,591)	-	(1,877,009)
Machinery, Equipment and Other	(65,792)	(4,113)	-	(69,905)
Total Depreciable Capital Assets, net	10,125,753	187,111	-	10,312,864
Capital Assets, Net	$10,342,715	$ 666,847	$ (358,809)	$10,650,753

The Authority amortizes a Feasibility Study over 20 years, a Water Conservation Plan over 10 years, and a Master Plan for its water system over 30 years. Below is the amortization for the year ended September 30, 2012:

	Beginning Balance	Additions	Retirements	Ending Balance
Feasibility Study	$ 19,482	$ -		$ 19,482
Water Consumption Plan	13,403	-	-	13,403
Water System Master Plan	59,847	-	-	59,847
Less Accumulated Amortization				
Feasibility Study	(8,361)	(974)	-	(9,335)
Water Consumption Plan	(6,813)	(1,340)	-	(8,153)
Water System Master Plan	(5,949)	(1,995)		(7,944)
Feasibility Study, Net of Amortization	$ 71,609	$ (4,309)	$ -	$ 67,300

The Joint Development Authority for Franklin, Hart and Stephens Counties

Activity for The Joint Development Authority for Franklin, Hart and Stephens Counties for the year ended June 30, 2012 was as follows:

Non-Depreciable Assets	Beginning Balance	Additions	Retirements	Ending Balance
Land and Improvements	$ 1,309,359	$ -	$ -	$ 1,309,359
Depreciable Assets:				
Site Improvements	3,248,705	-	-	3,248,705
Less Accumulated Depreciation	(392,076)	(66,482)	-	(458,558)
Total Depreciable Capital Assets, net	2,856,629	(66,482)	-	2,790,147
Capital Assets, Net	$ 4,165,988	$ (66,482)	$ -	$ 4,099,506

NOTE 8 - LONG TERM DEBT

Capital Leases

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 $13,631.45 at 5.35% per annum. This agreement qualifies as a capital lease under FASB ASC Topic 840, Leases.

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 $14,149.10 per month. Of this amount, $13,631.45 is considered rent and $517.65 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 2012, the County made total payments of $163,577 toward the DFACS building lease. Of this total payment, $141,356 was a reduction of principal while $22,221 was interest paid.

The future minimum lease obligations for the DFACS lease as of September 30, 2012 is as follows:

Year Ending September 30	DFACS
2013	$ 163,577
2014	163,577
2015	24,545
Total	351,699
Less: Interest	(20,175)
Present Value of Minimum Lease Payments	$ 331,524

NOTE 8 - LONG TERM DEBT (CONTINUED)

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 site for 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. The $315,426 reported as landfill closure and post closure care liability at September 30, 2012 represents the estimated total amount necessary to perform all future closure and post closure functions. The amount reported is based on what it would cost to perform all closure and post closure care in 2012. Actual costs may be higher due to changes in inflation, technology, or applicable laws or regulations. Amortization of the above total closure and post closure care liability over the remaining 15 years of required monitoring is $21,028 per year. The County meets the Environmental Protection Agency financial assurance requirements using the financial test method because it has sufficient assets to cover the closure and post closure care costs.

CHANGES IN LONG TERM DEBT
Long term liability activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 412,248	$ 27,957	$ -	$ 440,205	$ 440,205
Capital Leases	472,883	-	(141,359)	331,524	149,471
Governmental Activities Long-term Liabilities	$ 885,131	$ 27,957	$ (141,359)	$ 771,729	$ 589,676
Business-type Activities:					
Compensated Absences	$ 12,362	$ 963	$ -	$ 13,325	$ 13,325
Landfill Closure/Postclosure	336,454	-	(21,028)	315,426	21,028
Business-type Activities Long-term Liabilities	$ 348,816	$ 963	$ (21,028)	$ 328,751	$ 34,353

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	$ 417,427
E-911	12,315
Insurance Premium	10,463
Total	$ 440,205
Business-type Activities:	
Solid Waste	$ 13,325

NOTE 8 - LONG TERM DEBT (CONTINUED)

COMPONENT UNITS

Health Department

Long term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	$ 36,390	$ 24,488	$ (17,016)	$ 43,862	$ 17,000

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

Water and Sewer Authority

Note payable activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note Payable	$ 37,555	$ -	$ (12,269)	$ 25,286	$ 12,516

In fiscal year 2003 Hart County Water and Sewer Authority 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, 2012 is $166,740.

The GEFA Loan is a low interest loan with a original principal loan amount of $116,918. As of September 30, 2012 the GEFA Loan carried a balance of $25,286 with an annual interest rate of 2%.The first payment of $3,232.25 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
2013	$ 413	$ 12,516	$ 12,929
2014	159	12,770	12,929
Total	$ 572	$ 25,286	25,858
	Less: Interest		(572)
	Present Value of Minimum Payments		$ 25,286

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

NOTE 8 - LONG TERM DEBT (CONTINUED)

The Joint Development Authority of Franklin, Hart and Stephens Counties

Notes payable activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	$ 458,358	$ -	$ (6,378)	$ 451,980	$ 6,678

On July 18, 2002, the Authority 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, the Authority must set aside in a reserve account $2,815 annually until such balance reaches $28,150. The Authority 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 $392,076 at June 30, 2012.

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

	U.S.D.A. Loan		
Year Ending June 30	Principal	Interest	Total Payment
2013	$ 6,678	$ 21,472	$ 28,150
2014	6,995	21,155	28,150
2015	7,327	20,823	28,150
2016	7,675	20,475	28,150
2017-2021	44,205	96,545	140,750
2022-2026	55,752	84,998	140,750
2027-2031	70,313	70,437	140,750
2032-2036	88,679	52,071	140,750
2037-2041	111,841	28,909	140,750
2042-2043	52,515	3,785	56,300
Total	$ 451,980	$ 420,670	872,650
Less: Interest			(420,670)
Present Value of Minimum Lease Payments			$ 451,980

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

NOTE 9 - 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 10 – 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, the County contributed $87,088 to the plan, based on covered salaries of $2,902,921. Total payroll was $6,104,519. Plan members made voluntary contributions of $138,111.

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.

NOTE 10 – 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 11 - 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 cost 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.

NOTE 11 - RISK FINANCING ACTIVITIES (CONTINUED)

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

NOTE 12 - COMMITMENTS AND 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.

The County is a defendant in several lawsuits. 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.

NOTE 13 - RECONCILIATION OF FUNDS EXPENDED TO COMPONENT UNITS

For the year ending September 30, 2012, Hart County did not expend any funds for the Joint Development of Authority of Franklin, Hart & Stephens Counties. The Authority has a year end of June 30, 2012. The audited financial statements for the Authority report no revenue from the County for their fiscal year. Therefore, a reconciliation of funds expended by the County to revenues received by the Authority is not necessary.

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, 2012. 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 2012 on behalf of the Library.	$	77,000
Less funds paid to the Library between June 30, 2012 and September 30, 2012		(19,250)
Plus funds paid to the Library between June 30, 2011 and September 30, 2011		19,250
Revenue shown on the Hart County Library Audit for Year Ending June 30, 2012	$	77,000

NOTE 14 - 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 budget 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 $2,625 to the Airport during the year ended September 30, 2012. 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, 2012, the County paid $22,023 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

NOTE 15 - EMPLOYMENT INCENTIVE PROGRAM FUND

For reporting purposes during fiscal year 2012, management has decided to consolidate what were four Employment Incentive Program (EIP) Funds from the prior fiscal years. 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 2012 ending Fund Balance.

EIP Fund #1	$ 220,350
EIP Fund #2	86,008
EIP Fund #3	(82,880)
EIP Fund #4	90,483
Total Fiscal Year 2012 Fund Balance	$ 313,961

NOTE 16 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund expenditures exceeded budgeted appropriations in one of the departments for the year ended September 30, 2012, as shown on page 48 of these financial statements. These over expenditures were funded by excess cash held in the General Fund.

NOTE 17 - INTERGOVERNMENTAL AGREEMENTS

The County has an agreement with various municipalites 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 Industrial Building Authority of Hart County has a Rural Economic Development and Grant Loan requiring annual payments of $90,000. The County advances this amount to the Industrial Building Authority on an annual basis.

NOTE 18 - SUBSEQUENT EVENTS

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

(1) In the fall of 2012, Hart County was awarded a Community Development Block Grant by the Georgia Department of Community Affairs to be used for the Hart County Water & Sewer Authority's Mount Olivet/Reed Creek water line project. Construction began in the fall of 2012 and the first grant payment was received in the fourth quarter of 2012. The total cost of the project was expected to be approximately $1,749,500. The majority of the remaining costs of the project were paid for with Hart County's Special Purpose Local Option Sales Tax funds.

(2) In the fall of 2012, the Joint Development Authority of Franklin, Hart and Stephens Counties was awarded a grant from the Department of Community Affairs totaling $948,000, which is structured as a grant of $798,000 and a loan of $150,000 and requiring a local match of $50,000. The purpose of the grant is to fund construction of a fiber optic network in this area.

(3) In November 2012, the Board of Commissioners voted to approve an Intergovernmental Agreement for the Hart County Water and Sewer Authority to borrow $2,221,700 from the Drinking Water State Revolving Fund to finance the costs of acquiring, constructing and installing additions, extensions, or improvements to the water system in Hart County.

(4) In January 2013, the County received a donation from the Hart County Hospital Authority of an office building on Cade Street. The fair market value of the donated property is $266,500.

(5) In April 2013, the County purchased land for approximately $27,300 for the purchase of building a fire station in the Rock Springs area of Hart County. Bids were awarded for the construction of the fire station and improvements and management expects the construction cost to be approximately $50,000. In June 2013, the County also awarded a bid for the renovation of the Reed Creek Fire Station at a cost of approximately $188,500.

(6) In April 2013, the Georgia Department of Community Affairs informed the County that the audited financial statements for the year ended September 30, 2011 had not been accepted because a Single Audit under OMB Circular A-133 was required, but not performed. In the letter informing the County of the decision, the Department gave the County 90 days to comply and submit the required information. The County requested, and received, an extension until December 31, 2013. Management believes this issue will be resolved by that time.

(7) In June 2013, the County entered into an Intergovernmental Agreement with the Hart County Industrial Building Authority (the Authority). The Authority 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.

(8) In July 2013, the Georgia Department of Revenue approved the 2011 tax millage. County management expects the final billings for 2009, 2010, and 2011 digests to be issued during the fall of 2013.

(9) In July 2013, a bid was awarded for a commercial drive in the Gateway Industrial Park at a cost of approximately $80,600.

(10) In August 2013, the Hart County Water and Sewer Authority was awarded a $500,000 grant from the Georgia Department of Community Affairs for a water line project in the Nancy Hart community of Hart County.

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, 2012
(Required Supplementary Information)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 7,059,600	$ 7,059,600	$ 7,039,378	$ (20,222)
Licenses and permits	65,100	65,100	64,536	(564)
Intergovernmental	171,500	171,500	186,527	15,027
Fines and forfeitures	545,000	545,000	523,005	(21,995)
Charges for services	1,021,750	1,021,750	1,311,230	289,480
Investment earnings	5,400	5,400	5,127	(273)
Contributions & donations	1,440	1,440	231	(1,209)
Miscellaneous	37,055	37,055	95,068	58,013
Total revenues	8,906,845	8,906,845	9,225,102	318,257
EXPENDITURES				
Current expenditures				
General government				
General government	110,782	110,782	54,563	(56,219)
Board of registrars	37,414	55,414	43,915	(11,499)
Elections	21,894	49,324	49,324	-
Professional	117,000	117,000	92,780	(24,220)
Executive	359,654	359,654	346,545	(13,109)
Tax commissioner	272,131	272,131	253,694	(18,437)
Tax assessors	352,245	397,725	377,118	(20,607)
Risk management	156,000	166,672	166,672	-
Buildings and properties	87,500	98,968	98,968	-
General administration fees	4,250	4,250	3,630	(620)
Total general government	1,518,870	1,631,920	1,487,209	(144,711)
Judicial				
Superior court	143,879	143,879	95,703	(48,176)
Clerk of superior court	258,539	258,539	246,813	(11,726)
Probate court	270,686	270,686	267,916	(2,770)
Juvenile court	-	-	56,943	56,943
Grand jury	52,400	72,054	72,054	-
Public defender	68,720	68,838	68,838	-
District attorney	9,340	38,359	38,359	-
Magistrate court	171,207	171,207	169,659	(1,548)
Board of equalization	20,295	42,747	42,747	-
Total judicial	995,066	1,066,309	1,059,032	(7,277)
Public Safety				
Sheriff	1,716,261	1,716,261	1,659,763	(56,498)
Jail operations	1,008,746	1,104,442	1,104,442	-
Whitworth women's center	30,000	32,517	32,517	-
Coroner and medical examiner	13,870	15,127	15,127	-
Emergency management	28,427	28,427	22,572	(5,855)
Emergency medical service	1,797,771	1,893,797	1,893,797	-
Animal control	30,000	30,000	30,000	-
Total public safety	$ 4,625,075	$ 4,820,571	$ 4,758,218	$ (62,353)

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, 2012
(Required Supplementary Information)

continued....	Budgeted Amounts Original	Final	Actual	Variance with Final Budget
Public Works				
Highways & streets	$ 498,871	$ 498,871	$ 497,165	$ (1,706)
Maintenance shop	405,749	405,749	317,346	(88,403)
Water & sewer authority	-	-	181	181
Total public works	904,620	904,620	814,692	(89,928)
Public Health and Welfare				
Health	76,188	80,412	80,412	-
Behavioral health	-	-	(192)	(192)
Welfare	34,000	34,000	34,000	-
Senior citizens center	107,509	107,509	95,060	(12,449)
Transportation services	47,926	80,115	80,115	-
Total public health and welfare	265,623	302,036	289,395	(12,641)
Recreation and Culture				
Recreation	225,344	244,241	244,241	-
Library administration	77,000	77,572	77,572	-
Total recreation and culture	302,344	321,813	321,813	-
Housing and Development				
Agricultural resources	72,427	73,769	73,797	28
Economic development & assistance	215,221	215,221	209,065	(6,156)
Airport authority	-	3,500	2,625	(875)
Community action programs	100	100	-	(100)
Adult basic education	12,750	13,620	13,620	-
Total housing and development	300,498	306,210	299,107	(7,103)
Total expenditures	8,912,096	9,353,479	9,029,466	(324,013)
Excess (deficiency) of revenues over (under) expenditures	(5,251)	(446,634)	195,636	642,270
Other financing sources (uses)				
Carryover of funds	5,251	446,634	-	(446,634)
Net change in fund balance	-	-	195,636	195,636
Fund balance, beginning of year	-	-	4,705,478	4,705,478
Fund balance, end of year	$ -	$ -	$ 4,901,114	$ 4,901,114

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, 2012
(Required Supplementary Information)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 850,000	$ 850,000	$ 819,300	$ (30,700)
Intergovernmental	-	-	5,000	5,000
Investment earnings	1,500	1,500	1,600	100
Total revenues	851,500	851,500	825,900	(25,600)
EXPENDITURES				
Current				
General government	21,758	21,758	22,473	715
Public safety	402,229	402,229	386,121	(16,108)
Public works	639,458	639,458	648,057	8,599
Total expenditures	1,063,445	1,063,445	1,056,651	(6,794)
Excess (deficiency) of revenues over (under) expenditures	(211,945)	(211,945)	(230,751)	(18,806)
Other financing sources (uses)				
Transfers in (out) - General Fund	211,945	211,945	-	(211,945)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(230,751)	(230,751)
Fund balances, beginning of year	-	-	1,025,493	1,025,493
Fund balances, end of year	$ -	$ -	$ 794,742	$ 794,742

HART COUNTY, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2012

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 2012, the County incurred expenditures in the following General Fund department that 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). Material excesses of expenditures over appropriations at the department level are presented below:

Department	Budget	Actual	Variance
General Fund:			
Judicial			
Juvenile court	$ -	$ 56,943	$ (56,943)

Supplementary Information

Combining Statements

Nonmajor Governmental Funds

HART COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

	Capital Projects Fund	Special Revenue Funds						
	SPLOST #2	D.H.R. DFACS Building	Drug Abuse Treatment and Education	E911	Jail	Behavioral Health Escrow	Law Library	TOTAL
ASSETS								
Cash and cash equivalents	$ 282,329	$ 17,344	$ 19,414	$ 235,088	$ 1,934	$ 44,584	$ 10,626	$ 611,319
Receivables (net of allowance for uncollectibles)	-	-	-	59,123	-	-	-	59,123
Due from other funds	-	-	-	-	-	-	-	-
Total assets	$ 282,329	$ 17,344	$ 19,414	$ 294,211	$ 1,934	$ 44,584	$ 10,626	$ 670,442
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	$ -	$ -	$ -	$ 5,181	$ -	$ -	$ -	$ 5,181
Other accrued items	-	-	-	7,933	-	-	-	7,933
Due to other funds	-	-	-	6,125	-	-	-	6,125
Total liabilities	-	-	-	19,239	-	-	-	19,239
Fund balances								
Restricted for								
Special Revenue Funds	-	17,344	19,414	274,972	1,934	44,584	10,626	368,874
Capital Projects Funds	282,329	-	-	-	-	-	-	282,329
Total fund balances	282,329	17,344	19,414	274,972	1,934	44,584	10,626	651,203
Total liabilities and fund balances	$ 282,329	$ 17,344	$ 19,414	$ 294,211	$ 1,934	$ 44,584	$ 10,626	$ 670,442

HART COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	Capital Projects Fund	Special Revenue Funds						
	SPLOST #2	D.H.R. DFACS Building	Drug Abuse Treatment and Education	E911	Jail	Behavioral Health Escrow	Law Library	TOTAL
REVENUES								
Charges for services	$ -	$ 169,789	$ -	$ 396,161	$ -	$ 6,000	$ -	$ 571,950
Fines and forfeitures	-	-	9,810	-	27,582	-	5,921	43,313
Investment earnings	362	-	-	377	2	21	-	762
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	362	169,789	9,810	396,538	27,584	6,021	5,921	616,025
EXPENDITURES								
Current								
Judicial	-	-	-	-	-	-	4,013	4,013
Public safety	-	-	-	488,183	37,811	-	-	525,994
Health and welfare	-	8,282	19,893	-	-		-	28,175
Housing and development	-	-	-	-	-	1,277	-	1,277
Capital outlay	24,129	-	-	-	-	-	-	24,129
Debt service								
Principal	-	141,356	-	-	-	-	-	141,356
Interest and paying agent fees	-	22,221	-	-	-	-	-	22,221
Total expenditures	24,129	171,859	19,893	488,183	37,811	1,277	4,013	747,165
Excess (deficiency) of revenues over (under) expenditures	(23,767)	(2,070)	(10,083)	(91,645)	(10,227)	4,744	1,908	(131,140)
Fund balances, beginning of year	306,096	19,414	29,497	366,617	12,161	39,840	8,718	782,343
Fund balances, end of year	$ 282,329	$ 17,344	$ 19,414	$ 274,972	$ 1,934	$ 44,584	$ 10,626	$ 651,203

Special Revenue Funds

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

Insurance Premium Tax Fund - This 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.

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
DFACS BUILDING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the Year Ended September 30, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
REVENUES				
Charges for services	$ 169,889	$ 169,889	$ 169,789	$ (100)
Total revenues	169,889	169,889	169,789	(100)
EXPENDITURES				
Current				
Health and welfare	7,100	7,100	8,282	1,182
Debt service				
Principal	140,000	140,000	141,356	1,356
Interest and paying agent fees	27,000	27,000	22,221	(4,779)
Total expenditures	174,100	174,100	171,859	(2,241)
Excess (deficiency) of revenues over (under) expenditures	(4,211)	(4,211)	(2,070)	2,141
Other financing sources (uses)				
Transfers in (out) - General Fund	4,211	4,211	-	(4,211)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(2,070)	(2,070)
Fund balances, beginning of year	-	-	19,414	19,414
Fund balances, end of year	$ -	$ -	$ 17,344	$ 17,344

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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 7,500	$ 7,500	$ 9,810	$ 2,310
Investment earnings	100	100	-	(100)
Total revenues	7,600	7,600	9,810	2,210
EXPENDITURES				
Current				
Health and welfare	24,500	24,500	19,893	(4,607)
Total expenditures	24,500	24,500	19,893	(4,607)
Excess (deficiency) of revenues over (under) expenditures	(16,900)	(16,900)	(10,083)	6,817
Other financing sources (uses)				
Transfers in (out) - General Fund	16,900	16,900	-	(16,900)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(10,083)	(10,083)
Fund balances, beginning of year	-	-	29,497	29,497
Fund balances, end of year	$ -	$ -	$ 19,414	$ 19,414

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, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
REVENUES				
Charges for services	$ 372,400	$ 372,400	$ 396,161	$ 23,761
Investment earnings	-	-	377	377
Total revenues	372,400	372,400	396,538	24,138
EXPENDITURES				
Current				
Public safety	503,833	503,833	488,183	(15,650)
Total expenditures	503,833	503,833	488,183	(15,650)
Excess (deficiency) of revenues over (under) expenditures	(131,433)	(131,433)	(91,645)	39,788
Other financing sources (uses)				
Transfers in (out) - General Fund	131,433	131,433	-	(131,433)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(91,645)	(91,645)
Fund balances, beginning of year	-	-	366,617	19,414
Fund balances, end of year	$ -	$ -	$ 274,972	$ (72,231)

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, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
REVENUES				
Fines and forfeitures	$ 26,100	$ 26,100	$ 27,582	$ 1,482
Investment earnings	-	-	2	2
Total revenues	26,100	26,100	27,584	1,484
EXPENDITURES				
Current				
Public safety	37,811	37,811	37,811	-
Total expenditures	37,811	37,811	37,811	-
Excess (deficiency) of revenues over (under) expenditures	(11,711)	(11,711)	(10,227)	1,484
Other financing sources (uses)				
Transfers in (out) - General Fund	10,400	10,400	-	(10,400)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,311)	(1,311)	(10,227)	(8,916)
Fund balances, beginning of year	-	-	12,161	12,161
Fund balances, end of year	$ (1,311)	$ (1,311)	$ 1,934	$ 3,245

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, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
REVENUES				
Charges for services	$ 6,000	$ 6,000	$ 6,000	$ -
Investment earnings	150	150	21	(129)
Total revenues	6,150	6,150	6,021	(129)
EXPENDITURES				
Current				
Housing and development	1,277	1,277	1,277	-
Total expenditures	1,277	1,277	1,277	-
Excess (deficiency) of revenues over (under) expenditures	4,873	4,873	4,744	(129)
Other financing sources (uses)				
Transfers in (out) - General Fund	(1,150)	(1,150)	-	1,150
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	3,723	3,723	4,744	1,021
Fund balances, beginning of year	-	-	39,840	39,840
Fund balances, end of year	$ 3,723	$ 3,723	$ 44,584	$ 40,861

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, 2012

	TAX COMMISSIONER	CLERK OF SUPERIOR COURT	PROBATE COURT	MAGISTRATE COURT	SHERIFF	TOTAL
ASSETS						
Cash	$ 248,533	$ 224,048	$ 9,983	$ 18,514	$ 35,850	$ 536,928
Taxes receivable	3,994,367	-	-	-	-	3,994,367
Total assets	$ 4,242,900	$ 224,048	$ 9,983	$ 18,514	$ 35,850	$ 4,531,295
LIABILITIES						
Due to others	$ 4,242,900	$ 224,048	$ 9,983	$ 18,514	$ 35,850	$ 4,531,295

HART COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
September 30, 2012

	TAX COMMISSIONER	CLERK OF SUPERIOR COURT	PROBATE COURT	MAGISTRATE COURT	SHERIFF	TOTAL
ASSETS						
Cash, balance September 30, 2011	$ 261,195	$ 273,358	$ 33,800	$ 22,503	$ 36,686	$ 627,542
Additions	20,753,596	560,443	431,114	225,657	171,025	22,141,835
Deductions	(20,766,258)	(609,753)	(454,931)	(229,646)	(171,861)	(22,232,449)
Cash, balance September 30, 2012	248,533	224,048	9,983	18,514	35,850	536,928
Taxes receivable, September 30, 2011	2,967,996	-	-	-	-	2,967,996
Additions	18,280,637	-	-	-	-	18,280,637
Deductions	(17,254,266)	-	-	-	-	(17,254,266)
Taxes receivable, September 30, 2012	3,994,367	-	-	-	-	3,994,367
Total assets	$ 4,242,900	$ 224,048	$ 9,983	$ 18,514	$ 35,850	$ 4,531,295
LIABILITIES						
Due to others, September 30, 2011	$ 3,229,191	$ 273,358	$ 33,800	$ 22,503	$ 36,686	$ 3,595,538
Additions	20,753,596	560,443	431,114	225,657	171,025	22,141,835
Deductions	(19,739,887)	(609,753)	(454,931)	(229,646)	(171,861)	(21,206,078)
Due to others, September 30, 2012	4,242,900	224,048	9,983	18,514	35,850	4,531,295
Total liabilities	$ 4,242,900	$ 224,048	$ 9,983	$ 18,514	$ 35,850	$ 4,531,295

Other Reporting Section

This section contains compliance reports required by Government Auditing Standards.

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Ruth D. Hein

January 2, 2014

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 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, 2012, which collectively comprise the Hart County, Georgia's basic financial statements and have issued our report thereon dated January 2, 2014. We did not audit the financial statements of the Hart County Health Department or the Joint Development Authority of Franklin, Hart & Stephens Counties, both component units of Hart County, Georgia. Those financial statements were audited by other auditors 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 and the Joint Development Authority of Franklin, Hart & Stephens Counties, is based on the reports of the other auditors. 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.

Internal Control over Financial Reporting

Management of Hart County, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hart County, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hart County, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hart County, Georgia's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hart County, Georgia's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters involving the internal control over financial reporting that we have reported to management of Hart County, Georgia, in a separate letter dated January 2, 2014.

Hart County, Georgia's response to the finding identified in our audit is described in the accompanying schedule of audit finding and response. We did not audit Hart County, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burch, Crooms & Company, LLP

HART COUNTY, GEORGIA
SCHEDULE OF AUDIT FINDING AND RESPONSE
For the Year Ended September 30, 2012

Significant Deficiency

12-1 – Controls Over Financial Statement Preparation

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 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.

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.

Management's Response: 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 auditor or other qualified professional when necessary.

State Reporting Section

This section contains additional reports 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, 2012

Project	Estimated Cost		Expenditures			Estimated Percentage of Completion
	Original	Current	Prior Years	Current Years	Total	
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	2,247,417	24,129	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	$ 12,000,000	$ 12,000,000	$ 13,492,351	$ 24,129	$ 13,516,480	

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, 2012

Project	Estimated Cost		Expenditures			Estimated Percentage of Completion
	Original	Current	Prior Years	Current Years	Total	
Roads, streets and bridges	$ 4,036,600	$ 4,036,600	$ 6,517,069	$ 126,882	$ 6,643,951	100.00%
Water system capital outlay	3,200,000	3,200,000	1,813,278	185,745	1,999,023	62.47%
Industrial development capital outlay	3,200,000	3,200,000	1,616,345	285,631	1,901,976	59.44%
Capital outlay projects for the City of Royston	99,000	99,000	49,627	-	49,627	50.13%
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	2,380,400	248,123	2,628,523	100.00%
Fire protection equipment	1,360,000	1,360,000	970,543	292,094	1,262,637	92.84%
Recreational facilities	1,360,000	1,360,000	1,169,256	8,823	1,178,079	86.62%
Total	$ 15,600,000	$ 15,600,000	$14,623,648	$1,147,298	$ 15,770,946	

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, 2012

Project	Estimated Cost Original	Estimated Cost Current	Prior Years	Current Years	Total	Estimated Percentage of Completion
Roads, streets and bridges	$ 3,994,880	$ 3,994,880	$ -	$ 171,469	$ 171,469	4.29%
Water system capital outlay	3,200,000	3,200,000	-	-	-	0.00%
Industrial development capital outlay	3,200,000	3,200,000	-	-	-	0.00%
Capital outlay projects for the City of Royston	358,400	358,400	-	-	-	0.00%
Capital outlay projects for the Town of Bowersville	185,600	185,600	-	-	-	0.00%
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	107,816	4.68%
Fire protection equipment	1,360,000	1,360,000	-	24	24	0.00%
Recreational facilities	1,360,000	1,360,000	-	2,882	2,882	0.21%
Total	$ 16,000,000	$ 16,000,000	$ -	$ 282,191	$ 282,191	

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.