

HART COUNTY, GEORGIA

AUDITED FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

HART COUNTY, GEORGIA
September 30, 2005

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March 1, 2006

Independent Auditor's Report

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

I 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, 2005 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. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Hart County Health Department, a nonmajor component unit, as of and for the year then ended June 30, 2005, which statements reflect total assets of \$271,829 as of June 30, 2005, and total revenues of \$622,481 for the year then ended. These financial statements of the Health Department were audited by other auditors whose reports have been furnished to me and my opinion on these financial statements, insofar as it relates to the amounts included for the component unit, is based solely on the reports of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, based on my audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the County's management. I have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, I did not audit the information and accordingly, express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hart County, Georgia's basic financial statements. The combining nonmajor and fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor and fund financial statements and schedules as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 1, 2006, on my consideration of the County's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 should be read in conjunction with this report in considering the results of my audit.



Certified Public Accountant

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, 2005. 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.

As a result of the enactment of GASB 34, the County is required to present a discussion and analysis of its financial condition and performance for the year ended September 30, 2005.

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 comprised 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 fifteen 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, and SPLOST #2, both of which are considered to be major funds. Data from the other thirteen 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 an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with its budget.

Proprietary funds. The County maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise 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 concerning the County's schedule of budgetary comparisons and combining and individual fund statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Hart County, on an entity-wide basis, had an increase in net assets during FY 2005 of \$3.7 million, of which governmental activities reported an increase of \$3.5 million while business-type activities reported a net increase of \$.2 million. At September 30, 2005 the County had \$13.0 million invested in capital assets, net of debt and accumulated depreciation. The table below shows the split of net assets between governmental and business-type activities.

HART COUNTY, GEORGIA'S NET ASSETS September 30, 2005

(\$ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2005	2004	2005	2004	2005	2004
Cash and investments	\$ 8,124	\$ 7,406	\$ 1,570	\$ 1,384	\$ 9,694	\$ 8,790
Other assets	2,443	1,731	102	122	2,545	1,853
Capital assets	13,767	12,021	498	512	14,265	12,533
Total assets	<u>24,334</u>	<u>21,158</u>	<u>2,170</u>	<u>2,018</u>	<u>26,504</u>	<u>23,176</u>
Other liabilities	460	655	73	132	533	787
Long term debt outstanding	1,081	1,208	441	484	1,522	1,692
Total liabilities	<u>1,541</u>	<u>1,863</u>	<u>514</u>	<u>616</u>	<u>2,055</u>	<u>2,479</u>
Net assets:						
Invested in capital assets, net of debt	12,566	10,702	498	512	13,064	11,214
Restricted	4	4	-	-	4	4
Unrestricted	10,223	8,589	1,158	890	11,381	9,479
Total net assets	<u>\$ 22,793</u>	<u>\$ 19,295</u>	<u>\$ 1,656</u>	<u>\$ 1,402</u>	<u>\$ 24,449</u>	<u>\$ 20,697</u>

**HART COUNTY GEORGIA'S CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2005**

(\$ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2005	2004	2005	2004	2005	2004
REVENUES						
Program revenues						
Charges for services	\$ 1,700	\$ 1,905	\$ 822	\$ 778	\$ 2,522	\$ 2,683
Grants and contributions	1,625	981	4	-	1,629	981
General revenues						
Taxes	10,213	9,724	-	-	10,213	9,724
Interest	222	98	37	13	259	111
Other	116	8	-	-	116	8
Total revenues	<u>13,876</u>	<u>12,716</u>	<u>863</u>	<u>791</u>	<u>14,739</u>	<u>13,507</u>
EXPENSES						
Governmental Activities	10,085	11,559	-	-	10,085	11,559
Solid Waste	-	-	933	928	933	928
Total expenses	<u>10,085</u>	<u>11,559</u>	<u>933</u>	<u>928</u>	<u>11,018</u>	<u>12,487</u>
Transfers	(324)	(352)	324	352	-	-
Increase in net assets	3,467	805	254	215	3,721	1,020
Net assets, Beginning	19,295	18,105	1,402	1,661	20,697	19,766
Prior period adjustment	31	385	-	(474)	31	(89)
Net assets, Ending	<u>\$ 22,793</u>	<u>\$ 19,295</u>	<u>\$ 1,656</u>	<u>\$ 1,402</u>	<u>\$ 24,449</u>	<u>\$ 20,697</u>

Total government-wide revenue for FY 2005 was \$14.7 million with \$10.2 million in taxes, \$1.6 million in grants and contributions, \$.3 million in investment earnings and \$2.5 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 up \$1.2 million from FY 2004. Taxes increased \$.5 million and investment earnings increased by \$.1 million. The increase of tax revenue over FY 2005 was the primary reason why governmental revenues increased. In FY05, for the third year in a row, the Hart County Board of Commissioners lowered the unincorporated property tax millage rate. It is important to note that increased tax revenues are restricted to new growth only and are not a result of increased property values through reevaluation.

Property tax revenues consisted of over \$4.6 million, while sales tax revenues also exceeded \$4.8 million in the governmental funds. FY05 is the last full fiscal year in the current SPLOST sales tax. Sales taxes are a key revenue source that the Hart County Board of Commissioners utilizes to keep property taxes low. The Hart County unincorporated tax millage rate is the fifth lowest rate in the State of Georgia out of 159 counties.

Expenditures in the governmental funds were \$12.0 million of which \$3.7 million was for public safety. The general fund expenditures per capita in Hart County are the lowest rate of expenditure per capita in comparison with 10 surrounding Georgia Counties.

Transfers from insurance premium tax proceeds to business type funds (Solid Waste) amounted to \$324,470 during FY 2005. The County also contributes funds to component units in order to provide resources for capital purchases and improvements, economic development as well as expenses and expenditures for every day operation. The total monies contributed or expended on behalf of component units amounted to over \$1.6 million during FY 2005.

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 \$863,140 which was about a \$70,000 increase over the previous year. Charges for services increased by approximately \$44,000.

Expenses in business-type activities was approximately \$930,000, thus creating the need for supplemental income (transfer) from the life insurance premium fund. The insurance premium fund transferred to the Solid Waste Fund \$324,470 in FY 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Hart County's Government-wide investment in capital assets at September 30, 2005 was \$14.2 million, net of \$3.2 million in accumulated depreciation. The investment, which includes land, buildings, roads, bridges, machinery and equipment, park facilities and vehicles, is covered in Note 6.

Major capital asset activities in 2005 consisted of additions of \$2.1 million, virtually all of which were recorded by the governmental activities. The additions were composed of machinery and equipment of approximately \$67,000 and vehicles for the amount of \$254,000. Infrastructure amounted to \$1,398,000, additional construction in progress amounted to approximately \$363,000 and Building upgrades were \$52,000.

Long-term debt decreased by approximately \$225,000 during FY 2005. During this time there were no new Long-Term Debts acquired. Additional information on the County's debt is contained in Note 7.

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. During FY 2005 actual revenues were \$.8 million in tax revenues and \$.1 million in interest revenues over the overall budget. Surplus revenues over the budget was primarily due to overly conservative collection estimates. The Hart County Board of Commissioners has historically used an overly conservative collection estimate of 90% when actual collection rates have been monitored at an average 96% over the past few years. This was realized again in FY05 and corrected in the FY06 budget. Surplus interest revenues are a result of rising interest rates combined with a more aggressive investment by Hart County of surplus funds in the stable Georgia fund one investment pool.

Additionally, expenditures were \$.3 million less than budget.

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
STATEMENT OF NET ASSETS
September 30, 2005

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	GOVERNMENTAL	BUSINESS-TYPE
	ACTIVITIES	ACTIVITIES		ACTIVITIES	ACTIVITIES
				(nonmajor)	(major)
ASSETS					
Cash and cash equivalents	\$ 8,120,740	\$ 1,570,788	\$ 9,691,528	\$ 356,900	\$ 722,253
Receivables(net of allowance for uncollectibles)	1,867,461	81,951	1,949,412	20,932	36,723
Inventory	140,503	20,001	160,504	-	13,186
Prepaid items	168,520	-	168,520	-	2,175
Restricted cash	3,541	-	3,541	-	472,581
Note Receivables	267,037	-	267,037	-	-
Capital assets:					
Land and improvements	615,093	-	615,093	-	4,043,486
Buildings	6,784,794	21,699	6,806,493	-	-
Water lines	-	-	-	-	5,179,514
Construction in progress	433,622	-	433,622	-	221,834
Machinery, equipment and other	3,135,774	574,183	3,709,957	153,221	116,823
Vehicles	2,873,495	142,562	3,016,057	-	-
Infrastructure	2,566,227	-	2,566,227	-	-
Books and collections	-	-	-	1,105,505	-
Recreational upgrades	316,020	-	316,020	-	-
Less accumulated depreciation	(2,958,297)	(240,340)	(3,198,637)	(650,972)	(281,563)
Capital assets, net of depreciation	13,766,728	498,104	14,264,832	607,754	9,280,094
Total Assets	24,334,530	2,170,844	26,505,374	985,586	10,527,012
LIABILITIES					
Current Liabilities:					
Accounts payable	60,708	42,354	103,062	999	82,722
Other accrued items	60,033	2,212	62,245	-	-
Customer deposits	14,938	-	14,938	-	5,551
Compensated absences	205,241	7,262	212,503	25,000	-
Capital lease payable - current	119,547	-	119,547	-	-
Notes payable - current	-	-	-	-	65,713
Landfill closure/postclosure	-	21,028	21,028	-	-
Noncurrent liabilities:					
Capital lease payable (net of current portion)	1,081,030	-	1,081,030	-	-
Compensated absences (net of current portion)	-	-	-	779	-
Notes payable (net of current portion)	-	-	-	-	819,025
Landfill closure/postclosure (net of current portion)	-	441,594	441,594	-	-
Total Liabilities	1,541,497	514,450	2,055,947	26,778	973,011
NET ASSETS					
Invested in capital assets, net of related debt	12,566,151	498,104	13,064,255	607,754	8,395,356
Restricted for:					
Capital projects and other	3,541	-	3,541	-	464,078
Debt service	-	-	-	-	8,503
Unrestricted	10,223,341	1,158,290	11,381,631	351,054	686,064
Total Net Assets	\$ 22,793,033	\$ 1,656,394	\$ 24,449,427	\$ 958,808	\$ 9,554,001

HART COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2005

FUNCTIONS/PROGRAMS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS									
	PROGRAM REVENUES					COMPONENT UNITS				
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENTAL ACTIVITIES	GOVERNMENTAL BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL BUSINESS-TYPE ACTIVITIES (nonmajor)	BUSINESS-TYPE ACTIVITIES (major)	
PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES										
General Government	\$ 1,807,790	\$ 78,188	\$ 28,597	\$ -	\$ (1,701,005)	\$ -	\$ (1,701,005)	\$ -	\$ -	
Judicial	874,549	521,077	7,498	-	(345,974)	-	(345,974)	-	-	
Public Health and Welfare	391,629	187,275	37,841	-	(166,513)	-	(166,513)	-	-	
Public Safety	3,596,551	845,054	54,896	12,482	(2,684,119)	-	(2,684,119)	-	-	
Public Works	1,608,733	-	119,550	1,054,427	(434,756)	-	(434,756)	-	-	
Recreation and Culture	371,877	57,439	-	-	(314,438)	-	(314,438)	-	-	
Housing and Development	1,364,757	11,191	309,775	-	(1,043,791)	-	(1,043,791)	-	-	
Interest and paying agent fees	69,149	-	-	-	(69,149)	-	(69,149)	-	-	
Total Governmental Activities	10,085,035	1,700,224	558,157	1,066,909	(6,759,745)	-	(6,759,745)	-	-	
BUSINESS-TYPE ACTIVITIES										
Solid Waste	933,528	822,169	4,176	-	-	(107,163)	(107,163)	-	-	
Total Primary Government	\$ 11,018,563	\$ 2,522,413	\$ 562,333	\$ 1,066,909	\$ (6,759,745)	\$ -	\$ (6,866,908)	\$ -	\$ -	
COMPONENT UNITS										
Water & Sewer	\$ 441,498	\$ 349,821	\$ 124,866	\$ 178,090	-	\$ -	\$ -	\$ -	\$ 211,279	
The Joint Dev. Authority	58,604	-	66,297	2,161,646	-	-	-	-	2,169,339	
Library	339,323	9,231	278,789	7,653	-	-	(43,650)	-	-	
Health Department	662,264	316,207	299,905	-	-	-	(46,152)	-	-	
Total Component Units	\$ 1,501,689	\$ 675,259	\$ 769,857	\$ 2,347,389	-	-	(89,802)	-	2,380,618	
GENERAL REVENUES										
Property Taxes					4,595,605	-	4,595,605	-	-	
Sales Taxes					4,801,154	-	4,801,154	-	-	
Other Taxes					760,370	-	760,370	-	-	
Alcoholic beverage taxes					55,716	-	55,716	-	-	
Investment Earnings					222,332	36,775	259,107	794	-	
Miscellaneous					116,221	-	116,221	7,792	30,250	
TRANSFERS					(324,470)	324,470	-	-	-	
Total General Revenues and Transfers					10,226,928	361,245	10,588,173	8,586	30,250	
CHANGE IN NET ASSETS					3,467,183	254,082	3,721,265	(81,216)	2,410,868	
NET ASSETS, Beginning					19,295,166	1,402,312	20,697,478	1,040,664	7,169,053	
Prior Period Adjustment					30,684	-	30,684	(640)	(25,920)	
NET ASSETS, Ending					\$ 22,793,033	\$ 1,656,394	\$ 24,449,427	\$ 968,808	\$ 9,554,001	

Accompanying notes to financial statements are an integral part of this statement

HART COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2005

	GENERAL	SPLOST#2	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 4,769,454	\$ 1,675,369	\$ 1,675,917	\$ 8,120,740
Inventory	88,606	51,897	-	140,503
Receivables(net of allowance for uncollectibles)	1,138,593	656,460	72,408	1,867,461
Due from other funds	-	4,940	32,895	37,835
Prepaid Items	168,520	-	-	168,520
Restricted cash	3,541	-	-	3,541
TOTAL ASSETS	<u>\$6,168,714</u>	<u>\$2,388,666</u>	<u>\$ 1,781,220</u>	<u>\$ 10,338,600</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 42,164	\$ 15,800	\$ 2,744	\$ 60,708
Other accrued items	58,205	-	1,828	60,033
Due to other funds	-	32,895	4,940	37,835
Customer deposits	14,938	-	-	14,938
Deferred revenue	196,233	-	32,338	228,571
TOTAL LIABILITIES	<u>311,540</u>	<u>48,695</u>	<u>41,850</u>	<u>402,085</u>
FUND BALANCES				
Reserved for:				
Capital Projects Funds	3,541	-	-	3,541
Unreserved, undesignated, reported in				
General Fund	5,853,633	-	-	5,853,633
Special Revenue Funds	-	-	1,509,975	1,509,975
Capital Projects Funds	-	2,339,971	229,395	2,569,366
TOTAL FUND BALANCES	<u>5,857,174</u>	<u>2,339,971</u>	<u>1,739,370</u>	<u>9,936,515</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$6,168,714</u>	<u>\$2,388,666</u>	<u>\$ 1,781,220</u>	<u>\$ 10,338,600</u>

Accompanying notes to financial statements are an integral part of this statement

Hart County, Georgia
Reconciliation of Governmental Funds Balance Sheet
To the Statement of Net Assets
September 30, 2005

Total Governmental Fund Balance **\$ 9,936,515**

Amounts Reported for Governmental Activities in the **Statement of Net Assets** differs from the amount reported on the **Balance Sheet** for the Governmental Funds 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.

Note Receivable	267,037
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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	\$ 615,093	
Buildings	6,784,794	
Construction in progress	433,622	
Machinery, equipment and other	3,135,774	
Vehicles	2,873,495	
Infrastructure	2,566,227	
Recreational upgrades	316,020	
Accumulated depreciation	<u>(2,958,297)</u>	
Total capital assets		13,766,728

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.

Property Taxes	196,233	
Grant	<u>32,338</u>	
Total Deferred Revenue		228,571

Interfund receivables and payable between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net assets:

Interfund Receivables	(37,835)	
Interfund Payables	<u>37,835</u>	-

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	(1,200,577)	
Compensated Absences	<u>(205,241)</u>	
Total Capital Leases and Compensated Absences		<u>(1,405,818)</u>

Net Assets of Governmental Activities **\$ 22,793,033**

HART COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2005

	<u>GENERAL</u>	<u>SPLOST#2</u>	<u>OTHER NONMAJOR FUNDS</u>	<u>TOTAL</u>
REVENUES				
Taxes	\$ 6,591,778	\$ 2,744,725	\$ 732,615	\$ 10,069,118
Licenses and permits	74,547	-	-	74,547
Intergovernmental	452,155	554,048	821,235	1,827,438
Fines and forfeitures	399,409	-	54,053	453,462
Charges for services	531,948	-	515,327	1,047,275
Investment earnings	126,166	40,887	55,279	222,332
Contributions and donations	55	-	-	55
Miscellaneous	241,162	-	-	241,162
TOTAL REVENUES	<u>8,417,220</u>	<u>3,339,660</u>	<u>2,178,509</u>	<u>13,935,389</u>
EXPENDITURES				
Current Expenditures				
General Government	1,791,318	-	25,069	1,816,387
Judicial	869,659	-	7,264	876,923
Public Safety	3,105,041	11,639	565,630	3,682,310
Public Works	1,148,591	126,565	221,158	1,496,314
Health and Welfare	336,229	-	65,616	401,845
Recreation and Culture	363,372	-	-	363,372
Housing and Development	162,982	845,230	639,721	1,647,933
Capital Outlay	-	1,681,233	161,261	1,842,494
Debt Service				
Principal	21,645	-	96,829	118,474
Interest and paying agent fees	2,401	-	66,748	69,149
TOTAL EXPENDITURES	<u>7,801,238</u>	<u>2,664,667</u>	<u>1,849,296</u>	<u>12,315,201</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>615,982</u>	<u>674,993</u>	<u>329,213</u>	<u>1,620,188</u>
OTHER FINANCING SOURCES(USES)				
Note Receipts	-	-	16,139	16,139
Transfers out	-	-	(324,470)	(324,470)
TOTAL OTHER FINANCING SOURCES(USES)	<u>-</u>	<u>-</u>	<u>(308,331)</u>	<u>(308,331)</u>
NET CHANGE IN FUND BALANCES	615,982	674,993	20,882	1,311,857
Prior Period Adjustment	378,184	(350,000)	2,500	30,684
FUND BALANCES, Beginning of year	<u>4,863,008</u>	<u>2,014,978</u>	<u>1,715,988</u>	<u>8,593,974</u>
FUND BALANCES, End of year	<u>\$ 5,857,174</u>	<u>\$ 2,339,971</u>	<u>\$ 1,739,370</u>	<u>\$ 9,936,515</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2005**

Net Change in Fund Balances - Total Governmental Funds: **\$ 1,311,857**

Amounts reported for governmental activities on the *Statement of Activities* are different from the amounts reported in the *Statement of Revenues, Expenditures, and Changes in Fund Balance* because:

The 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 exceeded depreciation in the current period.

Expenditures for Capital Assets	\$ 2,135,877	
Less Current Year Depreciation	<u>(390,026)</u>	
Excess of capital outlay over depreciation expense		1,745,851

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		118,474
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Disbursements for contractual obligations (note receivable) are an expenditure in the funds, but increase assets in the statement of net assets. Proceeds from this contractual obligations are an other financing source in the funds, but decrease assets in the statement of net assets.

Note Receivable	283,176	
Payments received	<u>(16,139)</u>	267,037

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 @ 9/30/05	(205,241)	
Liability @ 9/30/04	<u>287,905</u>	82,664

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 9/30/05	228,571	
Deferred Revenue at 9/30/04	<u>(287,271)</u>	
Total Decrease in Deferred Revenue		<u>(58,700)</u>

Change in Net Assets of Governmental Activities **\$ 3,467,183**

**HART COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2005**

	<u>SOLID WASTE</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,570,788
Receivables(net of allowance for uncollectibles)	81,951
Inventory	20,001
Total Current Assets	<u>1,672,740</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	142,562
Machinery, equipment and other	574,183
Buildings	21,699
Less: Accumulated depreciation	<u>(240,340)</u>
Total Capital Assets (Net of accumulated depreciation)	<u>498,104</u>
TOTAL ASSETS	<u>2,170,844</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	42,354
Other accrued items	2,212
Compensated absences	7,262
Landfill closure and post closure	<u>21,028</u>
Total Current Liabilities	<u>72,856</u>
Non-Current Liabilities:	
Landfill closure and post closure (net of current portion)	<u>441,594</u>
Total Liabilities	<u>514,450</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	498,104
Unrestricted	<u>1,158,290</u>
TOTAL NET ASSETS	<u>\$ 1,656,394</u>

HART COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended September 30, 2005

	SOLID WASTE
OPERATING REVENUES	
Intergovernmental	\$ 4,176
Charges for Services - Refuse Collection	<u>822,189</u>
TOTAL OPERATING REVENUES	<u>826,365</u>
OPERATING EXPENSES	
Personnel services	304,904
Professional Services	19,720
Purchased Property Services	10,829
Other Purchased Services	512,528
Supplies and Other	55,357
Depreciation	<u>30,190</u>
TOTAL OPERATING EXPENSES	<u>933,528</u>
OPERATING INCOME (LOSS)	(107,163)
NON-OPERATING REVENUES	
Investment Earnings	<u>36,775</u>
INCOME (LOSS) BEFORE TRANSFERS	(70,388)
Transfers In	<u>324,470</u>
CHANGE IN NET ASSETS	254,082
TOTAL NET ASSETS, Beginning of Year	<u>1,402,312</u>
TOTAL NET ASSETS, End of Year	<u><u>\$ 1,656,394</u></u>

**HART COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2005**

	SOLID WASTE
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 845,026
Cash Receipts from Other Operating Sources	4,176
Payments to Vendors and Other Suppliers	(679,563)
Payments to Employees	(306,771)
Net Cash (Used) by Operating Activities	(137,132)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	324,470
 CASH FLOWS (TO) CAPITAL AND RELATED FINANCING ACTIVITIES:	
Decrease in Landfill Closure and Post Closure	(21,028)
Purchase of Capital Assets	(16,000)
Net Cash (Used) by Financing Activities	(37,028)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Earnings	36,775
Net Increase in Cash and Cash Equivalents	187,085
CASH, Beginning of Year	1,383,703
CASH, End of Year	\$ 1,570,788
 Reconciliation of Operating Loss to Net Cash Flows (Used) by Operating Activities	
Operating Loss	\$ (107,163)
Adjustments to Reconcile Operating Loss to Net Cash Flows (Used) by Operating Activities:	
Depreciation Expense	30,190
Change In Assets and Liabilities:	
Accounts Receivable	22,837
Inventory	(2,332)
Accounts Payable	(78,796)
Compensated Absences	(3,015)
Accrued Expenses	1,147
Net Cash Used by Operating Activities	\$ (137,132)

HART COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
September 30, 2005

	Agency Funds Total
ASSETS	
Cash	\$ 311,595
Taxes Receivable	833,180
TOTAL ASSETS	\$ 1,144,775
LIABILITIES	
Due to Others	\$ 1,144,775
TOTAL LIABILITIES	\$ 1,144,775

HART COUNTY, GEORGIA
COMBINING STATEMENT OF NET ASSETS
MAJOR COMPONENT UNITS - BUSINESS-TYPE ACTIVITIES
September 30, 2005

	Water & Sewer Authority	The Joint Development Authority of Franklin, Hart & Stephens	Total Business-Type Activities (Major)
ASSETS			
Cash and cash equivalents	\$ 713,369	\$ 8,884	\$ 722,253
Receivables(net of allowance for uncollectibles)	36,723	-	36,723
Prepaid items	2,175	-	2,175
Inventory	13,186	-	13,186
Restricted cash	-	472,581	472,581
Capital assets:			
Land and improvements	-	4,043,486	4,043,486
Water lines	5,179,514	-	5,179,514
Machinery, equipment, and other	116,823	-	116,823
Construction in progress	84,832	137,002	221,834
Less accumulated depreciation	(254,700)	(26,863)	(281,563)
Capital assets, net of depreciation	<u>5,126,469</u>	<u>4,153,625</u>	<u>9,280,094</u>
<i>Total Assets</i>	<u>5,891,922</u>	<u>4,635,090</u>	<u>10,527,012</u>
LIABILITIES			
Current Liabilities			
Accounts payable	82,722	-	82,722
Notes payable	10,885	54,828	65,713
Customer deposits	5,551	-	5,551
Total Current Liabilities	<u>99,158</u>	<u>54,828</u>	<u>153,986</u>
Non-Current Liabilities			
Note Payable	<u>95,362</u>	<u>723,663</u>	<u>819,025</u>
<i>Total Liabilities</i>	<u>194,520</u>	<u>778,491</u>	<u>973,011</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,020,222	3,375,134	8,395,356
Restricted for:			
Capital Projects	-	464,078	464,078
Debt Service	-	8,503	8,503
Unrestricted	<u>677,180</u>	<u>8,884</u>	<u>686,064</u>
<i>Total Net Assets</i>	<u>\$5,697,402</u>	<u>\$3,856,599</u>	<u>\$ 9,554,001</u>

HART COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
MAJOR COMPONENT UNITS - BUSINESS-TYPE ACTIVITIES
For the Year Ended September 30, 2005

	Water & Sewer Authority	The Joint Development Authority of Franklin, Hart & Stephens	Total Business-Type Activities (Major)
OPERATING REVENUES			
Charges for Services-Water & Sewer	\$ 319,869	\$ -	\$ 319,869
Connection Fees	19,188	-	19,188
Intergovernmental	124,866	-	124,866
Operating Grant and Contributions	-	66,297	66,297
Other fees	10,764	-	10,764
<i>Total Operating Revenue</i>	<u>474,687</u>	<u>66,297</u>	<u>540,984</u>
OPERATING EXPENSES			
Personnel Services	86,664	-	86,664
Water Purchases	157,041	-	157,041
Other Services and Supplies	27,892	4,300	32,192
Utilities	5,068	-	5,068
Professional Services	68,738	3,900	72,638
Depreciation and Amortization	93,836	26,863	120,699
<i>Total Operating Expenses</i>	<u>439,239</u>	<u>35,063</u>	<u>474,302</u>
Operating Income	<u>35,448</u>	<u>31,234</u>	<u>66,682</u>
Non-Operating Revenues (Expenses)			
Intergovernmental	178,090	2,161,646	2,339,736
Interest Expense	(2,259)	(23,541)	(25,800)
Investment Earnings	19,755	10,495	30,250
<i>Total Non-Operating Revenues (Expenses)</i>	<u>195,586</u>	<u>2,148,600</u>	<u>2,344,186</u>
NET CHANGE IN NET ASSETS	231,034	2,179,834	2,410,868
Prior Period Adjustment	(25,920)	-	(25,920)
NET ASSETS, Beginning of year	<u>5,492,288</u>	<u>1,676,765</u>	<u>7,169,053</u>
NET ASSETS, End of year	<u><u>\$5,697,402</u></u>	<u><u>\$3,856,599</u></u>	<u><u>\$ 9,554,001</u></u>

HART COUNTY, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
MAJOR COMPONENT UNITS - BUSINESS-TYPE ACTIVITIES
For the Year Ended September 30, 2005

	Water & Sewer Authority	The Joint Development Authority of Franklin, Hart & Stephens	Total Business-Type Activities (Major)
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:			
Cash received from customers	\$ 336,783	\$ -	\$ 336,783
Intergovernmental Receipts	124,866	-	124,866
Receipts from Operating Grants	-	66,297	66,297
Payments to vendors and other suppliers	(191,407)	(8,200)	(199,607)
Payments to employees	(87,069)	-	(87,069)
Net Cash Provided by Operating Activities	<u>183,173</u>	<u>58,097</u>	<u>241,270</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Intergovernmental	<u>178,090</u>	<u>2,161,646</u>	<u>2,339,736</u>
CASH (TO) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(276,069)	(2,133,497)	(2,409,566)
Principal Payment of Capital Debt	(10,671)	(54,609)	(65,280)
Decrease in Contracts and Retainage Payable	(118,000)	-	(118,000)
Interest Paid	(2,259)	(23,541)	(25,800)
Net Cash (used in) Capital and Related Financing Activities:	<u>(406,999)</u>	<u>(2,211,647)</u>	<u>(2,618,646)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	<u>19,755</u>	<u>10,495</u>	<u>30,250</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(25,981)	18,591	(7,390)
Prior Period Adjustment	(25,920)	-	(25,920)
CASH, Beginning of Year	<u>765,270</u>	<u>462,874</u>	<u>1,228,144</u>
CASH, End of Year	<u>\$ 713,369</u>	<u>\$ 481,465</u>	<u>\$ 1,194,834</u>

HART COUNTY, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
MAJOR COMPONENT UNITS - BUSINESS-TYPE ACTIVITIES
For the Year Ended September 30, 2005

Reconciliation of Operating Income to Net Cash Flows From Operating Activities	Water & Sewer Authority	The Joint Development Authority of Franklin, Hart & Stephens	Total Business-Type Activities (Major)
Operating Income	\$ 35,448	\$ 31,234	\$ 66,682
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation	93,836	26,863	120,699
Change In:			
Accounts Receivable	(12,852)	-	(12,852)
Prepaid Expenses	(155)	-	(155)
Inventory	6,904	-	6,904
Accounts Payable	60,583	-	60,583
Water Deposits	(186)	-	(186)
Other Accrued Items	(405)	-	(405)
Net Cash Provided by Operating Activities	<u>\$ 183,173</u>	<u>\$ 58,097</u>	<u>\$ 241,270</u>

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) REPORTING ENTITY

Hart County, Georgia (the County) is a entity governed by a five member commission 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.

As required by generally accepted accounting principles, these financial statements present the government and its component units. Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the 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. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the government. The following entities are component units of Hart 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 Library 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. The Library is presented as a nonmajor governmental fund type.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005**

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. The Health Department is presented as a nonmajor governmental fund type.

Hart County Water and Sewer Utility Authority

The Hart County Water and Sewer Utility 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 various 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. 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. The Authority is a major fund and reported as a business type fund.

The 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. The Authority is a major fund and reported as a business type fund to Hart County.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

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, 2005 year end)

HART COUNTY HEALTH DEPARTMENT

64 Reynolds Street
Hartwell, Georgia 30643
(June 30, 2005 year end)

HART COUNTY WATER AND SEWER UTILITY AUTHORITY

200 Arthur Street
Hartwell, Georgia 30643
(September 30, 2005 year end)

THE JOINT DEVELOPMENT AUTHORITY OF FRANKLIN, HART AND STEPHENS COUNTIES

P.O. Box 793
Hartwell, Georgia 30643
(June 30, 2005 year end)

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents the financial position of the governmental activities of the County and its discretely presented component units at year end.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of 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 eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, sales tax, franchise taxes, fines, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The County has used GASB 34 minimum criteria for major fund determination. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *SPLOST Capital Projects Fund #2* accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.

The government reports the following major proprietary funds:

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

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the government reports the following fund types:

The *Agency Funds* are custodial in nature and do not represent results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements. If they conflict, GASB prevails.

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

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.

Taxes and other revenue sources not properly included with program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from general revenues of the County.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues - Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place and on the modified accrual basis, it is recognized in the year received (i.e., when considered available). Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, franchise tax, charges for services, interest and federal and state grants.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Sales taxes collected by the State of Georgia, Department of Revenue, for the August and September sales are reported as revenue at year-end. Property taxes receivable not collected within 60 days of year-end have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. 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.

2. Receivables and Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the government-wide statement of net assets, except for any net residual amounts due between the governmental activities and business-type activities, which are classified and presented as "internal balances."

All trade and property tax receivables are shown net of an allowance of uncollectibles. Trade accounts receivable has no recorded allowance for doubtful accounts as bad debts are written off directly against receivables.

Property taxes attach as an enforceable lien on property as of March 21, 2005. The taxes for the 2004 digest year were billed on October 20, 2004 and had a due date of December 20, 2004. Interest of 1% per month is assessed on taxes not paid by December 21, 2004. A penalty of 10% and interest of 3% is assessed on taxes not paid within 90 days of this date. Property taxes became past due on December 21, 2004.

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.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Inventories and Prepaid Items

On the government-wide financial statements and on the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when purchased.

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.

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars and an estimated useful life in excess of one year. The County's infrastructure consists of roads, bridges and water and sewer lines. Infrastructure's capitalization threshold is fifty thousand dollars and infrastructure purchased prior to October 1, 2003 have yet to be reported. Compliance date with GASB #34 is September 30, 2007. Improvements (i.e., betterments) to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	30-80
Machinery and Equipment	5-30
Vehicles	10-30
Infrastructure	30
Recreational Upgrades	50

5. Accrued Personal and Sick Leave

It is the government's policy to permit employees to accumulate earned but unused personal and sick pay benefits. All vacation pay and sick pay is accrued when incurred in the government-wide statements.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. 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.

7. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations, if any, of fund balance represent tentative management plans that are subject to change.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

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

8. 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.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Project length budgets are adopted for the Capital Projects Funds and are then budgeted based on fiscal year expenditures. An annual operating budget is prepared for the enterprise fund for planning, control, cost allocation and evaluation purposes. Budgetary amounts are formally integrated into the proprietary fund's general ledger.

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 government's 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 past year, current year estimates and requested appropriations for the next fiscal year.

Then the proposed budget is presented to the government's Board of Commissioners for review. The government's Board of Commissioners hold 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 government's administrator or the revenue estimates must be changed by an affirmative vote of a majority of the government's Board of Commissioners.

The appropriated budget is prepared by fund, function and department and are 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 Commissioners authorized amendments to include appropriations for some activities that were not originally budgeted and to reclassify certain character and functional expenditures.

**HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS (GENERAL FUND)

Excesses are considered to be material if they are both greater than \$10,000 and over 3 percent of the department level budget (the legal level of control). Material excesses of expenditures over appropriations of the department level are presented below:

DEPARTMENT	<u>EXPENDITURES</u>	<u>BUDGETED</u>	<u>EXCESS</u>
General Fund:			
Risk Management	\$ 446,269	\$ 400,600	\$ (45,669)

Excess expenditures were due to an extraordinary event - lightening damage. For future years management will submit budget amendments to the Commissioners as these events occur.

NOTE 3 - FINANCIAL ASSISTANCE TO COMPONENT UNITS

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

<u>Component Unit</u>	<u>Amount of Assistance</u>
Hart County Library	\$ 112,500
Hart County Health Department	68,904
Hart County Water and Sewer Authority	302,957
The Joint Development Authority of Franklin, Hart and Stephens Counties	<u>1,179,768</u>
Total Financial Assistance to Component Units	<u>\$ 1,664,129</u>

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 4- DEPOSITS

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, 2005:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Primary Government	\$1,673,868	\$ 8,875,634	\$ -	\$ 10,549,502	\$ 10,006,664
Component Units					
Hart Co. Library	117,446	-	-	117,446	106,003
Hart Co. Health Dept.	100,000	175,666	-	275,666	250,897
Hart Co. Water & Sewer Utility	107,719	610,863	-	718,582	713,369
The Joint Development Auth. Of Franklin, Hart & Stephens Counties	117,388	364,077	-	481,465	481,465
Total Component Units	<u>442,553</u>	<u>1,150,606</u>	<u>-</u>	<u>1,593,159</u>	<u>1,551,734</u>
Total	<u>\$2,116,421</u>	<u>\$10,026,240</u>	<u>\$ -</u>	<u>\$ 12,142,661</u>	<u>\$ 11,558,398</u>

Primary government cash and cash equivalents reconciliation:

	<u>Cash and Cash Equivalents</u>
Primary Government - Fund Reporting Level:	
Governmental Funds - Balance Sheet	\$ 8,120,740
Governmental Funds - Balance Sheet (Restricted)	3,541
Proprietary Fund Type - Statement of Net Assets	1,570,788
Statement of Fiduciary Assets and Liabilities	<u>311,595</u>
Total	<u>\$ 10,006,664</u>

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 4- DEPOSITS (CONTINUED)

Of the \$10,006,664 carrying amount of cash and cash equivalents for the Primary Government, \$8,985,143 is invested in CD's and the Local Government Investment Pool "Georgia Fund 1". The amounts held as certificates of deposits are invested as follows:

Investments categorized as (1) insured or registered: \$ 450,000

Investments categorized as (2) uninsured or unregistered, with securities held by the counter party's trust department or agent in the County's name: \$ 2,300,000

The Local Government Investment Pool, "Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAM rated money market funds. The investments in this pool are not subject to categorization. Total Investments in Georgia Fund 1 as of September 30, 2005 are:

Georgia Fund I	AAAM rated	<u>\$ 6,235,143</u> 24 day WAM
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However, Georgia Fund 1 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 Treasury and Fiscal Services. 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.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

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 #2	Other Nonmajor Governmental Funds	Total Governmental Funds
Receivables:				
Property Taxes	\$ 221,996	\$ -	\$ -	\$ 221,996
Accounts	1,239,258	656,460	72,408	1,968,126
Intergovernmental	70,009	-	-	70,009
Total Gross Receivables	<u>1,531,263</u>	<u>656,460</u>	<u>72,408</u>	<u>2,260,131</u>
Less: Allowance for Uncollectibles	(392,670)	-	-	(392,670)
Total Net Receivables	<u>\$ 1,138,593</u>	<u>\$ 656,460</u>	<u>\$ 72,408</u>	<u>\$ 1,867,461</u>
Note Receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,037</u>	<u>\$ 267,037</u>

During Fiscal Year 2005, the County received an Employment Incentive Grant of \$295,176. They in turn issued a long-term note to Quality Industries, LLC in the amount of \$283,176 at a 3% interest rate per annum. The note is payable in equal consecutive installments of \$2,371.53. As of September 30, 2005 the remaining balance of the note is \$267,037 with a current amount of \$20,731. See Note #16 for more details.

Receivables as of year end for the County's Proprietary Fund - Solid Waste is as follows:

Receivables:	Solid Waste
Accounts	<u>\$ 81,951</u>

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

	Health Department	Water & Sewer Utility Authority	Total Component Units
Receivables:			
Accounts	<u>\$ 20,932</u>	<u>\$ 36,723</u>	<u>\$ 57,655</u>

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Primary Government:				
Governmental Activities:				
Non-Depreciable Assets:				
Land and improvements	\$ 615,093	\$ -	\$ -	\$ 615,093
Construction in progress	69,658	363,964	-	433,622
Total non-depreciable capital assets	684,751	363,964	-	1,048,715
Depreciable Assets:				
Buildings	6,732,343	52,451	-	6,784,794
Machinery, equipment and other	3,068,574	67,200	-	3,135,774
Vehicles	2,619,399	254,096	-	2,873,495
Infrastructure	1,168,061	1,398,166	-	2,566,227
Recreational upgrades	316,020	-	-	316,020
Total depreciable capital assets	13,904,397	1,771,913	-	15,676,310
Less Accumulated Depreciation	(2,568,271)	(390,026)	-	(2,958,297)
Total depreciable capital assets, net	11,336,126	1,381,887	-	12,718,013
Governmental activities capital assets, net	\$12,020,877	\$1,745,851	\$ -	\$13,766,728
Business-type activities:				
Depreciable Assets:				
Buildings	\$ 21,699	\$ -	\$ -	\$ 21,699
Machinery, equipment and other	574,183	-	-	574,183
Vehicles	126,562	16,000	-	142,562
Total depreciable capital assets	722,444	16,000	-	738,444
Less Accumulated Depreciation/Amortization	(210,150)	(30,190)	-	(240,340)
Business-type activities capital assets, net	\$ 512,294	\$ (14,190)	\$ -	\$ 498,104

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General Government	\$ 100,154
Judicial	2,979
Public Safety	141,803
Public Works	136,274
Recreation and Culture	8,816
Total Depreciation expense-governmental activities	<u>\$ 390,026</u>
Business-type activities:	
Solid Waste	<u>\$ 30,190</u>

Discretely Presented Component Units:

Health Department

Activity for the Health Department for the year ended September 30, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable Assets:				
Machinery, equipment and other	\$ 30,479	\$ -	\$ -	\$ 30,479
Less Accumulated Depreciation	(30,479)	-	-	(30,479)
Capital Assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Library

Activity for the Library for the year ended September 30, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable Assets:				
Machinery, equipment and other	\$ 120,688	\$ 2,054	\$ -	\$ 122,742
Books and Collections	1,093,127	12,378	-	1,105,505
Less Accumulated Depreciation	(565,915)	(54,578)	-	(620,493)
Capital Assets, net	<u>\$ 647,900</u>	<u>\$ (40,146)</u>	<u>\$ -</u>	<u>\$ 607,754</u>

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Water and Sewer Authority

Activity for the Water and Sewer Authority for the year ended September 30, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Construction in Progress	\$ 1,776,804	\$ 84,832	\$(1,776,804)	\$ 84,832
Depreciable Assets:				
Water Lines	3,231,912	1,947,602	-	5,179,514
Machinery, equipment and other	76,902	20,439	-	97,341
Total Depreciable Capital Assets	3,308,814	1,968,041	-	5,276,855
Less Accumulated Depreciation/Amortization	(159,322)	(92,862)	-	(252,184)
Total Depreciable Capital Assets, net	3,149,492	1,875,179	-	5,024,671
Capital Assets, Net	<u>\$ 4,926,296</u>	<u>\$ 1,960,011</u>	<u>\$(1,776,804)</u>	<u>\$ 5,109,503</u>

Hart County Water and Sewer has a Feasibility Study that they amortize over 20 years. Below is the activity of the Feasibility Study for the year ended September 30, 2005

	Beginning Balance	Additions	Retirements	Ending Balance
Feasibility Study	\$ 19,482	\$ -	\$ -	\$ 19,482
Less: Accumulated Amortization	(1,542)	(974)	-	(2,516)
Feasibility Study, Net of Amortization	<u>\$ 17,940</u>	<u>\$ (974)</u>	<u>\$ -</u>	<u>\$ 16,966</u>

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, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets				
Land and improvements	\$ 1,357,145	\$ -	\$ -	\$ 1,357,145
Construction in Progress	689,846	2,133,497	(2,686,341)	137,002
Total Non-Depreciable Capital Assets	2,046,991	2,133,497	(2,686,341)	1,494,147
Depreciable Assets:				
Site Improvements	-	2,686,341	-	2,686,341
Less Accumulated Depreciation	-	(26,863)	-	(26,863)
Total Depreciable Capital Assets, net	-	2,659,478	-	2,659,478
Capital Assets, Net	<u>\$ 2,046,991</u>	<u>\$ 4,792,975</u>	<u>\$(2,686,341)</u>	<u>\$ 4,153,625</u>

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 7 - 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 now known as the DFACS facility. The total cost of the DFACS facility was \$1,670,296. Principal payment 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-13. Buildings purchased prior to October 1, 2003 have yet to be depreciated. Compliance date with GASB #34 is September 30, 2007.

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 to 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 11:59p.m. on the day before the fifteenth anniversary of the initial commencement date.

On April 19, 2002, the County entered into a lease purchase agreement with Wachovia to purchase a 2002 Ford F350 Traumahawk Ambulance. The Cost of the Ambulance was \$84,306. As of September 30, 2005 accumulated depreciation was \$8,431 for a book value of \$75,875. The initial first annual payment on this lease was on April 15, 2003 for the amount of \$24,045.79, of which \$19,472.17 was for principal and \$4,573.62 for interest. The final payment will be made on April 15, 2006 for the amount of \$23,988.48. At the end of the lease, total principal paid will be \$84,306.00 and total interest paid @ 5.41% per annum will be \$11,819.85.

During FY 2005, the County made total payments of \$163,577 toward the DFACS building lease and \$24,046 toward the Ambulance lease with Wachovia. Of these total payments, \$96,829 and \$21,645 were a reduction of principal for the respective lease payments. Combined, this created a reduction in total principal owed in the amount of \$118,474.

The future minimum lease obligations for all leases as of September 30, 2005 are as follows:

Year Ending September 30	DFACS	Ambulance	Total
2006	\$ 163,577	\$ 23,988	\$ 187,565
2007	163,577	-	163,577
2008	163,577	-	163,577
2009	163,577	-	163,577
2010	163,577	-	163,577
(2011-2015)	723,570	-	723,570
Total	1,541,455	23,988	1,565,443
Less: Interest	(363,596)	(1,270)	(364,866)
Present Value of Minimum Lease Payments	<u>\$ 1,177,859</u>	<u>\$ 22,718</u>	<u>\$ 1,200,577</u>

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 7 - 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 \$462,622 reported as landfill closure and post closure care liability at September 30, 2005 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 2005. 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 22 years of required monitoring is \$21,028 per year.

CHANGES IN LONG TERM DEBT

Long term liability activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 287,905	\$ -	\$ (82,664)	\$ 205,241	\$ 205,241
Capital leases	1,319,051	-	(118,474)	1,200,577	119,547
Governmental activities long-term	<u>\$ 1,606,956</u>	<u>\$ -</u>	<u>\$ (201,138)</u>	<u>\$ 1,405,818</u>	<u>\$ 324,788</u>
Business-type activities:					
Compensated absences	\$ 10,277	\$ -	\$ (3,015)	\$ 7,262	\$ 7,262
Landfill closure/postclosure	483,650	-	(21,028)	462,622	21,028
Business-type activities long-term	<u>\$ 493,927</u>	<u>\$ -</u>	<u>\$ (24,043)</u>	<u>\$ 469,884</u>	<u>\$ 28,290</u>

The compensated absences liability will be paid from the fund from which the employee's salaries are paid.

Capital leases, which consist of a lease for an ambulance and a building housing the Division of Family & Children Services, will be paid from the General Fund and the Special Revenue (DFACS) Fund respectively. The landfill closure and postclosure cost will be paid by the Solid Waste Fund.

COMPONENT UNITS

Health Department

Long term liability activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 27,742</u>	<u>\$ 25,588</u>	<u>\$ (27,551)</u>	<u>\$ 25,779</u>	<u>\$ 25,000</u>

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

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 7 - LONG TERM DEBT (CONTINUED)

Water and Sewer Authority

Long term liability activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 116,918	\$ -	\$ (10,671)	\$ 106,247	\$ 10,885
Contracts Payable	118,000	-	(118,000)	-	-
Total Water and Sewer Authority	<u>\$ 234,918</u>	<u>\$ -</u>	<u>\$(128,671)</u>	<u>\$ 106,247</u>	<u>\$ 10,885</u>

In FY 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 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, 2005 is \$190,281.

The Georgia Environmental Facilities Authority (GEFA) Loan is a low interest loan with a original principal loan amount of \$116,918. As of June 30, 2005 the GEFA Loan carried a balance of \$106,247.47 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
2006	\$ 2,044	\$ 10,885	\$ 12,929
2007	1,824	11,105	12,929
2008	1,601	11,328	12,929
2009	1,372	11,557	12,929
2010	1,139	11,790	12,929
2011-2015	<u>2,134</u>	<u>49,582</u>	<u>51,716</u>
Total	<u>\$ 10,114</u>	<u>\$ 106,247</u>	116,361
		Less: Interest	<u>(10,114)</u>
		Present Value of Minimum Payments	<u>\$ 106,247</u>

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

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 7 - LONG TERM DEBT (CONTINUED)

The Joint Development Authority of Franklin, Hart and Stephens Counties

Long term liability activity for the year ended June 30, 2005 was as follows:

	Beginning		Ending	Due Within	
	Balance	Additions			Reductions
Notes Payable	\$ 833,100	\$ -	\$ (54,609)	\$ 778,491	\$ 54,828

The Authority is obligated to pay to the Hart County Electric Membership Corporation \$4,166.67 monthly, at no interest until the balance, \$287,500, is paid. The original loan in the amount of \$387,500 was for Capital Improvements. The Improvements were completed at a cost of \$2,686,341 with accumulated depreciation of \$26,863 at June 30, 2005.

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 \$239 per month until such balance reaches \$28,680. The Improvements were completed at a cost of \$2,686,341 with accumulated depreciation of \$26,863 at June 30, 2005.

Below is the debt amortization of the U.S.D.A. note and the Hart County Electric Membership Corporation note:

Year Ending June 30	U.S.D.A.	Hart County EMC	Total
2006	\$ 28,150	\$ 50,000	\$ 78,150
2007	28,150	50,000	78,150
2008	28,150	50,000	78,150
2009	28,150	50,000	78,150
2010	28,150	50,000	78,150
2011-2015	140,750	37,500	178,250
2016-2020	140,750	-	140,750
2021-2025	140,750	-	140,750
2026-2030	140,750	-	140,750
2031-2035	140,750	-	140,750
2036-2040	140,750	-	140,750
2041-2045	84,265	-	84,265
Total	1,069,515	287,500	1,357,015
Less: Interest	(578,524)	-	(578,524)
Present Value of Minimum Lease	<u>\$ 490,991</u>	<u>\$ 287,500</u>	<u>\$ 778,491</u>

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

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 8 - INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2005 were as follows:

Transfers out by the:	<u>Transfers to:</u>
Insurance Premium Tax Fund	Business Type
	Activities-
	Solid
	Waste
	<u>\$ 324,470</u>

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to return money to the fund from which it was originally provided, once a project is completed.

The County transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

NOTE 9 - INTERFUND BALANCES: DUE TO/FROM

Interfund balances for the year ended September 30, 2005 were as follows:

<u>Payable To:</u>	<u>Payable From:</u>		
	<u>SPLOST #2</u>	<u>SPLOST #1</u>	<u>Total</u>
Major Funds:			
SPLOST # 2 Fund	\$ -	\$ 4,940	\$ 4,940
Nonmajor Funds:			
Multiple Grant Fund	32,895	-	32,895
Total Interfund Balances	<u>\$ 32,895</u>	<u>\$ 4,940</u>	<u>\$ 37,835</u>

Interfund balances at 09/30/2005, represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The County expects to repay all interfund balances within one year.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 10 - EMPLOYEE BENEFITS AND RETIREMENT PLAN

The County provides certain group insurance benefits for eligible employees who are employed over 90 days.

NOTE 11 – PENSION PLANS

A. Defined Contribution Plan

The County adopted the Hart County Defined Contribution Money Plan, which operates in conjunction with a Deferred Compensation Plan as discussed below. The plan is administered by Mack Poss and Associates. The Plan can be amended or removed by a majority vote of the Hart County Board of Commissioners. Contributions required under the plan equaled \$ 55,306 by the County and \$ 109,335 by employees. Actual contributions made to the plan were \$ 55,306 by the County and \$ 109,335 by the employees. Percentage of covered payroll contributed by the County was 3.0% and 3.0% by the employees. Total salaries paid for the current year were \$ 4,623,747, and total current year covered payroll was \$1,843,533.

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. The plan is funded through payroll deductions with the maximum contribution being 25% and a ceiling dollar amount of \$ 14,000 per year 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 Northern Life 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 service is defined as 12 consecutive months of full time service. Any employee with a break in 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.
- (4) Employees will be 100% vested after completion of five years of service. Employees will be vested in his/her contribution immediately.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 11 – PENSION PLANS (CONTINUED)

- (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 a maximum of \$14,000 or 25% of their annual salary. 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 Northern Life
 - 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.

There were no changes or revisions to the plan for the year ended September 30, 2005.

NOTE 12 - RISK MANAGEMENT

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 ACCG Property and Liability Insurance Fund and the ACCG Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for 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 members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 12 - RISK MANAGEMENT (CONTINUED)

The following are liability coverage's:	<u>Per</u>
Property	\$ 10,730,825
Inland Marine	1,134,707
Comprehensive General Liability, Law Enforcement Liability and Officials Liability	3,000,000
Automobile Liability	3,000,000
Employee Benefits Plans Administration Liability and Health Care Facility Medical Professional Liability	3,000,000
Crime Protection	150,000
Employee Dishonesty	50,000

All coverage's are subject to a per occurrence deductible of \$1,000 except auto and crime protection insurance which has a deductible of \$500. However, excess losses, if any, are covered by reinsurance and would be paid by the reinsurer.

Medical coverage for employees is with Health Plan Select. The County has two plans that have various co pays ranging from \$15 to \$300 depending on the plan and type of treatment. The maximum annual out-of-pocket is either \$1,500 individually/\$4,500 family for the H-352 plan and \$2,500 individually/\$7,500 family for the H-502 plan. The maximum lifetime benefit for both plans is \$5,000,000.

NOTE 13 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Hart County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County. There were no known contingent liabilities which would materially effect the financial statements.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 14 - RECONCILIATION OF FUNDS EXPENDED TO COMPONENT UNITS

The funds expended between The Joint Development Authority of Franklin, Hart & Stephens County and Hart County require an reconciliation due to the Authority having a year end of June 30, 2005. Reconciliation of monies expended by Hart County and revenues received by the Authority are as follows:

Total Funds contributed or expended by Hart County FY' 05 on behalf of the Authority.	\$ 1,179,768
Less funds paid to the Authority between June 30, 2005 and September 30, 2005	(31,733)
Plus funds paid to the Authority between July 1, 2004 and September 30, 2004	<u>1,013,611</u>
Revenue shown on The Joint Development Authority of Franklin, Hart & Stephens Co. Audit for Year Ending June 30, 2005	<u>\$ 2,161,646</u>

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, 2005. Reconciliation of monies expended by Hart County and revenues received by the Library are as follows:

Total Funds contributed or expended by Hart County FY' 05 on behalf of the Library.	\$ 112,500
Less funds paid to the Library between June 30, 2005 and September 30, 2005	<u>(22,500)</u>
Revenue shown on The Hart County Library Audit for Year Ending June 30, 2005	<u>\$ 90,000</u>

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

During FY 2004, the General Fund recorded a purchase of two fire trucks for the total amount of \$350,000. This expenditure was budgeted to be expended by SPLOST #2 which repaid the General Fund during FY 2005. A prior period adjustment was needed for both the General Fund and the SPLOST fund in order to correctly account for this capital expenditure. In prior years the General Fund also recognized grant money in the amount of \$10,000 that was recorded as an expenditure to SPLOST #1 and a deferred revenue item. During the same period, SPLOST #1 also recognized this grant as revenue. In order to remove the benefit of this grant from fund balance, a prior period adjustment of \$10,000 was made to both funds.

During FY '04, an accounts payable of \$12,500 was set up in SPLOST #1 due to pay a note on behalf of the Joint Development Authority of Franklin, Hart and Stephens Counties. The payment was subsequently paid by Franklin County thus eliminating the payable. A prior period adjustment to benefit fund balance was made to account for this.

In FY '04, the County entered into an agreement with Novalis Technologies, Inc. in order to purchase Tax Assessor's software in the amount of \$41,926. There was an initial payment of \$23,742, leaving a balance payable of \$18,184. During FY '05, Novalis declared bankruptcy, therefore the County never received software and services. The County doubts any reimbursement of the original down payment. A prior period adjustment was required in order to remove the \$18,184 (Other Accrued Item) from the fund financials.

Governmental Activities

FY 2004 General Fund recorded capital expenditure	\$ 350,000
FY 2004 SPLOST #2 failed to recognize capital expenditure	(350,000)
FY 2004 General Fund misrecorded grant money	10,000
FY 2004 SPLOST #1 misrecorded grant money	(10,000)
FY 2004 SPLOST #1 recorded but never expended accounts payable	12,500
FY 2004 General Fund other accrued items	18,184
Total Governmental prior period adjustment	<u>\$ 30,684</u>

NOTE 16 - EMPLOYMENT INCENTIVE PROGRAM GRANT

In FY 2005 Hart County was the recipient of a Employment Incentive Program (EIP) Grant in the amount of \$295,176, for a direct loan to Quality Industries LLC (the company). The loan will help finance the acquisition of equipment that will be used to expand the production capacity of the company's operations. As a result of this loan, the company will retain 23 full time jobs and create 7 new full time jobs.

The Georgia Montanans Regional Development Center serves as the agent of Hart County in this transaction with Quality Industries. The note issued on August 24, 2004, is in the amount of \$283,176 at a interest rate of 3% per anum, amortized over a twelve year period with monthly principal and interest payments of \$2,344.09.

HART COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2005

NOTE 17 - JOINT VENTURE

Under Georgia Law, the County, in conjunction with other cities and counties in the area, are members of the Georgia Mountains Regional Development Center (RDC) and is required to pay annual dues. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 that provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality in the area. OCGA 50-8-39.1 provides that the governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from Georgia Mountains Regional Development Center, P.O. Box 1720, Gainesville, Georgia 30503.

**HART COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT**

For the Year Ended September 30, 2005

Required Supplementary Information

HART COUNTY, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2005
(Required Supplementary Information)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,783,157	\$ 5,783,157	\$ 6,591,778	\$ 808,621
Licenses and permits	56,900	56,900	74,547	17,647
Intergovernmental	413,145	427,874	452,155	24,281
Fines and forfeitures	438,000	438,000	399,409	(38,591)
Charges for services	486,300	488,375	531,948	43,573
Investment earnings	42,100	42,100	126,166	84,066
Contributions & Donations	900	900	55	(845)
Miscellaneous	248,750	248,750	241,162	(7,588)
TOTAL REVENUES	7,469,252	7,486,056	8,417,220	931,164
EXPENDITURES				
Current Expenditures				
General Government				
General Government	292,638	288,924	252,934	35,990
Board of Registrars	35,239	35,239	32,749	2,490
Elections	13,857	13,857	18,239	(4,382)
Professional	120,000	120,000	106,679	13,321
Executive	313,475	313,473	293,432	20,041
Tax Commissioner	240,660	243,750	210,945	32,805
Tax Assessors	325,234	325,234	259,646	65,588
Risk Management	400,600	400,600	446,269	(45,669)
Buildings and Properties	178,550	158,550	166,930	(8,380)
General Administration Fees	4,000	4,000	3,495	505
Total General Government	<u>1,924,253</u>	<u>1,903,627</u>	<u>1,791,318</u>	<u>112,309</u>
Judicial				
Superior Court	126,507	126,507	115,740	10,767
Clerk of Superior Court	277,530	277,530	279,378	(1,848)
Probate Court	170,755	171,125	166,308	4,817
Juvenile Court	62,790	62,790	59,791	2,999
Grand Jury	54,993	54,993	37,895	17,098
Public Defender	50,507	50,507	50,190	317
District Attorney	6,300	6,300	6,459	(159)
Magistrate Court	151,402	151,402	146,898	4,504
Board of Equalization	2,727	2,727	2,462	265
Misdemeanor Probation	6,050	6,050	4,538	1,512
Total Judicial	<u>909,561</u>	<u>909,931</u>	<u>869,659</u>	<u>40,272</u>
Public Safety				
Sheriff	1,357,706	1,405,345	1,254,762	150,583
Jail Operations	773,882	773,882	777,429	(3,547)
Whitworth Parole Center	11,500	11,500	17,931	(6,431)
Coroner and Medical Examiner	12,483	12,483	14,950	(2,467)
Emergency Management	104,540	93,540	81,532	12,008
Emergency Medical Service	938,510	938,510	933,437	5,073
Animal Control	25,000	25,000	25,000	-
Total Public Safety	<u>\$ 3,223,621</u>	<u>\$ 3,260,260</u>	<u>\$ 3,105,041</u>	<u>\$ 155,219</u>

continued....

HART COUNTY, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2005
(Required Supplementary Information)

continued....	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public Works				
Public Works Administration	\$ 28,653	\$ 28,653	\$ 23,490	\$ 5,163
Highways & Streets	832,300	832,300	786,916	45,384
Maintenance Shop	288,766	288,766	289,845	(1,079)
Water & Sewer Authority	48,384	48,384	48,340	44
Total Public Works	<u>1,198,103</u>	<u>1,198,103</u>	<u>1,148,591</u>	<u>49,512</u>
Public Health and Welfare				
Health	76,361	76,361	76,746	(385)
Welfare	105,075	105,075	106,160	(1,085)
Senior Citizens Center	89,319	89,619	91,324	(1,705)
Transportation Services	59,600	59,600	61,999	(2,399)
Total Public Health and Welfare	<u>330,355</u>	<u>330,655</u>	<u>336,229</u>	<u>(5,574)</u>
Recreation and Culture				
Recreation	213,219	216,769	220,868	(4,099)
HYDRA	15,000	15,000	15,000	-
Library Administration	121,500	121,500	127,504	(6,004)
Total Recreation and Culture	<u>349,719</u>	<u>353,269</u>	<u>363,372</u>	<u>(10,103)</u>
Housing and Development				
Agricultural Resources	73,842	73,842	72,090	1,752
Forest Resources	2,340	2,340	2,340	-
Economic Development & Assistance	61,000	61,000	63,927	(2,927)
Community Action Programs	4,600	4,600	4,625	(25)
Adult Basic Education	20,000	20,000	20,000	-
Total Housing and Development	<u>161,782</u>	<u>161,782</u>	<u>162,982</u>	<u>(1,200)</u>
Debt Service				
Principal	21,645	21,645	21,645	-
Interest and paying agent fees	2,401	2,401	2,401	-
Total Debt Service	<u>24,046</u>	<u>24,046</u>	<u>24,046</u>	<u>-</u>
TOTAL EXPENDITURES	<u>8,121,440</u>	<u>8,141,673</u>	<u>7,801,238</u>	<u>340,435</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(652,188)</u>	<u>(655,617)</u>	<u>615,982</u>	<u>1,271,599</u>
OTHER FINANCING SOURCES(USES)				
Carrvoer of funds	<u>652,188</u>	<u>655,617</u>	<u>-</u>	<u>(655,617)</u>
NET CHANGE FUND BALANCES	<u>-</u>	<u>-</u>	<u>615,982</u>	<u>615,982</u>
FUND BALANCE, Beginning of year	<u>-</u>	<u>-</u>	<u>4,863,008</u>	<u>4,863,008</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>378,184</u>	<u>378,184</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,857,174</u>	<u>\$ 5,857,174</u>

HART COUNTY, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2005

NOTE 1 - BUDGETARY INFORMATION

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

The following departments overspent the final FY 2005 annual budget:

	<u>BUDGETED</u>	<u>EXPENDITURES</u>	<u>EXCESS</u>
General Fund:			
General Government			
Elections	13,857	18,239	(4,382)
Risk Management	400,600	446,269	(45,669)
Buildings and Properties	158,550	166,930	(8,380)
Judicial			
Clerk of Superior Court	277,530	279,378	(1,848)
District Attorney	6,300	6,459	(159)
Public Safety			
Jail Operations	773,882	777,429	(3,547)
Whitworth Parole Center	11,500	17,931	(6,431)
Coroner and Medical Examiner	12,483	14,950	(2,467)
Public Works			
Maintenance Shop	288,766	289,845	(1,079)
Public Health and Welfare			
Health	76,361	76,746	(385)
Welfare	105,075	106,160	(1,085)
Senior Citizens Center	89,619	91,324	(1,705)
Transportation Services	59,600	61,999	(2,399)
Recreation and Culture			
Recreation	216,769	220,868	(4,099)
Library Administration	121,500	127,504	(6,004)
Housing and Development			
Economic Development & Assistance	61,000	63,927	(2,927)
Community Action Programs	4,600	4,625	(25)

**HART COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT**

For the Year Ended September 30, 2005

Supplementary Information

**HART COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2005**

	<u>Capital Projects Funds</u>			<u>Special Revenue Funds</u>		
	<u>SPLOST #1</u>	<u>Multiple Grant Fund</u>	<u>Economic Development Fund</u>	<u>D.H.R. DFACS Building</u>	<u>Drug Abuse Treatment and Education</u>	<u>E911</u>
ASSETS						
Cash and cash equivalents	\$ 94,962	\$ 3,021	\$ 113,457	\$ 36,215	\$ 100,726	\$ 398,561
Receivables(net of allowance for uncollectibles)	-	-	-	-	2,372	61,460
Due from other funds	-	32,895	-	-	-	-
TOTAL ASSETS	<u>\$ 94,962</u>	<u>\$ 35,916</u>	<u>\$ 113,457</u>	<u>\$ 36,215</u>	<u>\$ 103,098</u>	<u>\$ 460,021</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,639
Other accrued items	-	-	-	-	-	921
Due to other funds	4,940	-	-	-	-	-
Deferred revenue	10,000	-	-	-	-	-
TOTAL LIABILITIES	<u>14,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,560</u>
FUND BALANCES						
Unreserved, undesignated, reported in:						
Special Revenue Funds	-	-	-	36,215	103,098	457,461
Capital Projects Funds	80,022	35,916	113,457	-	-	-
Total Fund Balance	<u>80,022</u>	<u>35,916</u>	<u>113,457</u>	<u>36,215</u>	<u>103,098</u>	<u>457,461</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 94,962</u>	<u>\$ 35,916</u>	<u>\$ 113,457</u>	<u>\$ 36,215</u>	<u>\$ 103,098</u>	<u>\$ 460,021</u>

Special Revenue Funds

Education	Insurance Premium Tax	Jail	Behavioral Health Escrow	Law Library	Victims Assistance	Employment Incentive Program Fund	TOTAL
\$ 6,816	\$ 600,460	\$ 35,124	\$ 10,645	\$ 2,605	\$ 250,872	\$ 22,453	\$ 1,675,917
-	4,559	1,798	-	-	2,219	-	72,408
-	-	-	-	-	-	-	32,895
<u>\$ 6,816</u>	<u>\$ 605,019</u>	<u>\$ 36,922</u>	<u>\$ 10,645</u>	<u>\$ 2,605</u>	<u>\$ 253,091</u>	<u>\$ 22,453</u>	<u>\$ 1,781,220</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,105	\$ -	\$ 2,744
-	511	-	-	-	396	-	1,828
-	-	-	-	-	-	-	4,940
-	22,338	-	-	-	-	-	32,338
-	22,849	-	-	-	1,501	-	41,850
6,816	582,170	36,922	10,645	2,605	251,590	22,453	1,509,975
-	-	-	-	-	-	-	229,395
<u>6,816</u>	<u>582,170</u>	<u>36,922</u>	<u>10,645</u>	<u>2,605</u>	<u>251,590</u>	<u>22,453</u>	<u>1,739,370</u>
<u>\$ 6,816</u>	<u>\$ 605,019</u>	<u>\$ 36,922</u>	<u>\$ 10,645</u>	<u>\$ 2,605</u>	<u>\$ 253,091</u>	<u>\$ 22,453</u>	<u>\$ 1,781,220</u>

HART COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2005

	<u>Capital Projects Funds</u>			<u>Special Revenue Funds</u>		
	<u>SPLOST #1</u>	<u>Multiple Grant Fund</u>	<u>Economic Development Fund</u>	<u>D.H.R. DFACS Building</u>	<u>Drug Abuse Treatment and Education</u>	<u>E911</u>
REVENUES						
Intergovernmental	\$ -	\$ 503,426	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-
Charges for Services	-	-	-	169,789	-	339,538
Fines and Forfeitures	-	-	-	-	18,191	-
Investment Earnings	5,574	88	-	126	1,832	10,231
Total Revenue	<u>5,574</u>	<u>503,514</u>	<u>-</u>	<u>169,915</u>	<u>20,023</u>	<u>349,769</u>
EXPENDITURES						
General Government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public Safety	555	1,202	-	-	-	327,485
Public Works	-	144,121	-	-	-	-
Health and Welfare	-	-	-	4,696	18,752	-
Housing and Development	-	334,582	8,000	-	-	-
Capital Outlay	161,261	-	-	-	-	-
Debt Service:						
Principal	-	-	-	96,829	-	-
Interest and paying agent fees	-	-	-	66,748	-	-
Total Expenditures	<u>161,816</u>	<u>479,905</u>	<u>8,000</u>	<u>168,273</u>	<u>18,752</u>	<u>327,485</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(156,242)	23,609	(8,000)	1,642	1,271	22,284
OTHER FINANCING SOURCES (USES)						
Note Receipts	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(156,242)	23,609	(8,000)	1,642	1,271	22,284
Prior Period Adjustment	2,500	-	-	-	-	-
FUND BALANCES, Beginning of year	<u>233,764</u>	<u>12,307</u>	<u>121,457</u>	<u>34,573</u>	<u>101,827</u>	<u>435,177</u>
FUND BALANCES, End of year	<u>\$ 80,022</u>	<u>\$ 35,916</u>	<u>\$ 113,457</u>	<u>\$ 36,215</u>	<u>\$ 103,098</u>	<u>\$ 457,461</u>

Special Revenue Funds

Education	Insurance Premium Tax	Jail	Behavioral Health Escrow	Law Library	Victims Assistance	Employment Incentive Program Fund	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,633	\$ 295,176	\$ 821,235
-	732,615	-	-	-	-	-	732,615
-	-	-	6,000	-	-	-	515,327
-	-	23,929	-	5,791	6,142	-	54,053
-	23,101	174	-	-	6,576	7,577	55,279
-	755,716	24,103	6,000	5,791	35,351	302,753	2,178,509
7,169	17,900	-	-	-	-	-	25,069
1,310	-	-	-	5,954	-	-	7,264
5,053	215,472	15,863	-	-	-	-	565,630
510	76,527	-	-	-	-	-	221,158
-	-	-	855	-	41,313	-	65,616
700	-	-	-	-	-	296,439	639,721
-	-	-	-	-	-	-	161,261
-	-	-	-	-	-	-	96,829
-	-	-	-	-	-	-	66,748
14,742	309,899	15,863	855	5,954	41,313	296,439	1,849,296
(14,742)	445,817	8,240	5,145	(163)	(5,962)	6,314	329,213
-	-	-	-	-	-	16,139	16,139
-	(324,470)	-	-	-	-	-	(324,470)
(14,742)	121,347	8,240	5,145	(163)	(5,962)	22,453	20,882
-	-	-	-	-	-	-	2,500
21,558	460,823	28,682	5,500	2,768	257,552	-	1,715,988
<u>\$ 6,816</u>	<u>\$ 582,170</u>	<u>\$ 36,922</u>	<u>\$ 10,645</u>	<u>\$ 2,605</u>	<u>\$ 251,590</u>	<u>\$ 22,453</u>	<u>\$ 1,739,370</u>

HART COUNTY, GEORGIA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
September 30, 2005

	TAX COMMISSIONER	CLERK OF SUPERIOR COURT	PROBATE COURT	MAGISTRATE COURT	SHERIFF	TOTAL
ASSETS						
Cash	\$ 127,251	\$ 100,283	\$ 20,252	\$ 18,650	\$ 45,159	\$ 311,595
Taxes Receivable	833,180	-	-	-	-	833,180
TOTAL ASSETS	<u>\$ 960,431</u>	<u>\$ 100,283</u>	<u>\$ 20,252</u>	<u>\$ 18,650</u>	<u>\$ 45,159</u>	<u>\$ 1,144,775</u>
LIABILITIES						
Due to others	\$ 960,431	\$ 100,283	\$ 20,252	\$ 18,650	\$ 45,159	\$ 1,144,775

HART COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
September 30, 2005

	TAX COMMISSIONER	CLERK OF SUPERIOR COURT	PROBATE COURT	MAGISTRATE COURT	SHERIFF	TOTAL
ASSETS						
Cash, Balance Sept. 30, 2004	\$ 20,836	\$ 102,738	\$ 15,313	\$ 26,529	\$ 56,559	\$ 221,975
Additions	16,898,324	515,083	232,765	286,765	160,414	18,093,351
Deductions	(16,791,909)	(517,538)	(227,826)	(294,644)	(171,814)	(18,003,731)
Cash, Balance Sept. 30, 2005	127,251	100,283	20,252	18,650	45,159	311,595
Taxes Receivable, Sept. 30, 2004	1,239,477	-	-	-	-	1,239,477
Additions	12,636,412	-	-	-	-	12,636,412
Deductions	(13,042,709)	-	-	-	-	(13,042,709)
Taxes Receivable, Sept. 30, 2005	833,180	-	-	-	-	833,180
TOTAL ASSETS	\$ 960,431	\$ 100,283	\$ 20,252	\$ 18,650	\$ 45,159	\$ 1,144,775
LIABILITIES						
Due to others, Sept. 30, 2004	\$ 1,260,313	\$ 102,738	\$ 15,313	\$ 26,529	\$ 56,559	\$ 1,461,452
Additions	16,898,324	515,083	232,765	286,765	160,414	18,093,351
Deductions	(17,198,206)	(517,538)	(227,826)	(294,644)	(171,814)	(18,410,028)
Due to others, Sept. 30, 2005	960,431	100,283	20,252	18,650	45,159	1,144,775
TOTAL LIABILITIES, Sept. 30, 2005	\$ 960,431	\$ 100,283	\$ 20,252	\$ 18,650	\$ 45,159	\$ 1,144,775

HART COUNTY, GEORGIA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
September 30, 2005

ASSETS	Library	Health Department	Total Governmental Activities (Nonmajor)
Cash and cash equivalents	\$ 106,003	\$ 250,897	\$ 356,900
Receivables(net of allowance for uncollectibles)	-	20,932	20,932
Capital assets:			
Machinery, equipment, and other	122,742	30,479	153,221
Books and collections	1,105,505	-	1,105,505
Less accumulated depreciation	<u>(620,493)</u>	<u>(30,479)</u>	<u>(650,972)</u>
Capital assets, net of depreciation	<u>607,754</u>	<u>-</u>	<u>607,754</u>
 <i>Total Assets</i>	 <u>713,757</u>	 <u>271,829</u>	 <u>985,586</u>
 LIABILITIES			
Accounts payable	-	999	999
Compensated absences	<u>-</u>	<u>25,779</u>	<u>25,779</u>
 <i>Total Liabilities</i>	 <u>-</u>	 <u>26,778</u>	 <u>26,778</u>
 NET ASSETS			
Invested in capital assets, net of related debt	607,754	-	607,754
Unrestricted	<u>106,003</u>	<u>245,051</u>	<u>351,054</u>
 <i>Total Net Assets</i>	 <u><u>\$ 713,757</u></u>	 <u><u>\$ 245,051</u></u>	 <u><u>\$ 958,808</u></u>

HART COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS
NONMAJOR COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
September 30, 2005

	<u>Library</u>	<u>Health Department</u>	<u>Total Governmental Activities (Nonmajor)</u>
REVENUES			
Intergovernmental	\$ 90,000	\$ 117,984	\$ 207,984
Grants and Contributions	196,442	181,921	378,363
Charges for Services	9,231	316,207	325,438
Investment Earnings	794	-	794
Miscellaneous	1,423	6,369	7,792
<i>Total Revenue</i>	<u>297,890</u>	<u>622,481</u>	<u>920,371</u>
EXPENDITURES			
Health and Welfare	-	662,264	662,264
Recreation and Culture	339,323	-	339,323
<i>Total Expenditures</i>	<u>339,323</u>	<u>662,264</u>	<u>1,001,587</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(41,433)	(39,783)	(81,216)
Prior Period Adjustments	-	(640)	(640)
NET ASSETS, Beginning of year	<u>755,190</u>	<u>285,474</u>	<u>1,040,664</u>
NET ASSETS, End of year	<u>\$ 713,757</u>	<u>\$ 245,051</u>	<u>\$ 958,808</u>

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March 1, 2006

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit Performed in
Accordance with *Government Auditing Standards***

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

I 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, 2005, which collectively comprise the Hart County, Georgia's basic financial statements and have issued my report thereon dated March 1, 2006. I did not audit the financial statements of the Hart County Health Department, a non-major component unit, as of and for the year then ended June 30, 2005, which statements reflect total assets of \$271,829 as of June 30, 2005, and total revenues of \$622,481 for the year then ended. These financial statements were audited by other auditors whose reports have been furnished to me and my opinion on these financial statements, insofar as it relates to the amounts included for the component unit, is based solely on the reports of the other auditors. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hart County, Georgia's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Hart County, Georgia's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, the Honorable Chairman and Members of the Board of Commissioners and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

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March 1, 2006

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF
PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX

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

I have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for Hart County, Georgia for the year ended September 30, 2005. This schedule is the responsibility of Hart County, Georgia's management. My responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the Schedule of Special Purpose Local Option Sales Tax is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. I believe that my audit provides a reasonable basis for my opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note 1 and is not intended to be a complete presentation of Hart County's revenues and expenditures.

In my opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above present fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in Hart County, Georgia's resolution or ordinance calling for the tax for the year ended September 30, 2005, in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountant

HART COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL
OPTION SALES TAX (SPLOST #2)
For the Year Ended September 30, 2005

Project	Estimated Cost		Expenditures		Total	Estimated Percentage of Completion
	Original	Current	Prior Years	Current Years		
Roads, Streets and Bridges	\$ 4,500,000	\$ 4,500,000	\$2,428,750	\$1,424,334	\$ 3,853,084	85.62%
Water System and Capital Outlay	3,300,000	3,300,000	2,038,516	28,400	2,066,916	62.63%
Industrial Development Capital Outlay	1,860,000	1,860,000	788,692	850,830	1,639,522	88.15%
County Library/Literacy Center Capital Outlay	300,000	300,000	320,998	-	320,998	100%
Fire Protection Equipment	1,020,000	1,020,000	671,749	47,139	718,888	70.48%
Recreational Facilities	1,020,000	1,020,000	452,519	313,964	766,483	75.15%
Total	\$12,000,000	\$12,000,000	\$6,701,224	\$2,664,667	\$ 9,365,891	

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

Note C: The amount of current year expenditures is \$2,664,667. Grant money from the State of Georgia of \$224,048 along with a private industrial grant of \$330,000 was expended and included in the aforementioned amount. For prior years of \$6,701,224, State of Georgia grant expenditures amounted to \$445,234.