

**HART COUNTY, GEORGIA**  
**AUDITED FINANCIAL STATEMENTS**

For the Year Ended September 30, 2006

**HART COUNTY, GEORGIA**  
**September 30, 2006**

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March 1, 2007

**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, 2006 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, 2006, which statements reflect total assets of \$219,500 as of June 30, 2006, and total revenues of \$580,122 for the year then ended. These financial statements of the Health Department were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included in the component unit column, is based on the report of the other auditors.

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

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Hart County, Georgia as of September 30, 2006 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 Information 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 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 accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the financial statements of Hart County, Georgia. The combining nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards 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, are 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, 2007, 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

  
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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, 2006. Management's discussion and analysis (MD&A) focuses on current year activities and resulting changes, please read it in conjunction with the County's financial statements.

### Financial Highlights

The total assets of Hart County were \$29,938,148, which exceeded its liabilities of \$2,165,134 at the close of the most recent fiscal year by \$27,773,014.

The government's total net assets increased by \$3,323,587.

As of the close of the 2006 fiscal year, Hart County's governmental funds reported combined ending fund balances of \$8,853,405 a decrease of \$1,083,110 in comparison with the prior year.

At the end of the 2006 fiscal year, unreserved fund balance for the general fund was \$6,344,120 or 71% of total general fund expenditures.

### 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 seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, SPLOST #2 and SPLOST #3, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts annual appropriated budgets for its general fund, capital projects funds, proprietary fund and special revenue funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with its budget.

*Proprietary funds.* The County maintains one proprietary fund. Enterprise funds are used to account for quasi-business functions where revenues typically come from charges or fees. 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 supplementary information regarding combining and individual fund statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, the change in net assets may serve as an indicator of the improvement (an increase) or deterioration (a decrease) in the County's financial condition. Hart County's assets exceeded liabilities by \$27,773,000 at the close of the fiscal year. This represents an increase of over 13% (Over \$3 million) from fiscal year 2005. The table below shows the split of net assets between governmental and business-type activities.

### HART COUNTY, GEORGIA'S NET ASSETS

September 30, 2006

(\$ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2006	2005	2006	2005	2006	2005
Cash and investments	\$ 7,108	\$ 8,124	\$ 1,880	\$ 1,570	\$ 8,988	\$ 9,694
Other assets	2,584	2,443	61	102	2,645	2,545
Capital assets	17,864	13,767	442	498	18,306	14,265
Total assets	<u>27,556</u>	<u>24,334</u>	<u>2,383</u>	<u>2,170</u>	<u>29,939</u>	<u>26,504</u>
Other liabilities	679	460	99	73	778	533
Long term debt outstanding	967	1,081	421	441	1,388	1,522
Total liabilities	<u>1,646</u>	<u>1,541</u>	<u>520</u>	<u>514</u>	<u>2,166</u>	<u>2,055</u>
Net assets:						
Invested in capital assets, net of debt	16,789	12,566	442	498	17,231	13,064
Restricted	-	4	-	-	-	4
Unrestricted	9,121	10,223	1,421	1,158	10,542	11,381
Total net assets	<u>\$ 25,910</u>	<u>\$ 22,793</u>	<u>\$ 1,863</u>	<u>\$ 1,656</u>	<u>\$ 27,773</u>	<u>\$ 24,449</u>

By far the largest portion of the County's net assets at the end of the fiscal year were invested in capital assets. The more than \$17 million represents the investment in those assets less any outstanding debt used to acquire those assets. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since those assets themselves will not be liquidated to retire the associated debt.

**HART COUNTY GEORGIA'S CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2006**

(\$ in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 2,127	\$ 1,700	\$ 815	\$ 822	\$ 2,942	\$ 2,522
Grants and contributions	979	1,625	-	4	979	1,629
General revenues						
Taxes	11,353	10,213	-	-	11,353	10,213
Interest	470	222	76	37	546	259
Other	224	116	-	-	224	116
Total revenues	<u>15,153</u>	<u>13,876</u>	<u>891</u>	<u>863</u>	<u>16,044</u>	<u>14,739</u>
<b>EXPENSES</b>						
Governmental Activities	11,701	10,085	-	-	11,701	10,085
Solid Waste	-	-	1,019	933	1,019	933
Total expenses	<u>11,701</u>	<u>10,085</u>	<u>1,019</u>	<u>933</u>	<u>12,720</u>	<u>11,018</u>
Transfers	(335)	(324)	335	324	-	-
Increase in net assets	3,117	3,467	207	254	3,324	3,721
Net assets, Beginning	22,793	19,295	1,656	1,402	24,449	20,697
Prior period adjustment	-	31	-	-	-	31
Net assets, Ending	<u>\$ 25,910</u>	<u>\$ 22,793</u>	<u>\$ 1,863</u>	<u>\$ 1,656</u>	<u>\$ 27,773</u>	<u>\$ 24,449</u>

Total government-wide revenue for FY 2005 was \$16 million with \$11.3 million in taxes, \$1.0 million in grants and contributions, \$.5 million in investment earnings, \$2.9 million in charges for services and \$.3 million in other revenues.

**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 \$1.3 million from FY 2005. Taxes increased \$1.1 million and investment earnings increased by \$.2 million. The increase of tax revenue over FY 2005 was the primary reason why governmental revenues increased. In FY06, for the fourth 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 \$4.7 million, while sales tax revenues also exceeded \$5.7 million in the governmental funds. Sales taxes are a key revenue source that the Hart County Board of Commissioners utilizes to keep property taxes low. The Hart County unincorporated tax millage rate is the third lowest rate in the State of Georgia out of 159 counties.

Expenditures in the governmental funds were \$15.9 million of which \$4.7 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 \$334,734 during FY 2006. 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 \$1.1 million during FY 2006.

*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 over \$890,000 which was about a \$27,000 increase over the previous year. The primary reason for the increase was due to Interest.

Expenses in business-type activities was approximately \$1 million, thus creating the need for supplemental income (transfer) from the insurance premium tax fund of \$334.734 in FY 2006.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Hart County's Government-wide investment in capital assets at September 30, 2006 was \$18.3 million, net of \$3.7 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 additions in 2006 consisted of over \$4.5 million, all of which were recorded by the governmental activities. The additions were composed of machinery and equipment of approximately \$1 million and vehicles for the amount of \$850,000. Infrastructure amounted to \$1.8 million, additional construction in progress amounted to approximately \$812,000 and Building upgrades were \$288,000.

Long-term debt decreased by approximately \$113,000 during FY 2006. During this time there were no new Long-Term Debts incurred. 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. A positive revenue budget variance is primarily a result of very strong sales tax revenues associated with the LOST sales tax. However, sales taxes can not be reliant to be consistent from year to year so conservative estimation of sales tax revenues will continue to be practiced by the Hart County Board of Commissioners using several years of historical data.

## **REQUEST FOR INFORMATION**

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

**HART COUNTY, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended September 30, 2006

**Basic Financial Statements**

**HART COUNTY, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**September 30, 2006**

	<b>PRIMARY GOVERNMENT</b>			<b>COMPONENT UNITS</b>	
	<b>GOVERNMENTAL</b>	<b>BUSINESS-TYPE</b>	<b>TOTAL</b>	<b>GOVERNMENTAL</b>	<b>BUSINESS-TYPE</b>
	<b>ACTIVITIES</b>	<b>ACTIVITIES</b>		<b>ACTIVITIES</b>	<b>ACTIVITIES</b>
	(nonmajor)	(major)		(nonmajor)	(major)
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,107,869	\$ 1,879,893	\$ 8,987,762	\$ 309,263	\$ 761,452
Receivables(net of allowance for uncollectibles)	1,343,958	54,895	1,398,853	-	38,410
Intergovernmental Receivables	782,541	-	782,541	-	-
Inventory	114,754	10,509	125,263	-	5,752
Internal Balances	5,652	(5,652)	-	-	-
Prepaid items	-	-	-	-	2,512
Restricted cash	4,530	-	4,530	-	461,401
Note Receivables	332,583	-	332,583	-	-
Capital assets:					
Land and improvements	720,688	-	720,688	-	4,212,334
Buildings	7,390,731	21,699	7,412,430	-	-
Water lines	-	-	-	-	6,168,324
Construction in progress	573,115	-	573,115	-	25,101
Machinery, equipment and other	3,993,842	543,183	4,537,025	153,221	142,082
Vehicles	3,678,430	142,562	3,820,992	-	-
Infrastructure	4,357,038	-	4,357,038	-	-
Books and collections	-	-	-	942,388	-
Recreational upgrades	604,628	-	604,628	-	-
Less accumulated depreciation	(3,454,171)	(265,129)	(3,719,300)	(498,110)	(460,817)
Capital assets, net of depreciation	17,864,301	442,315	18,306,616	597,499	10,087,024
<b>Total Assets</b>	<b>27,556,188</b>	<b>2,381,960</b>	<b>29,938,148</b>	<b>906,762</b>	<b>11,356,551</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	154,084	69,311	223,395	-	35,640
Other accrued items	52,256	2,379	54,635	-	-
Intergovernmental Payables	98,962	-	98,962	-	-
Customer deposits	12,938	-	12,938	-	9,793
Unearned Revenue	12,750	-	12,750	-	-
Compensated absences	239,040	6,175	245,215	21,000	-
Capital lease payable - current	108,770	-	108,770	-	-
Notes payable - current	-	-	-	-	66,162
Landfill closure/postclosure	-	21,028	21,028	-	-
Noncurrent liabilities:					
Capital lease payable (net of current portion)	966,875	-	966,875	-	-
Compensated absences (net of current portion)	-	-	-	6,345	-
Notes payable (net of current portion)	-	-	-	-	752,863
Landfill closure/postclosure (net of current portion)	-	420,566	420,566	-	-
<b>Total Liabilities</b>	<b>1,645,675</b>	<b>519,459</b>	<b>2,165,134</b>	<b>27,345</b>	<b>864,458</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	16,788,656	442,315	17,230,971	597,499	9,267,999
Restricted for:					
Debt service	-	-	-	-	11,462
Unrestricted	9,121,857	1,420,186	10,542,043	281,918	1,212,632
<b>Total Net Assets</b>	<b>\$ 25,910,513</b>	<b>\$ 1,862,501</b>	<b>\$ 27,773,014</b>	<b>\$ 879,417</b>	<b>\$ 10,492,093</b>

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

**HART COUNTY, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
 For the year ended September 30, 2006

	PROGRAM REVENUES					NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNITS	
	FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENTAL ACTIVITIES	GOVERNMENTAL BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES (nonmajor)	BUSINESS-TYPE ACTIVITIES (major)
<b>PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES</b>										
General Government	\$ 1,832,684	\$ 64,024	\$ -	\$ 29,078	\$ -	\$ (1,739,582)	\$ -	\$ (1,739,582)	\$ -	\$ -
Judicial	929,581	609,159	-	-	-	(320,422)	-	(320,422)	-	-
Public Health and Welfare	440,733	184,795	-	50,437	-	(205,501)	-	(205,501)	-	-
Public Safety	4,404,871	1,208,581	72,136	19,970	72,136	(3,104,184)	-	(3,104,184)	-	-
Public Works	2,957,142	-	618,502	49,107	618,502	(2,289,533)	-	(2,289,533)	-	-
Recreation and Culture	460,482	50,380	-	805	-	(409,297)	-	(409,297)	-	-
Housing and Development	349,063	9,789	-	139,074	-	(200,200)	-	(200,200)	-	-
Intergovernmental	264,113	-	-	-	-	(264,113)	-	(264,113)	-	-
Interest and paying agent fees	62,695	-	-	-	-	(62,695)	-	(62,695)	-	-
Total Governmental Activities	11,701,364	2,126,728	-	288,471	690,638	(8,595,527)	-	(8,595,527)	-	-
<b>BUSINESS-TYPE ACTIVITIES</b>										
Solid Waste	1,018,866	814,365	-	-	-	-	(204,501)	(204,501)	-	-
Total Primary Government	\$ 12,720,230	\$ 2,941,093	\$ -	\$ 288,471	\$ 690,638	\$ (8,595,527)	\$ -	\$ (8,800,028)	\$ -	\$ -
<b>COMPONENT UNITS</b>										
Water & Sewer	\$ 559,678	\$ 441,285	\$ -	\$ 113,700	\$ 833,189	-	-	-	\$ 828,496	(1,580)
The Joint Dev. Authority	91,843	-	-	-	90,263	-	-	-	-	-
Library	347,256	3,211	-	283,362	-	-	-	(60,683)	-	-
Health Department	633,046	300,269	-	275,777	-	-	-	(57,000)	-	-
Total Component Units	\$ 1,631,823	\$ 744,765	\$ -	\$ 672,839	\$ 923,452	-	-	(117,683)	-	826,916
<b>GENERAL REVENUES</b>										
Property Taxes						4,747,378	-	4,747,378	-	-
Sales Taxes						5,740,479	-	5,740,479	-	-
Other Taxes						807,573	-	807,573	-	-
Alcoholic beverage taxes						57,874	-	57,874	-	-
Investment Earnings						470,489	75,874	546,363	1,572	-
Miscellaneous						223,948	-	223,948	4,901	50,955
TRANSFERS						(334,734)	334,734	-	-	-
Total General Revenues and Transfers						11,713,007	410,608	12,123,615	6,473	50,955
<b>CHANGE IN NET ASSETS</b>						3,117,480	206,107	3,323,587	(111,210)	877,871
<b>NET ASSETS, Beginning</b>						22,793,033	1,656,394	24,449,427	990,627	9,554,001
<b>Prior Period Adjustment</b>						-	-	-	-	60,221
<b>NET ASSETS, Ending</b>						\$ 25,910,513	\$ 1,862,501	\$ 27,773,014	\$ 879,417	\$ 10,492,093

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

**HART COUNTY, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2006

	GENERAL	SPLOST#2	SPLOST#3	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and cash equivalents	\$3,181,467	\$1,932,172	\$ 411,790	\$ 1,582,440	\$ 7,107,869
Inventory	63,339	51,415	-	-	114,754
Receivables(net of allowance for uncollectibles)	1,241,461	24,129	-	78,368	1,343,958
Intergovernmental receivables	95,301	-	687,240	-	782,541
Due from other funds	2,108,359	-	-	-	2,108,359
Restricted cash	4,530	-	-	-	4,530
<b>TOTAL ASSETS</b>	<u>\$6,694,457</u>	<u>\$2,007,716</u>	<u>\$ 1,099,030</u>	<u>\$ 1,660,808</u>	<u>\$ 11,462,011</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 99,688	\$ 26,540	-	\$ 27,856	\$ 154,084
Other accrued items	50,052	-	-	2,204	52,256
Intergovernmental payable	-	-	98,962	-	98,962
Due to other funds	-	-	2,100,000	2,707	2,102,707
Customer deposits	12,938	-	-	-	12,938
Unearned Revenue	12,750	-	-	-	12,750
Deferred revenue	174,909	-	-	-	174,909
<b>TOTAL LIABILITIES</b>	<u>350,337</u>	<u>26,540</u>	<u>2,198,962</u>	<u>32,767</u>	<u>2,608,606</u>
<b>FUND BALANCES</b>					
Unreserved, undesignated, reported in					
General Fund	6,344,120	-	-	-	6,344,120
Special Revenue Funds	-	-	-	1,530,076	1,530,076
Capital Projects Funds	-	1,981,176	(1,099,932)	97,965	979,209
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>6,344,120</u>	<u>1,981,176</u>	<u>(1,099,932)</u>	<u>1,628,041</u>	<u>8,853,405</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$6,694,457</u>	<u>\$2,007,716</u>	<u>\$ 1,099,030</u>	<u>\$ 1,660,808</u>	<u>\$ 11,462,011</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, 2006**

**Total Governmental Fund Balance** **\$ 8,853,405**

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 332,583

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	\$	720,688	
Buildings		7,390,731	
Construction in progress		573,115	
Machinery, equipment and other		3,993,842	
Vehicles		3,678,430	
Infrastructure		4,357,038	
Recreational upgrades		604,628	
Accumulated depreciation		<u>(3,454,171)</u>	
Total capital assets			17,864,301

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 174,909

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		(2,102,707)	
Interfund Payables		<u>2,102,707</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		(1,075,645)	
Compensated Absences		<u>(239,040)</u>	
Total Capital Leases and Compensated Absences			<u>(1,314,685)</u>

**Net Assets of Governmental Activities** **\$ 25,910,513**

**HART COUNTY, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2006**

	<u>GENERAL</u>	<u>SPLOST#2</u>	<u>SPLOST#3</u>	<u>OTHER NONMAJOR FUNDS</u>	<u>TOTAL</u>
<b>REVENUES</b>					
Taxes	\$ 7,102,876	\$ 1,449,816	\$ 1,834,120	\$ 782,342	\$11,169,154
Licenses and permits	61,989	-	-	-	61,989
Intergovernmental	356,119	83,221	-	774,368	1,213,708
Fines and forfeitures	472,298	-	-	70,778	543,076
Charges for services	822,561	-	-	572,468	1,395,029
Investment earnings	269,296	102,986	2,996	95,215	470,493
Contributions and donations	1,794	-	-	-	1,794
Miscellaneous	346,021	-	-	29,732	375,753
<b>TOTAL REVENUES</b>	<u>9,432,954</u>	<u>1,636,023</u>	<u>1,837,116</u>	<u>2,324,903</u>	<u>15,230,996</u>
<b>EXPENDITURES</b>					
Current Expenditures					
General Government	1,757,232	-	-	19,577	1,776,809
Judicial	929,445	-	-	7,370	936,815
Public Safety	3,784,105	8,587	-	891,891	4,684,583
Public Works	1,479,420	471,945	206,385	672,610	2,830,360
Health and Welfare	334,382	-	-	105,551	439,933
Recreation and Culture	425,464	8,384	-	-	433,848
Housing and Development	211,910	115,040	-	117,259	444,209
Intergovernmental	-	-	264,113	-	264,113
Capital Outlay	-	1,411,006	2,466,550	103,519	3,981,075
Debt Service					
Principal	22,718	-	-	102,214	124,932
Interest and paying agent fees	1,332	-	-	61,363	62,695
<b>TOTAL EXPENDITURES</b>	<u>8,946,008</u>	<u>2,014,962</u>	<u>2,937,048</u>	<u>2,081,354</u>	<u>15,979,372</u>
<b>EXCESS OF REVENUES OVER (EXPENDITURES)</b>	<u>486,946</u>	<u>(378,939)</u>	<u>(1,099,932)</u>	<u>243,549</u>	<u>(748,376)</u>
<b>OTHER FINANCING SOURCES(USES)</b>					
Transfers out	-	(12,751)	-	(367,629)	(380,380)
Transfers In	-	32,895	-	12,751	45,646
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<u>-</u>	<u>20,144</u>	<u>-</u>	<u>(354,878)</u>	<u>(334,734)</u>
<b>NET CHANGE IN FUND BALANCES</b>	486,946	(358,795)	(1,099,932)	(111,329)	(1,083,110)
<b>FUND BALANCES, Beginning of year</b>	<u>5,857,174</u>	<u>2,339,971</u>	<u>-</u>	<u>1,739,370</u>	<u>9,936,515</u>
<b>FUND BALANCES (DEFICIT), End of year</b>	<u>\$ 6,344,120</u>	<u>\$ 1,981,176</u>	<u>\$ (1,099,932)</u>	<u>\$ 1,628,041</u>	<u>\$ 8,853,405</u>

**Hart County, Georgia**  
**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, 2006**

**Net Change in Fund Balances - Total Governmental Funds:** **\$ (1,083,110)**

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 book value of capital asset dispositions are reported on the statement of activities but not reported in the governmental funds. (180,574)

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	\$ 4,813,717	
Less Current Year Depreciation	(535,569)	
Excess of capital outlay over depreciation expense		4,278,148

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		124,932
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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 obligation are recorded as revenue in the funds, but decrease assets in the statement of net assets.

Note Receivable	89,300	
Payments received	(23,755)	
		65,545

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 @ 9/30/06	(239,040)	
Liability @ 9/30/05	205,241	
		(33,799)

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 9/30/06	174,909	
Deferred Revenue at 9/30/05	(228,571)	
Total Decrease in Deferred Revenue		(53,662)

**Change in Net Assets of Governmental Activities** **\$ 3,117,480**

**HART COUNTY, GEORGIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
September 30, 2006**

	<u><b>SOLID WASTE</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,879,893
Receivables(net of allowance for uncollectibles)	54,895
Inventory	10,509
Total Current Assets	<u>1,945,297</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	142,562
Machinery, equipment and other	543,183
Buildings	21,699
Less: Accumulated depreciation	<u>(265,129)</u>
Total Capital Assets (Net of accumulated depreciation)	<u>442,315</u>
<b>TOTAL ASSETS</b>	<u><b>2,387,612</b></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	69,311
Other accrued items	2,379
Due to other funds	5,652
Compensated absences	6,175
Landfill closure and post closure	21,028
Total Current Liabilities	<u>104,545</u>
Non-Current Liabilities:	
Landfill closure and post closure (net of current portion)	<u>420,566</u>
Total Liabilities	<u>525,111</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	442,315
Unrestricted	<u>1,420,186</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 1,862,501</b></u>

**HART COUNTY, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2006**

	<u><b>SOLID WASTE</b></u>
OPERATING REVENUES	
Charges for Services - Refuse Collection	<u>\$ 814,365</u>
OPERATING EXPENSES	
Personnel services	331,888
Professional Services	18,237
Purchased Property Services	5,764
Other Purchased Services	533,974
Supplies and Other	73,214
Depreciation	<u>30,214</u>
TOTAL OPERATING EXPENSES	<u>993,291</u>
OPERATING INCOME (LOSS)	<u>(178,926)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment Earnings	75,874
(Loss) on Disposal of Capital Asset	<u>(25,575)</u>
TOTAL NON-OPERATING REVENUES	<u>50,299</u>
INCOME (LOSS) BEFORE TRANSFERS	(128,627)
Transfers In	<u>334,734</u>
CHANGE IN NET ASSETS	206,107
TOTAL NET ASSETS, Beginning of Year	<u>1,656,394</u>
TOTAL NET ASSETS, End of Year	<u><u>\$ 1,862,501</u></u>

**HART COUNTY, GEORGIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended September 30, 2006**

	<b>SOLID WASTE</b>
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 841,421
Payments to Vendors and Other Suppliers	(589,088)
Payments to Employees	(332,808)
Net Cash (Used) by Operating Activities	<u>(80,475)</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	<u>334,734</u>
 <b>CASH FLOWS (TO) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Decrease in Landfill Closure and Post Closure	<u>(21,028)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment Earnings	<u>75,874</u>
Net Increase in Cash and Cash Equivalents	309,105
CASH, Beginning of Year	<u>1,570,788</u>
CASH, End of Year	<u><u>\$ 1,879,893</u></u>
 <b>Reconciliation of Operating Loss to Net Cash Flows (Used) by Operating Activities</b>	
Operating Loss	\$ (178,926)
Adjustments to Reconcile Operating Loss to Net Cash Flows (Used) by Operating Activities:	
Depreciation Expense	30,214
Change In Assets and Liabilities:	
Accounts Receivable	27,056
Inventory	9,492
Accounts Payable	26,957
Due to other funds	5,652
Compensated Absences	(1,087)
Accrued Expenses	167
Net Cash Used by Operating Activities	<u><u>\$ (80,475)</u></u>

**HART COUNTY, GEORGIA**  
**STATEMENT OF FIDUCIARY ASSETS & LIABILITIES**  
**FIDUCIARY FUNDS - AGENCY FUNDS**  
**September 30, 2006**

	<b>Agency Funds Total</b>
<b>ASSETS</b>	
Cash	\$ 397,362
Taxes Receivable	903,374
<b>TOTAL ASSETS</b>	<b>\$ 1,300,736</b>
 <b>LIABILITIES</b>	
Due to Others	\$ 1,300,736
<b>TOTAL LIABILITIES</b>	<b>\$ 1,300,736</b>

**HART COUNTY, GEORGIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**MAJOR COMPONENT UNITS - BUSINESS-TYPE ACTIVITIES**  
**September 30, 2006**

	<b>Water &amp; Sewer Authority</b>	<b>The Joint Development Authority of Franklin, Hart &amp; Stephens</b>	<b>Total Business-Type Activities (Major)</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 754,443	\$ 7,009	\$ 761,452
Receivables(net of allowance for uncollectibles)	38,410	-	38,410
Prepaid items	2,512	-	2,512
Inventory	5,752	-	5,752
Restricted cash	-	461,401	461,401
Capital assets:			
Land and improvements	-	4,212,334	4,212,334
Water lines	6,168,324	-	6,168,324
Machinery, equipment, and other	142,082	-	142,082
Construction in progress	25,101	-	25,101
Less accumulated depreciation	(377,892)	(82,925)	(460,817)
Capital assets, net of depreciation	<u>5,957,615</u>	<u>4,129,409</u>	<u>10,087,024</u>
<i>Total Assets</i>	<u>6,758,732</u>	<u>4,597,819</u>	<u>11,356,551</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	35,640	-	35,640
Notes payable	11,105	55,057	66,162
Customer deposits	9,793	-	9,793
Total Current Liabilities	<u>56,538</u>	<u>55,057</u>	<u>111,595</u>
<b>Non-Current Liabilities</b>			
Note Payable	<u>84,257</u>	<u>668,606</u>	<u>752,863</u>
<i>Total Liabilities</i>	<u>140,795</u>	<u>723,663</u>	<u>864,458</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,862,253	3,405,746	9,267,999
Restricted for:			
Debt Service	-	11,462	11,462
Unrestricted	<u>755,684</u>	<u>456,948</u>	<u>1,212,632</u>
<i>Total Net Assets</i>	<u>\$6,617,937</u>	<u>\$3,874,156</u>	<u>\$ 10,492,093</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, 2006**

	<b>Water &amp; Sewer Authority</b>	<b>The Joint Development Authority of Franklin, Hart &amp; Stephens</b>	<b>Total Business-Type Activities (Major)</b>
<b>OPERATING REVENUES</b>			
Charges for Services-Water & Sewer	\$ 416,818	\$ -	\$ 416,818
Connection Fees	24,390	-	24,390
Intergovernmental	113,700	-	113,700
Other fees	77	-	77
<i>Total Operating Revenue</i>	<u>554,985</u>	<u>-</u>	<u>554,985</u>
<b>OPERATING EXPENSES</b>			
Personnel Services	45,998	-	45,998
Water Purchases	225,874	-	225,874
Other Services and Supplies	72,612	4,785	77,397
Utilities	4,857	-	4,857
Professional Services	85,155	7,674	92,829
Depreciation and Amortization	123,192	56,062	179,254
<i>Total Operating Expenses</i>	<u>557,688</u>	<u>68,521</u>	<u>626,209</u>
<b>Operating Income (Loss)</b>	<u>(2,703)</u>	<u>(68,521)</u>	<u>(71,224)</u>
Non-Operating Revenues (Expenses)			
Intergovernmental	833,189	90,263	923,452
Interest Expense	(1,990)	(23,322)	(25,312)
Investment Earnings	31,818	19,137	50,955
<i>Total Non-Operating Revenues (Expenses)</i>	<u>863,017</u>	<u>86,078</u>	<u>949,095</u>
<b>NET CHANGE IN NET ASSETS</b>	860,314	17,557	877,871
Prior Period Adjustment	60,221	-	60,221
NET ASSETS, Beginning of year	<u>5,697,402</u>	<u>3,856,599</u>	<u>9,554,001</u>
NET ASSETS, End of year	<u>\$6,617,937</u>	<u>\$3,874,156</u>	<u>\$ 10,492,093</u>

**HART COUNTY, GEORGIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**MAJOR COMPONENT UNITS - BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended September 30, 2006**

	<b>Water &amp; Sewer Authority</b>	<b>The Joint Development Authority of Franklin, Hart &amp; Stephens</b>	<b>Total Business-Type Activities (Major)</b>
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 443,840	\$ -	\$ 443,840
Intergovernmental Receipts	113,700	-	113,700
Payments to vendors and other suppliers	(428,483)	(12,459)	(440,942)
Payments to employees	(45,998)	-	(45,998)
Net Cash Provided by (Used by) Operating Activities	<u>83,059</u>	<u>(12,459)</u>	<u>70,600</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING</b>			
Intergovernmental	<u>833,189</u>	<u>90,263</u>	<u>923,452</u>
<b>CASH (TO) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of Capital Assets	(954,338)	(31,846)	(986,184)
Principal Payment of Capital Debt	(10,885)	(54,828)	(65,713)
Interest Paid	(1,990)	(23,322)	(25,312)
Net Cash (used in) Capital and Related Financing Activities:	<u>(967,213)</u>	<u>(109,996)</u>	<u>(1,077,209)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment earnings	<u>31,818</u>	<u>19,137</u>	<u>50,955</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(19,147)	(13,055)	(32,202)
Prior Period Adjustment	60,221	-	60,221
CASH, Beginning of Year	<u>713,369</u>	<u>481,465</u>	<u>1,194,834</u>
CASH, End of Year	<u>\$ 754,443</u>	<u>\$ 468,410</u>	<u>\$ 1,222,853</u>

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

**HART COUNTY, GEORGIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**MAJOR COMPONENT UNITS - BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended September 30, 2006**

	<b>Water &amp; Sewer Authority</b>	<b>The Joint Development Authority of Franklin, Hart &amp; Stephens</b>	<b>Total Business-Type Activities (Major)</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities</b>			
Operating Income (Loss)	\$ (2,703)	\$ (68,521)	\$ (71,224)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation	123,192	56,062	179,254
Change In:			
Accounts Receivable	(1,687)	-	(1,687)
Prepaid Expenses	(337)	-	(337)
Inventory	7,434	-	7,434
Accounts Payable	(47,082)	-	(47,082)
Water Deposits	4,242	-	4,242
Net Cash Provided by Operating Activities	<u>\$ 83,059</u>	<u>\$ (12,459)</u>	<u>\$ 70,600</u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**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, 2006**

**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 and other governmental grants. The Authority is also included as a component unit within the Hart County governmental "reporting entity" as defined by GASB pronouncement 14, because the Hart County Board of Commissioners appoints all members of the Authority's board and can, therefore, impose its will upon the Authority. 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, 2006**

**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, 2006 year end)

HART COUNTY HEALTH DEPARTMENT

64 Reynolds Street  
Hartwell, Georgia 30643  
(June 30, 2006 year end)

HART COUNTY WATER AND SEWER UTILITY AUTHORITY

200 Arthur Street  
Hartwell, Georgia 30643  
(September 30, 2006 year end)

THE JOINT DEVELOPMENT AUTHORITY OF FRANKLIN, HART AND STEPHENS COUNTIES

P.O. Box 793  
Hartwell, Georgia 30643  
(June 30, 2006 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, 2006**

**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.

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*, approved by voters in 2000, accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.

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

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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, 2006**

**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 after 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 and unearned 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 unearned 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, 2006**

**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, 2006. The taxes for the 2005 digest year were billed on October 20, 2005 and had a due date of December 20, 2005. Interest of 1% per month is assessed on taxes not paid by December 21, 2005. A penalty of 10% is assessed on taxes not paid within 90 days of this date. Property taxes became past due on December 21, 2005.

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, 2006**

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

**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, 2006**

**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, 2006**

**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 proprietary 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, 2006**

**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 Government			
Risk Management	\$ 435,633	\$ 342,894	\$ (92,739)
Judicial			
Grand Jury	\$ 67,927	\$ 52,021	\$ (15,906)
Public Safety			
Jail Operations	\$ 904,417	\$ 776,791	\$(127,626)
Whitworth Parole Center	\$ 32,461	\$ 18,000	\$ (14,461)

**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	\$ 110,000
Hart County Health Department	68,904
Hart County Water and Sewer Authority	876,703
The Joint Development Authority of Franklin, Hart and Stephens Counties	115,040
Total Financial Assistance to Component Units	<u>\$ 1,170,647</u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**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, 2006:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Primary Government	\$ 947,073	\$ 8,890,249	\$ -	\$ 9,837,322	\$ 9,389,654
Component Units					
Hart Co. Library	98,671	-	-	98,671	89,763
Hart Co. Health Dept.	100,000	137,897	-	237,897	219,500
Hart Co. Water & Sewer Utility	210,457	543,624	-	754,081	754,443
The Joint Development Auth. Of Franklin, Hart & Stephens Counties	107,009	361,401	-	468,410	468,410
Total Component Units	516,137	1,042,922	-	1,559,059	1,532,116
Total	<u>\$1,463,210</u>	<u>\$ 9,933,171</u>	<u>\$ -</u>	<u>\$ 11,396,381</u>	<u>\$ 10,921,770</u>

Primary government cash and cash equivalents reconciliation:

	Cash and Cash Equivalents
Primary Government - Fund Reporting Level:	
Governmental Funds - Balance Sheet	\$ 7,107,869
Governmental Funds - Balance Sheet (Restricted)	4,530
Proprietary Fund Type - Statement of Net Assets	1,879,893
Statement of Fiduciary Assets and Liabilities	<u>397,362</u>
Total	<u>\$ 9,389,654</u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 4- DEPOSITS (CONTINUED)**

**Credit Risk**

State statutes authorize the County to invest in obligations of the State of Georgia or other states; obligations issued by the United States government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of September 30, 2006, the investments in the Georgia Fund 1 was rated AAAM by Standard & Poor's.

Of the \$9,389,654 carrying amount of cash and cash equivalents for the Primary Government, \$8,517,082 is invested in the Local Government Investment Pool "Georgia Fund 1".

Georgia Fund 1 was created by OCGA 36-83-8 and operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7-like pool. Georgia Fund 1 is managed by the Office of 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. Total investments in Georgia Fund 1 as of September 30, 2006 are:

Georgia Fund I	AAAm rated	<u>\$ 8,517,082</u>	24 day WAM
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**Interest rate risk**

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

**Custodial credit risk - deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At September 30, 2006, all deposits of the County were adequately insured or collateralized.

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**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:

	<u>General Fund</u>	<u>SPLOST #2</u>	<u>SPLOST #3</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receivables:</b>					
<b>Property Taxes</b>	\$ 229,329	\$ -	\$ -	\$ -	\$ 229,329
<b>Accounts</b>	1,537,000	24,129	-	78,368	1,639,497
<b>Intergovernmental</b>	95,301	-	687,240	-	782,541
<b>Total Gross Receivables</b>	<u>1,861,630</u>	<u>24,129</u>	<u>687,240</u>	<u>78,368</u>	<u>2,651,367</u>
<b>Less: Allowance for Uncollectibles</b>	(524,868)	-	-	-	(524,868)
<b>Total Net Receivables</b>	<u>\$1,336,762</u>	<u>\$ 24,129</u>	<u>\$ 687,240</u>	<u>\$ 78,368</u>	<u>\$ 2,126,499</u>
<b>Note Receivable</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,583</u>	<u>\$ 332,583</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, 2006 the remaining balance of the note is \$246,107 with a current amount of \$20,857.

During Fiscal Year 2006, the County received another Employment Incentive Grant in the amount of \$92,675. The corresponding long-term note was issued to Quality Industries, LLC for \$89,300 at a 3% interest rate per annum. The monthly installments are \$1,179.75 with a remaining balance of \$86,476 as of September 30, 2006. The current portion due is \$11,727. See Note #15 for more details.

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

<b>Receivables:</b>	<b>Solid Waste</b>
<b>Accounts</b>	<u>\$ 54,895</u>

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

<b>Receivables:</b>	<b>Water &amp; Sewer Utility Authority</b>
<b>Accounts</b>	<u>\$ 38,410</u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
<b>Non-Depreciable Assets:</b>				
Land and improvements	\$ 615,093	\$ 105,595	\$ -	\$ 720,688
Construction in progress	433,622	811,723	(672,230)	573,115
Total non-depreciable capital assets	<u>1,048,715</u>	<u>917,318</u>	<u>(672,230)</u>	<u>1,293,803</u>
<b>Depreciable Assets:</b>				
Buildings	6,784,794	605,937	-	7,390,731
Machinery, equipment and other	3,135,774	1,033,089	(175,021)	3,993,842
Vehicles	2,873,495	850,183	(45,248)	3,678,430
Infrastructure	2,566,227	1,790,811	-	4,357,038
Recreational upgrades	316,020	288,608	-	604,628
Total depreciable capital assets	<u>15,676,310</u>	<u>4,568,628</u>	<u>(220,269)</u>	<u>20,024,669</u>
Less Accumulated Depreciation				
Buildings	(1,342,243)	(97,760)	-	(1,440,003)
Machinery, equipment and other	(702,009)	(148,619)	13,573	(837,055)
Vehicles	(793,782)	(164,096)	26,122	(931,756)
Infrastructure	(104,462)	(115,388)	-	(219,850)
Recreational upgrades	(15,801)	(9,706)	-	(25,507)
Total Accumulated Depreciation	<u>(2,958,297)</u>	<u>(535,569)</u>	<u>39,695</u>	<u>(3,454,171)</u>
Total depreciable capital assets, net	<u>12,718,013</u>	<u>4,033,059</u>	<u>(180,574)</u>	<u>16,570,498</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$13,766,728</u></u>	<u><u>\$4,950,377</u></u>	<u><u>\$ (852,804)</u></u>	<u><u>\$17,864,301</u></u>
<b>Business-type activities:</b>				
<b>Depreciable Assets:</b>				
Buildings	\$ 21,699	\$ -	\$ -	\$ 21,699
Machinery, equipment and other	574,183	-	(31,000)	543,183
Vehicles	142,562	-	-	142,562
Total depreciable capital assets	<u>738,444</u>	<u>-</u>	<u>(31,000)</u>	<u>707,444</u>
Less Accumulated Depreciation				
Buildings	(951)	(633)	-	(1,584)
Machinery, equipment and other	(190,893)	(23,316)	5,425	(208,784)
Vehicles	(48,496)	(6,265)	-	(54,761)
Total Accumulated Depreciation	<u>(240,340)</u>	<u>(30,214)</u>	<u>5,425</u>	<u>(265,129)</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 498,104</u></u>	<u><u>\$ (30,214)</u></u>	<u><u>\$ (25,575)</u></u>	<u><u>\$ 442,315</u></u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

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

Governmental activities:	
General Government	\$ 110,461
Housing & Development	649
Judicial	4,759
Public Safety	199,577
Public Works	200,435
Recreation and Culture	19,688
Total Depreciation expense-governmental activities	<u>\$ 535,569</u>
Business-type activities:	
Solid Waste	<u>\$ 30,214</u>

**Discretely Presented Component Units:**

**Health Department**

Activity for the Health Department for the year ended June 30, 2006 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 June 30, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable Assets:				
Machinery, equipment and other	\$ 122,742	\$ -	\$ -	\$ 122,742
Books and Collections	1,105,505	4,332	(167,449)	942,388
Less Accumulated Depreciation				
Machinery, equipment and other	(100,204)	(723)	-	(100,927)
Books and Collections	(520,289)	(13,864)	167,449	(366,704)
Capital Assets, net	<u>\$ 607,754</u>	<u>\$ (10,255)</u>	<u>\$ -</u>	<u>\$ 597,499</u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

**Water and Sewer Authority**

Activity for the Water and Sewer Authority for the year ended September 30, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Construction in Progress	\$ 84,832	\$ 13,598	\$ (73,329)	\$ 25,101
Depreciable Assets:				
Water Lines	5,179,514	988,810	-	6,168,324
Machinery, equipment and other	97,341	11,856	-	109,197
Total Depreciable Capital Assets	5,276,855	1,000,666	-	6,277,521
Less Accumulated Depreciation/Amortization				
Water Lines	(228,625)	(113,731)	-	(342,356)
Machinery, equipment and other	(23,559)	(8,374)	-	(31,933)
Total Depreciable Capital Assets, net	5,024,671	878,561	-	5,903,232
Capital Assets, Net	<u>\$ 5,109,503</u>	<u>\$ 892,159</u>	<u>\$ (73,329)</u>	<u>\$ 5,928,333</u>

The Authority amortizes a Feasibility Study over 20 years as well as a Water Conservation Plan over 10 years. Below is the amortization for the year ended September 30, 2006:

	Beginning Balance	Additions	Deductions	Ending Balance
Feasibility Study	\$ 19,482	\$ -	\$ -	\$ 19,482
Water Consumption Plan	-	13,403	-	13,403
Less Accumulated Amortization				
Feasibility Study	(2,516)	(975)	-	(3,491)
Water Consumption Plan	-	(112)	-	(112)
Feasibility Study, Net of Amortization	<u>\$ 16,966</u>	<u>\$ 12,316</u>	<u>\$ -</u>	<u>\$ 29,282</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, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets				
Land and improvements	\$ 1,357,145	\$ -	\$ -	\$ 1,357,145
Construction in Progress	137,002	-	(137,002)	-
Total Non-Depreciable Capital Assets	1,494,147	-	(137,002)	1,357,145
Depreciable Assets:				
Site Improvements	2,686,341	168,848	-	2,855,189
Less Accumulated Depreciation	(26,863)	(56,062)	-	(82,925)
Total Depreciable Capital Assets, net	2,659,478	112,786	-	2,772,264
Capital Assets, Net	<u>\$ 4,153,625</u>	<u>\$ 112,786</u>	<u>\$ (137,002)</u>	<u>\$ 4,129,409</u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**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, 2006 accumulated depreciation was \$11,241 for a book value of \$73,065. 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 was made on April 25, 2006 for the amount of \$24,050.17. Total principal paid over the life of the lease was \$84,306.00 and total interest paid @ 5.41% per annum was \$11,819.85.

During FY 2006, the County made total payments of \$163,577 toward the DFACS building lease and \$24,050 toward the Ambulance lease with Wachovia. Of these total payments, \$102,214 and \$22,718 were a reduction of principal for the respective lease payments. Combined, this created a reduction in total principal owed in the amount of \$124,932.

The future minimum lease obligations for the DFACS lease as of September 30, 2006 is as follows:

<u>Year Ending</u> <u>September 30</u>	<u>DFACS</u>
2007	\$ 163,577
2008	163,577
2009	163,577
2010	163,577
2011	163,577
(2012-2015)	559,993
Total	<u>1,377,878</u>
Less: Interest	<u>(302,233)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,075,645</u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**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 \$441,594 reported as landfill closure and post closure care liability at September 30, 2006 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 2006. 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 21 years of required monitoring is \$21,028 per year.

**CHANGES IN LONG TERM DEBT**

Long term liability activity for the year ended September 30, 2006 was as follows:

	<u>Beginning</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> Balance	<u>Due Within</u> One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 205,241	\$ 33,799	\$ -	\$ 239,040	\$ 239,040
Capital leases	1,200,577	-	(124,932)	1,075,645	108,770
Governmental activities long-term	<u>\$ 1,405,818</u>	<u>\$ 33,799</u>	<u>\$ (124,932)</u>	<u>\$ 1,314,685</u>	<u>\$ 347,810</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 7,262	\$ -	\$ (1,087)	\$ 6,175	\$ 6,175
Landfill closure/postclosure	462,622	-	(21,028)	441,594	21,028
Business-type activities long-term	<u>\$ 469,884</u>	<u>\$ -</u>	<u>\$ (22,115)</u>	<u>\$ 447,769</u>	<u>\$ 27,203</u>

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

<u>Fund</u>	<u>Compensated Absences</u> <u>Liability</u>
<b>Governmental Activities:</b>	
General	\$ 231,260
Victims Assistance	4,091
E-911	2,903
Insurance Premium	786
Total	<u>\$ 239,040</u>
<b>Business-type activities:</b>	
Solid Waste	<u>\$ 6,175</u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 7 - LONG TERM DEBT (CONTINUED)**

*COMPONENT UNITS*

**Health Department**

Long term liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 25,779	\$ 23,062	\$ (21,496)	\$ 27,345	\$ 21,000

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

**Water and Sewer Authority**

Long term liability activity for the year ended September 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 106,247	-	\$ (10,885)	\$ 95,362	\$ 11,105

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, 2006 is \$186,357.

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, 2006 the GEFA Loan carried a balance of \$95,362 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
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	902	12,027	12,929
2012-2014	1,232	37,555	38,787
<b>Total</b>	<b>\$ 8,070</b>	<b>\$ 95,362</b>	<b>103,432</b>
		Less: Interest	(8,070)
		Present Value of Minimum Payments	<b>\$ 95,362</b>

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

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**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, 2006 was as follows:

	Beginning			Ending	
	Balance	Additions	Reductions	Balance	Due Within One Year
Notes Payable	\$ 778,491	\$ -	\$ (54,828)	\$ 723,663	\$ 55,057

The Authority is obligated to pay to the Hart County Electric Membership Corporation \$4,166.67 monthly, at no interest until the balance, \$237,500, is paid. The original loan in the amount of \$387,500 was for Capital Improvements. The Improvements were completed at a cost of \$2,855,189 with accumulated depreciation of \$82,925 at June 30, 2006.

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 \$2,855,189 with accumulated depreciation of \$82,925 at June 30, 2006.

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

Year Ending <u>June 30</u>	U.S.D.A.	Hart County EMC	Total
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	28,150	37,500	65,650
2012-2016	140,750	-	140,750
2017-2021	140,750	-	140,750
2022-2026	140,750	-	140,750
2027-2031	140,750	-	140,750
2032-2036	140,750	-	140,750
2037-2041	140,750	-	140,750
2042-2043	56,115	-	56,115
Total	1,041,365	237,500	1,278,865
Less: Interest	(555,202)	-	(555,202)
Present Value of Minimum Lease	<u>\$ 486,163</u>	<u>\$ 237,500</u>	<u>\$ 723,663</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, 2006**

**NOTE 8 - INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2006 were as follows:

	<u>Transfers to:</u>		
	<u>SPLOST I</u>	<u>SPLOST II</u>	<u>Business Type Activities- Solid Waste</u>
<b>Transfers out by the:</b>			
Insurance Premium Tax Fund	\$ -	\$ -	\$ 334,734
SPLOST II	12,751	-	-
Multiple Grant Fund	-	32,895	-

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, 2006 were as follows:

	<u>Payable From:</u>			
	<u>SPLOST #3</u>	<u>Insurance Premium</u>	<u>Solid Waste</u>	
<b>Payable To:</b>				
Major Funds:				
General Fund	<u>\$ 2,100,000</u>	<u>\$ 2,707</u>	<u>\$ 5,652</u>	<u>\$ 2,108,359</u>

Interfund balances at 09/30/2006, 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, 2006**

**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 \$ 62,728 by the County and \$ 123,748 by employees. Actual contributions made to the plan were \$ 62,728 by the County and \$ 123,748 by the employees. Percentage of covered payroll contributed by the County was 3.0% and 5.9% by the employees. Total salaries paid for the current year were \$ 5,136,362, and total current year covered payroll was \$2,090,933.

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 \$ 15,000 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, 2006**

**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 \$15,000 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, 2006.

**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 - IRMA (Interlocal Risk Management Agency) 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, 2006**

**NOTE 12 - RISK MANAGEMENT (CONTINUED)**

The following are insurance and liability coverage limits:

Property	\$10,800,000 est
Inland Marine	1,150,000 est

Liability limits per occurrence:

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.

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, 2006**

**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, 2006. 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' 06 on behalf of the Authority.	\$ 115,040
Less funds paid to the Authority between June 30, 2006 and September 30, 2006	(81,406)
Plus funds paid to the Authority between July 1, 2005 and September 30, 2005	<u>56,629</u>
Revenue shown on The Joint Development Authority of Franklin, Hart & Stephens Co. Audit for Year Ending June 30, 2006	<u>\$ 90,263</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, 2006. 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' 06 on behalf of the Library.	\$ 110,000
Less funds paid to the Library between June 30, 2006 and September 30, 2006	(22,500)
Plus funds paid to the Library between July 1, 2005 and September 30, 2005	<u>22,500</u>
Revenue shown on The Hart County Library Audit for Year Ending June 30, 2006	<u>\$ 110,000</u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**NOTE 15 - EMPLOYMENT INCENTIVE PROGRAM GRANT**

In FY 2006 Hart County was the recipient of a Employment Incentive Program (EIP) Grant in the amount of \$92,675, 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 create 19 new full-time jobs.

The Georgia Mountains Regional Development Center serves as the agent of Hart County in this transaction with Quality Industries. The note issued on February 1, 2006, is in the amount of \$89,300 at a interest rate of 3% per anum, amortized over a seven year period with monthly principal and interest payments of \$1,179.75.

**NOTE 16 - 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, 2006

**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, 2006**  
**(Required Supplementary Information)**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 6,318,995	\$ 6,318,995	\$ 7,102,876	\$ 783,881
Licenses and permits	55,900	55,900	61,989	6,089
Intergovernmental	358,145	372,874	356,119	(16,755)
Fines and forfeitures	347,000	347,000	472,298	125,298
Charges for services	511,550	511,550	822,561	311,011
Investment earnings	66,900	66,900	269,296	202,396
Contributions & Donations	400	400	1,794	1,394
Miscellaneous	111,500	111,500	346,021	234,521
<b>TOTAL REVENUES</b>	<b>7,770,390</b>	<b>7,785,119</b>	<b>9,432,954</b>	<b>1,647,835</b>
<b>EXPENDITURES</b>				
Current Expenditures				
General Government				
General Government	155,442	162,248	121,413	40,835
Board of Registrars	36,842	36,842	37,579	(737)
Elections	31,425	31,425	31,154	271
Professional	102,000	102,000	98,834	3,166
Executive	310,122	316,904	307,781	9,123
Tax Commissioner	226,532	231,413	234,447	(3,034)
Tax Assessors	262,328	266,971	249,921	17,050
Risk Management	342,894	342,894	435,633	(92,739)
Buildings and Properties	102,300	244,995	236,975	8,020
General Administration Fees	4,000	4,000	3,495	505
Total General Government	<u>1,573,885</u>	<u>1,739,692</u>	<u>1,757,232</u>	<u>(17,540)</u>
Judicial				
Superior Court	120,283	120,283	124,035	(3,752)
Clerk of Superior Court	261,703	272,057	270,720	1,337
Probate Court	199,111	202,531	192,218	10,313
Juvenile Court	60,085	64,285	63,215	1,070
Grand Jury	52,021	52,021	67,927	(15,906)
Public Defender	48,500	48,500	36,375	12,125
District Attorney	6,300	6,300	7,715	(1,415)
Magistrate Court	146,335	154,093	153,640	453
Board of Equalization	16,157	16,157	7,550	8,607
Misdemeanor Probation	6,050	6,050	6,050	-
Total Judicial	<u>916,545</u>	<u>942,277</u>	<u>929,445</u>	<u>12,832</u>
Public Safety				
Sheriff	1,422,220	1,473,726	1,447,823	25,903
Jail Operations	764,657	776,791	904,417	(127,626)
Whitworth Parole Center	18,000	18,000	32,461	(14,461)
Coroner and Medical Examiner	14,293	14,293	18,403	(4,110)
Emergency Management	18,003	30,513	25,689	4,824
Emergency Medical Service	1,238,913	1,371,970	1,325,312	46,658
Animal Control	30,000	30,000	30,000	-
Total Public Safety	<u>\$ 3,506,086</u>	<u>\$ 3,715,293</u>	<u>\$ 3,784,105</u>	<u>\$ (68,812)</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, 2006**  
**(Required Supplementary Information)**

continued....	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public Works				
Public Works Administration	\$ 28,513	\$ 29,699	\$ 29,170	\$ 529
Highways & Streets	982,530	1,117,881	1,139,844	(21,963)
Maintenance Shop	300,582	307,017	310,406	(3,389)
Total Public Works	<u>1,311,625</u>	<u>1,454,597</u>	<u>1,479,420</u>	<u>(24,823)</u>
Public Health and Welfare				
Health	76,411	76,411	77,018	(607)
Welfare	111,980	119,480	107,047	12,433
Senior Citizens Center	91,189	91,189	89,406	1,783
Transportation Services	61,497	61,497	60,911	586
Total Public Health and Welfare	<u>341,077</u>	<u>348,577</u>	<u>334,382</u>	<u>14,195</u>
Recreation and Culture				
Recreation	246,069	282,241	251,537	30,704
HYDRA	15,000	15,000	15,000	-
Library Administration	133,600	153,600	158,927	(5,327)
Total Recreation and Culture	<u>394,669</u>	<u>450,841</u>	<u>425,464</u>	<u>25,377</u>
Housing and Development				
Agricultural Resources	73,440	79,935	81,267	(1,332)
Forest Resources	2,340	2,340	2,340	-
Economic Development & Assistance	142,373	142,373	96,453	45,920
Airport Authority	7,250	7,250	7,250	-
Community Action Programs	4,600	4,600	4,600	-
Adult Basic Education	20,000	20,000	20,000	-
Total Housing and Development	<u>250,003</u>	<u>256,498</u>	<u>211,910</u>	<u>44,588</u>
Debt Service				
Principal	22,718	22,718	22,718	-
Interest and paying agent fees	1,328	1,328	1,332	(4)
Total Debt Service	<u>24,046</u>	<u>24,046</u>	<u>24,050</u>	<u>(4)</u>
<b>TOTAL EXPENDITURES</b>	<u>8,317,936</u>	<u>8,931,821</u>	<u>8,946,008</u>	<u>(14,187)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(547,546)</u>	<u>(1,146,702)</u>	<u>486,946</u>	<u>1,633,648</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Carryover of funds	<u>547,546</u>	<u>1,146,702</u>	<u>-</u>	<u>(1,146,702)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>486,946</u>	<u>486,946</u>
<b>FUND BALANCE, Beginning of year</b>	<u>-</u>	<u>-</u>	<u>5,857,174</u>	<u>5,857,174</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,344,120</u>	<u>\$ 6,344,120</u>

**HART COUNTY, GEORGIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**September 30, 2006**

**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 2006 annual budget:

	<u>BUDGETED</u>	<u>EXPENDITURES</u>	<u>EXCESS</u>
<b>General Fund:</b>			
General Government			
Board of Registrars	\$ 36,842	\$ 37,579	\$ (737)
Tax Commissioner	231,413	234,447	(3,034)
Risk Management	342,894	435,633	(92,739)
Judicial			
Superior Court	120,283	124,035	(3,752)
Grand Jury	52,021	67,927	(15,906)
District Attorney	6,300	7,715	(1,415)
Public Safety			
Jail Operations	776,791	904,417	(127,626)
Whitworth Parole Center	18,000	32,461	(14,461)
Coroner and Medical Examiner	14,293	18,403	(4,110)
Public Works			
Highways & Streets	1,117,881	1,139,844	(21,963)
Maintenance Shop	307,017	310,406	(3,389)
Public Health and Welfare			
Health	76,411	77,018	(607)
Recreation and Culture			
Library Administration	153,600	158,927	(5,327)
Housing and Development			
Agricultural Resources	79,935	81,267	(1,332)

**HART COUNTY, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended September 30, 2006

**Supplementary Information**

**HART COUNTY, GEORGIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2006**

	<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>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 1,170	\$ 104,179	\$ 32,708	\$ 101,063	\$ 447,146
Receivables(net of allowance for uncollectibles)	-	-	-	-	1,548	62,341
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 1,170</u>	<u>\$ 104,179</u>	<u>\$ 32,708</u>	<u>\$ 102,611</u>	<u>\$ 509,487</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 7,384	\$ -	\$ -	\$ 7,058
Other accrued items	-	-	-	-	-	1,080
Due to other funds	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>7,384</u>	<u>-</u>	<u>-</u>	<u>8,138</u>
<b>FUND BALANCES</b>						
Unreserved, undesignated, reported in:						
Special Revenue Funds	-	-	-	32,708	102,611	501,349
Capital Projects Funds	-	1,170	96,795	-	-	-
<b>Total Fund Balance</b>	<u>-</u>	<u>1,170</u>	<u>96,795</u>	<u>32,708</u>	<u>102,611</u>	<u>501,349</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 1,170</u>	<u>\$ 104,179</u>	<u>\$ 32,708</u>	<u>\$ 102,611</u>	<u>\$ 509,487</u>

**Special Revenue Funds**

<b>Education</b>	<b>Insurance Premium Tax</b>	<b>Jail</b>	<b>Behavioral Health Escrow</b>	<b>Law Library</b>	<b>Victims Assistance</b>	<b>Employment Incentive Program Fund #1</b>	<b>Employment Incentive Program Fund #2</b>	<b>TOTAL</b>
\$ -	\$ 562,534	\$ 39,795	\$ 16,448	\$ 3,328	\$ 220,146	\$ 50,659	\$ 3,264	\$ 1,582,440
-	3,716	3,186	-	-	7,577	-	-	78,368
<u>\$ -</u>	<u>\$ 566,250</u>	<u>\$ 42,981</u>	<u>\$ 16,448</u>	<u>\$ 3,328</u>	<u>\$ 227,723</u>	<u>\$ 50,659</u>	<u>\$ 3,264</u>	<u>\$ 1,660,808</u>
\$ -	\$ 7,346	\$ 6,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,856
-	655	-	-	-	469	-	-	2,204
-	2,707	-	-	-	-	-	-	2,707
<u>-</u>	<u>10,708</u>	<u>6,068</u>	<u>-</u>	<u>-</u>	<u>469</u>	<u>-</u>	<u>-</u>	<u>32,767</u>
-	555,542	36,913	16,448	3,328	227,254	50,659	3,264	1,530,076
-	-	-	-	-	-	-	-	97,965
<u>-</u>	<u>555,542</u>	<u>36,913</u>	<u>16,448</u>	<u>3,328</u>	<u>227,254</u>	<u>50,659</u>	<u>3,264</u>	<u>1,628,041</u>
<u>\$ -</u>	<u>\$ 566,250</u>	<u>\$ 42,981</u>	<u>\$ 16,448</u>	<u>\$ 3,328</u>	<u>\$ 227,723</u>	<u>\$ 50,659</u>	<u>\$ 3,264</u>	<u>\$ 1,660,808</u>

**HART COUNTY, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2006**

	<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>
<b>REVENUES</b>						
Intergovernmental	\$ 10,000	\$ 569,281	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-
Charges for Services	-	-	-	169,789	-	396,679
Fines and Forfeitures	-	-	-	-	16,682	-
Investment Earnings	746	-	4,786	120	4,469	18,387
Miscellaneous	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>10,746</u>	<u>569,281</u>	<u>4,786</u>	<u>169,909</u>	<u>21,151</u>	<u>415,066</u>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public Safety	-	1,851	-	-	-	371,178
Public Works	-	569,281	-	-	-	-
Health and Welfare	-	-	-	9,839	21,638	-
Housing and Development	-	-	21,448	-	-	-
Capital Outlay	103,519	-	-	-	-	-
Debt Service:						
Principal	-	-	-	102,214	-	-
Interest and paying agent fees	-	-	-	61,363	-	-
<b>TOTAL EXPENDITURES</b>	<u>103,519</u>	<u>571,132</u>	<u>21,448</u>	<u>173,416</u>	<u>21,638</u>	<u>371,178</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(92,773)	(1,851)	(16,662)	(3,507)	(487)	43,888
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	12,751	-	-	-	-	-
Transfers out	-	(32,895)	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	(80,022)	(34,746)	(16,662)	(3,507)	(487)	43,888
<b>FUND BALANCES, Beginning of year</b>	<u>80,022</u>	<u>35,916</u>	<u>113,457</u>	<u>36,215</u>	<u>103,098</u>	<u>457,461</u>
<b>FUND BALANCES, End of year</b>	<u>\$ -</u>	<u>\$ 1,170</u>	<u>\$ 96,795</u>	<u>\$ 32,708</u>	<u>\$ 102,611</u>	<u>\$ 501,349</u>

**Special Revenue Funds**

<b>Education</b>	<b>Insurance Premium Tax</b>	<b>Jail</b>	<b>Behavioral Health Escrow</b>	<b>Law Library</b>	<b>Victims Assistance</b>	<b>Employment Incentive Program Fund #1</b>	<b>Employment Incentive Program Fund #2</b>	<b>TOTAL</b>
\$ -	\$ 83,430	\$ -	\$ -	\$ -	\$ 18,981	\$ -	\$ 92,676	\$ 774,368
-	782,342	-	-	-	-	-	-	782,342
-	-	-	6,000	-	-	-	-	572,468
-	-	27,057	-	7,006	20,033	-	-	70,778
-	45,185	1,403	332	-	10,195	8,912	680	95,215
-	5,979	-	-	-	-	20,930	2,823	29,732
-	916,936	28,460	6,332	7,006	49,209	29,842	96,179	2,324,903
805	18,772	-	-	-	-	-	-	19,577
1,087	-	-	-	6,283	-	-	-	7,370
3,664	486,729	28,469	-	-	-	-	-	891,891
-	103,329	-	-	-	-	-	-	672,610
-	-	-	529	-	73,545	-	-	105,551
1,260	-	-	-	-	-	1,636	92,915	117,259
-	-	-	-	-	-	-	-	103,519
-	-	-	-	-	-	-	-	102,214
-	-	-	-	-	-	-	-	61,363
6,816	608,830	28,469	529	6,283	73,545	1,636	92,915	2,081,354
(6,816)	308,106	(9)	5,803	723	(24,336)	28,206	3,264	243,549
-	-	-	-	-	-	-	-	12,751
-	(334,734)	-	-	-	-	-	-	(367,629)
(6,816)	(26,628)	(9)	5,803	723	(24,336)	28,206	3,264	(111,329)
6,816	582,170	36,922	10,645	2,605	251,590	22,453	-	1,739,370
\$ -	\$ 555,542	\$ 36,913	\$ 16,448	\$ 3,328	\$ 227,254	\$ 50,659	\$ 3,264	\$ 1,628,041

**HART COUNTY, GEORGIA**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS - AGENCY FUNDS**  
**September 30, 2006**

	TAX COMMISSIONER	CLERK OF SUPERIOR COURT	PROBATE COURT	MAGISTRATE COURT	SHERIFF	TOTAL
ASSETS						
Cash	\$ 181,266	\$ 108,783	\$ 33,593	\$ 14,751	\$ 58,969	\$ 397,362
Taxes Receivable	903,374	-	-	-	-	903,374
<b>TOTAL ASSETS</b>	<b><u>\$ 1,084,640</u></b>	<b><u>\$ 108,783</u></b>	<b><u>\$ 33,593</u></b>	<b><u>\$ 14,751</u></b>	<b><u>\$ 58,969</u></b>	<b><u>\$ 1,300,736</u></b>
LIABILITIES						
Due to others	<u>\$ 1,084,640</u>	<u>\$ 108,783</u>	<u>\$ 33,593</u>	<u>\$ 14,751</u>	<u>\$ 58,969</u>	<u>\$ 1,300,736</u>

**HART COUNTY, GEORGIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS - AGENCY FUNDS**  
**September 30, 2006**

	<b>TAX COMMISSIONER</b>	<b>CLERK OF SUPERIOR COURT</b>	<b>PROBATE COURT</b>	<b>MAGISTRATE COURT</b>	<b>SHERIFF</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash, Balance Sept. 30, 2005	\$ 127,251	\$ 100,283	\$ 20,252	\$ 18,650	\$ 45,159	\$ 311,595
Additions	18,331,801	625,872	292,759	192,390	228,103	19,670,925
Deductions	(18,277,786)	(617,372)	(279,418)	(196,289)	(214,293)	(19,585,158)
Cash, Balance Sept. 30, 2006	181,266	108,783	33,593	14,751	58,969	397,362
Taxes Receivable, Sept. 30, 2005	833,180	-	-	-	-	833,180
Additions	14,236,076	-	-	-	-	14,236,076
Deductions	(14,165,882)	-	-	-	-	(14,165,882)
Taxes Receivable, Sept. 30, 2006	903,374	-	-	-	-	903,374
<b>TOTAL ASSETS</b>	<b>\$ 1,084,640</b>	<b>\$ 108,783</b>	<b>\$ 33,593</b>	<b>\$ 14,751</b>	<b>\$ 58,969</b>	<b>\$ 1,300,736</b>
<b>LIABILITIES</b>						
Due to others, Sept. 30, 2005	\$ 960,431	\$ 100,283	\$ 20,252	\$ 18,650	\$ 45,159	\$ 1,144,775
Additions	18,331,801	625,872	292,759	192,390	228,103	19,670,925
Deductions	(18,207,592)	(617,372)	(279,418)	(196,289)	(214,293)	(19,514,964)
Due to others, Sept. 30, 2006	1,084,640	108,783	33,593	14,751	58,969	1,300,736
<b>TOTAL LIABILITIES, Sept. 30, 2006</b>	<b>\$ 1,084,640</b>	<b>\$ 108,783</b>	<b>\$ 33,593</b>	<b>\$ 14,751</b>	<b>\$ 58,969</b>	<b>\$ 1,300,736</b>

**HART COUNTY, GEORGIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR COMPONENT UNITS - GOVERNMENTAL ACTIVITIES**  
**September 30, 2006**

<b>ASSETS</b>	<b>Library</b>	<b>Health Department</b>	<b>Total Governmental Activities (Nonmajor)</b>
Cash and cash equivalents	\$ 89,763	\$ 219,500	\$ 309,263
Capital assets:			
Machinery, equipment, and other	122,742	30,479	153,221
Books and collections	942,388	-	942,388
Less accumulated depreciation	(467,631)	(30,479)	(498,110)
Capital assets, net of depreciation	<u>597,499</u>	<u>-</u>	<u>597,499</u>
 <i>Total Assets</i>	 <u>687,262</u>	 <u>219,500</u>	 <u>906,762</u>
 <b>LIABILITIES</b>			
Compensated absences	<u>-</u>	<u>27,345</u>	<u>27,345</u>
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	597,499	-	597,499
Unrestricted	<u>89,763</u>	<u>192,155</u>	<u>281,918</u>
 <i>Total Net Assets</i>	 <u><u>\$ 687,262</u></u>	 <u><u>\$ 192,155</u></u>	 <u><u>\$ 879,417</u></u>

**HART COUNTY, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN NET ASSETS**  
**NONMAJOR COMPONENT UNITS - GOVERNMENTAL ACTIVITIES**  
**September 30, 2006**

	<u>Library</u>	<u>Health Department</u>	<u>Total Governmental Activities (Nonmajor)</u>
<b>REVENUES</b>			
Intergovernmental	\$ 110,000	\$ 68,904	\$ 178,904
Grants and Contributions	173,362	206,873	380,235
Charges for Services	3,211	300,269	303,480
Investment Earnings	1,572	-	1,572
Miscellaneous	797	4,104	4,901
<i>Total Revenue</i>	<u>288,942</u>	<u>580,150</u>	<u>869,092</u>
<b>EXPENDITURES</b>			
Health and Welfare	-	633,046	633,046
Recreation and Culture	347,256	-	347,256
<i>Total Expenditures</i>	<u>347,256</u>	<u>633,046</u>	<u>980,302</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(58,314)	(52,896)	(111,210)
NET ASSETS, Beginning of year	<u>745,576</u>	<u>245,051</u>	<u>990,627</u>
NET ASSETS, End of year	<u>\$ 687,262</u>	<u>\$ 192,155</u>	<u>\$ 879,417</u>

**HART COUNTY, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended September 30, 2006

**Additional Supplementary Information**

**WAYNE IVEY BOWEN**  
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 CERTIFIED PUBLIC ACCOUNTANTS

March 1, 2007

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

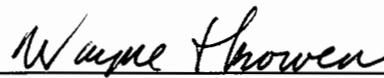
Honorable Chairman and  
 Members of the Board of Commissioners  
 Hart County  
 Hartwell, Georgia

I have audited the accompanying Schedules of Projects Constructed with Special Purpose Local Option Sales Tax for Hart County, Georgia for the year ended September 30, 2006. These schedules are the responsibility of Hart County, Georgia's management. My responsibility is to express an opinion on the Schedules of Projects Constructed with 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 Schedules of Projects Constructed with Special Purpose Local Option Sales Tax are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules of Projects Constructed with 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 Schedules of Projects Constructed with Special Purpose Local Option Sales Tax. I believe that my audit provides a reasonable basis for my opinion.

The accompanying Schedules of Projects Constructed with Special Purpose Local Option Sales Tax were 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 are not intended to be a complete presentation of Hart County's revenues and expenditures.

In my opinion, the Schedules of Projects Constructed with 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, 2006, 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, 2006**

Project	Estimated Cost		Prior Period Adjustment	Expenditures			Total	Estimated Percentage of Completion
	Original	Current		Prior Years	Current Years	Total		
Roads, Streets and Bridges	\$ 4,500,000	\$ 4,500,000	\$ -	\$ 3,853,084	\$ 1,389,649	\$ 5,242,733	100.00%	
Water System and Capital Outlay	3,300,000	3,300,000	-	2,066,916	204,093	2,271,009	68.82%	
Industrial Development Capital Outlay	1,860,000	1,860,000	-	1,639,522	115,040	1,754,562	94.33%	
County Library/Literacy Center Capital Outlay	300,000	300,000	-	320,998	-	320,998	100.00%	
Fire Protection Equipment	1,020,000	1,020,000	350,000	718,888	59,188	1,128,076	100.00%	
Recreational Facilities	1,020,000	1,020,000	-	766,483	246,992	1,013,475	99.36%	
<b>Total</b>	<b>\$12,000,000</b>	<b>\$12,000,000</b>	<b>\$ 350,000</b>	<b>\$9,365,891</b>	<b>\$2,014,962</b>	<b>\$11,730,853</b>		

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 \$2,014,962. Of the expenditures for prior years in the amount of \$9,715,891, State of Georgia grant expenditures amounted to \$669,282 along with private industrial grant of \$330,000.

Note D: There was a prior period adjustment during FY '05 in order to account for the purchase of two fire trucks totaling \$350,000 that occurred in FY '04. The prior period adjustment was recorded correctly on the audited financial statements for FY '05 but was incorrect on the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax.

**HART COUNTY, GEORGIA**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL**  
**OPTION SALES TAX (SPLOST #3)**  
**For the Year Ended September 30, 2006**

Project	Estimated Cost		Expenditures		Total	Estimated Percentage of Completion
	Original	Current	Prior Years	Current Years		
Roads, Streets and Bridges	\$ 4,036,600	\$ 4,036,600	\$ -	\$ 1,303,229	\$ 1,303,229	32.29%
Water System Capital Outlay	3,200,000	3,200,000	-	-	-	0.00%
Industrial Development Capital Outlay	3,200,000	3,200,000	-	-	-	0.00%
Capital Outlay Projects for the City of Royston	99,000	99,000	-	-	-	0.00%
Capital Outlay Projects for the City of Bowersville	83,000	83,000	-	-	-	0.00%
Capital Outlay Projects for the City of Canon	15,000	15,000	-	-	-	0.00%
Sewer Improvements for the City of Hartwell	2,246,400	2,246,400	-	264,113	264,113	11.76%
Fire Protection Equipment	1,360,000	1,360,000	-	796,590	796,590	58.57%
Recreational Facilities	1,360,000	1,360,000	-	573,116	573,116	42.14%
<b>Total</b>	<b>\$15,600,000</b>	<b>\$15,600,000</b>	<b>\$ -</b>	<b>\$2,937,048</b>	<b>\$ 2,937,048</b>	

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

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

- 1) Roads, Streets & Bridges
- 2) Water System Capital Outlay Projects
- 3) Economic Development Capital Outlay Projects
- 4) Recreational Facilities
- 5) Fire Fighting Equipment
- 6) Water & Sewer Projects for the City of Hartwell
- 7) Capital Outlay Projects for the Cities of Royston, Bowersville and Canon

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

**HART COUNTY, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended September 30, 2006

**Single Audit Section**

**WAYNE IVEY BOWEN**  
CERTIFIED PUBLIC ACCOUNTANT  
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MEMBER  
GEORGIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

March 1, 2007

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

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

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, 2006, which collectively comprise the Hart County, Georgia's basic financial statements and have issued my report thereon dated March 1, 2007. I did not audit the financial statements of the Hart County Health Department, a non-major component unit. These financial statements were audited by other auditors whose reports have been furnished to me. 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Hart County, Georgia's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a reportable 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness.

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

  
\_\_\_\_\_  
Certified Public Accountant

**WAYNE IVEY BOWEN**  
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MEMBER  
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CERTIFIED PUBLIC ACCOUNTANTS

**March 1, 2007**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

I have audited the compliance of Hart County, Georgia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2006. Hart County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and question costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hart County, Georgia's management. My responsibility is to express an opinion on Hart County, Georgia's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hart County, Georgia's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Hart County, Georgia's compliance with those requirements.

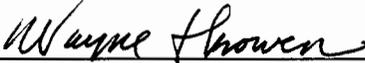
In my opinion, Hart County, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

### Internal Control Over Compliance

The management of Hart County, Georgia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Hart County, Georgia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance 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, Members of the Board of Commissioners, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
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Certified Public Accountant

**HART COUNTY, GEORGIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2006

<u>Federal Grantor/Pass-Thru Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Program or Award</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<u>Formula Grant</u>				
C.D.B.G/State's Program	14.228	03p-y-073-1-2794	\$ 500,000	\$ 500,000
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>				
<u>Formula Grant</u>				
<b>TEMPORARY ASSISTANCE FOR NEEDY FAMILIES</b>				
	93.558	427-93-07070290-99	60,000	50,437
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 550,437</u></u>

See accompanying notes to schedule of expenditures of federal awards

**HART COUNTY, GEORGIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2006**

**NOTE - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity for Hart County, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**HART COUNTY, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended September 30, 2006**

**A. SUMMARY OF AUDIT RESULTS**

1. The type of report the auditor issued on the financial statements of the auditee: **unqualified opinion**
2. Internal control over financial reporting:  
Material weaknesses identified: **no**  
Reportable conditions identified, not considered to be material weaknesses: **yes**
3. Noncompliance material to the financial statements noted: **no**
4. Internal control over major programs:  
Material weaknesses identified: **no**  
Reportable conditions identified, not considered to be material weaknesses: **none reported**
5. The type of report the auditor issued on compliance for major programs: **unqualified opinion.**
6. Any audit findings which the auditor is required to report under section .510(a) of OMB Circular A-133: **no**
7. Major Programs:  
**C.D.B.G., CFDA #14.228**
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in section .520(b) of OMB Circular A-133: **\$500,000**
9. A statement as to whether the auditee qualified as a low-risk auditee under section .530 of OMB Circular A-133: **yes**

**HART COUNTY, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended September 30, 2006**

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

2006-1. Segregation of Duties

Condition: There is not appropriate segregation of duties between recording, distribution, and reconciliation of cash accounts and other operational functions in the following offices of the constitutional officers: Tax Commissioner, Probate Court, Magistrate Court, Clerk of Court, and Sheriff. Additionally, segregation of duties issues were noted with respect to the accounts of the Law Library.

Criteria: Internal controls should be in place which provides reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Effect: Failure to properly segregate duties between recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Recommendation: The duties of recording, distribution, and reconciliation of accounts should be segregated between employees.

Response: The offices listed above will review their respective systems to evaluate and determine the most efficient and effective solution to properly segregate duties between recording, distribution, and reconciliation of accounts to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings or questioned costs relating to Federal awards for the year ended September 30, 2006.

**FEDERAL AWARDS PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN:**

There were no prior audit findings relating to Federal awards, therefore no corrective action plan was created.