FINAL BUDGET

HART COUNTY GOVERNMENT FY13 BUDGET
For the Period 10/1/14-9/30-15
Includes General Fund and Special Revenue Funds

Jon Caime
Hart County Administrator

General Discussion:

This is a final detailed spending plan narrative for the FY15 Hart County Government starting October 1, 2014 and ending September 30, 2015. This budget report does not include any backup information provided by the departments requesting funding however this backup information is available in the first draft budget. In addition the first draft included rolling five year capital replacement plans that are utilized to develop these budgets for capital that is replaced on a regular basis such as sheriff cars and EMS vehicles.

As projected, the general trend in the overall Hart County economic condition in FY14 had been continued stabilization (not getting worse, nor improving significantly) and is proposed for FY15. Several unique situations are occurring (or have occurred) in the current fiscal year that will require some continued guesswork for budgeting revenues in FY15. The largest factor is that the County was four years behind in finalizing tax digests (2009, 2010, 2011, and 2012). In addition, the County has relied on fund balances of several accounts and those fund balances have now been drawn down to minimum reserves.

The focus of the budget adoption was therefore on minimizing expenses wherever possible. GF revenues have been budgeted at approximately $10,634,462 with GF expenditures at $10,650,448. The net result is about $16,000 deficit in the current budget as presented.

Hart County continues to operate at an extremely efficient rate in comparison with surrounding counties and for several years has enjoyed the lowest millage rate in the State of Georgia.

Millage Rate & Property Tax Revenues:

The County had four years of temporary tax collections for tax years 2009 to 2012 due to the failure of the Tax Assessors Office to produce a final digest for 2009. A County wide revaluation of real property took place for the 2009 tax digest and approximately 4,800 appeals cases filed on this 2009 digest in April of 2010. The County was under a consent order with the Georgia Department of Revenue (DOR) requiring several milestones be reached to bring the tax digests up to date.

Because of the failure of the BOA to produce a timely final digest, court approved temporary collection of taxes took place for tax years 2009, 2010, 2011 and 2012. Final billing was required for 2009, 2010 and 2011 final tax digests which took place in late 2013. The temporary 2011 collection was conducted based on the 2009 “final” digest as opposed to the 2010 and 2009 temporary digests which were based on the pre-countywide revaluation 2008 digest. A final billing for the final 2012 tax digest was not required because the 2012 temporary digest was based on a 2012 digest that was reported by the BOA as accurate (this digest was not accurate and approximately $230,000 in lost tax revenue resulted from this inaccuracy of the temporary versus final 2012 digest). For 2013 the tax bills were issued based on the final tax digest and no temporary tax collection took place.

The financial impacts of these three back tax final digests (2009, 2010, and 2011) were only able to be estimated during development of the FY14 budget due to the unknown of the collection rate of back taxes in the current fiscal year as well as how much of back taxes owed was to be offset by refunds. All of the back tax liabilities have now been quantified and will result in one time increased tax revenues for FY14 and for FY15. For FY14 approximately $700,000 in back taxes for 2009-2011 is projected to be received. For FY15 approximately $300,000 in back taxes for tax years 2008 to 2013 is expected to be collected. The loss of tax revenue from the errors of the 2012 temporary digest presented by the BOA resulted in a loss of $230,000 in revenue for FY13 and FY14 and could only be recaptured by an increase in the millage rate of approximately 0.27 mills in 2014 tax year (for current FY15) (this was not enacted).

With the loss of the Hart County Hospital in 2013 the impacts to the operations of the County EMS were not fully known until FY14. Approximately 33% of the call volume for EMS was transported to and from the local HC Hospital in Hartwell GA. With the closure of this facility the efficiency of the EMS calls has been negatively impacted due to the increased time for each call as a result of transporting patients to hospitals that are outside of Hart County. In addition the call volume of EMS had risen to the point where an additional full time EMS crew was needed (half of this was implemented in FY14 and the remaining half scheduled for FY15). Further studies have indicated that substations out in the County will be of great benefit to the citizens of Hart County by reducing EMS response times. Meanwhile EMS revenues have been negatively impacted by the current economy and changes in Federal reimbursement rates. The net result is that the revenues for EMS fall short of the revenues by over $1,100,000. In response to this the BOC enacted a first time ever countywide EMS fee of 0.5mills which is estimated to bring in $425,000 in FY15. This millage fee will be re-evaluated in FY16.

TIMELINE OF TAXES 2008-2013

2008:

- Millage Adopted 10/8/08 (Normal Tax Billing)
- Millage based on 2008 DOR approved digest
- 12/20/08 Due Date for bills

- No temporary collection
- Final Millage based on 2008 Digest rollback rate

2009:

- Temporary Millage approved by the Courts 11/1/09
- 1/20/10 Due Date for bills
- Temporary millage based on 2008 Digest (last DOR approved digest)
- Temporary millage based on same millage as 2008 (last DOR approved rollback millage)
- Court Order required final billing once 2009 digest approved

2010:

- April 2010: BOA Issues reassessment notices on 2009 final digest, 4,800 appeals filed by taxpayers (approximately 1/3 of total).

Temporary Collection:

- Temporary Millage approved by the Courts 11/15/10
- 1/20/10 Due Date for bills
- Temporary millage based on 2008 Digest (last DOR approved digest)
- Temporary millage based on same millage as 2008 (last DOR approved rollback millage)
- Court Order required final billing once 2010 digest approved

2011:

2009 Final Digest (BOA "final" digest produced 10/18/11-still had pending appeals):

- BOC sets final millage rate same as 2008 millage rate due to uncertainties associated with 2009 final digest (parcels still under appeal)

Temporary Collection 2011:

- 2011 Temporary Millage approved by the Courts 11/16/11
- 2011 tax bills-1/20/10 Due Date for bills
- 2011 Temporary millage based on 2009 Digest (most recent digest, not DOR approved)

- County lowered temp 2011 millage due to increased 09 digest (digest still had appeals)
- BOE lowered 11 temp millage due to increased digest value (digest still had appeals)

2012:

- May 2, 2012 DOR approved billing on the final tax digest and millage for 2009.

Temporary billing:

- Temporary Millage approved by the Courts 11/20/12
- 1/20/12 Due Date for bills
- Temporary millage based on 2012 Digest (not DOR Approved)
- Temporary millage based on estimated rollback rate for 2012 digest
- Court Order relieved Tax Commissioner from final billing once 2012 digest approved

2013:

- June 19,2013 DOR approved billing on the final tax digest and millage for 2010 (rollback rate used)
- July 12, 2013 DOR approved billing on the final tax digest and millage for 2011 (rollback rate used)
- September 27, 2013 DOR approved billing on the final tax digest and millage for 2012 (rollback rate used)
- November 20, 2013 Final bills sent out for 9, 10 and 11 (1/20/14 due date).
- December 20, 2013 Final bills sent out for 2013 (due date 2/20/14), rollback millage used

FY13 (Audited Results):

FY13 GF Expenses were originally budgeted at $9,425,592 with budgeted GF revenues at $9,408,340. Actual FY13 GF Expenses were $9,622,026 and actual revenues $9,919,097 for an accounting surplus of $297,071 however this surplus includes $185,287 in EMS fees receivables (revenues not yet collected) and does not include a shifting of $617,110 in road department wages from the GF to the 203 Insurance Premium fund that took place in FY13. Overall County wide the GF “surplus” was offset by deficits in the major special revenue funds of $233,744.

For years Hart County had been retaining surpluses to build fund balances in all our accounts. These fund balances have been utilized in recent years to pay for one time capital and to balance budgets due to declining revenues as a result of the current recession. GF Revenues had decreased 7% from FY07 (prerecession) to FY09 (bottom post-recession), stabilized at 5% less than FY07 for FY10 and FY11 and then increased in FY12 still 3% less than FY07. FY13 was first post-recession year where GF revenues surpassed pre-recession levels of FY07 primarily due to the finalization of the tax digests problems associated with multiple years of temporary tax collections. In response the slowing economy the BOC had reduced GF spending and shifted expenses to other funds for a net reduction in GF spending of 10% from FY07 to FY12. In FY13 GF expenses increased with the largest increases due to the increased costs of EMS due to the closure of the Hart County Hospital and the remodel of the Hart County Hospital Authority (HCHA) donated office building for relief of the Courthouse overcrowding.

While GF conditions are most closely monitored, it is important that the overall financial situation be evaluated. Overall major fund balances (GF, 203, E911, 540) had decreased from $8,584,213 in 2008 to $6,874,805 in 2013. There was an 11% reduction in net fund balances in 2009, followed by a net reduction of 8% in 2010 but this had stabilized in 2011, 2012 and 2013.

<u>FY14 (Audited):</u>

FY14 GF Expenses were originally budgeted at $10,030,922 with budgeted GF revenues at $9,685,500 and with an understanding that the revenues from back taxes should make up the deficit budgeted however as explained above, the actual revenues from back taxes were not able to be calculated during FY14 budget development. During the fiscal year the GF expenditure budget was amended for a final expenditure budget of $10,546,896.

Actual FY14 GF Expenses were $10,373,790 or 2% under budget. Actual revenues were $10,940,264 ($716,645 in unbudgeted but anticipated back taxes collection for 9.10 and 11) for a GF surplus of $566,474 however this surplus does not include the shifting of $579,000 in road department wages from the GF to the 203 Insurance Premium fund that took place in FY14 as well as other expenses paid from the SR funds. Overall County wide the GF “surplus” was offset by deficits in the 203 fund ($208,348), 215 fund ($71,002) and the 540 fund ($159,431) for an estimated County wide fund surplus of approximately $125,000. It is important to note that the GF revenues for FY14 included those onetime back taxes collections of $716,645 for the final taxes on 2009, 2010, and 2011.

FY15 DISCUSSION:

Budget requests for the FY15 GF expenses were $11,390,328 and the final GF expense budget was approved at $10,650,448. The final budget GF revenues are budgeted at $10,634,462 for a net GF $15,986 deficit. This is compounded by budgeted deficits in the special revenue funds, 203 Fund ($143,341), E911 Fund ($86,926), and 540 SW Fund ($230,216). The County has reached a critical financial point where we have drawn all fund reserves down to near depletion. Hart County has been weathering a particularly tough recent financial situation that is the cumulating effect of numerous conditions.

The recent recession began during the same time where Hart County was forced to undergo a Georgia Governor enforced mandatory countywide revaluation of property. While this recession negatively affected revenues especially sale tax revenues, a more profound financial impact was the tax digest of Hart County. The Board of Assessors (BOA) had reached a low point where the assessment ratio was approximately 29% falling far short of the required 40% (+/- 4%). The former BOA was very poorly managed and was only able to recommend a contracted service for the revaluation of all properties in 2009 which cost in excess of $1,500,000 and was paid for from the County reserves. The failure of the former BOA to produce a tax digest for 5 years resulted in 4 temporary tax collections. Rather than arbitrarily increasing property taxes during these 4 temporary tax collections (2009, 2010, 2011 and 2012), the BOC chose to dip further into reserves.

The net result was that all fund reserves were utilized to balance the budgets each year of the temporary tax collections. The net drawdown of reserves is estimated to be close to $2,000,000. In order to maintain a healthy General Fund FB the BOC chose to draw down the special revenue funds reserves more heavily.

Further negatively affecting the BOC financials was the fact that a 2012 temporary digest was presented to the BOC as “good digest that will not change significantly” when the BOC was evaluating the temporary tax collection for 2012 in the fall of 2012. Because this digest was presented as a digest that should see minimal changes in value to the final digest, the fact the final digest for 2012 was forthcoming shortly (months), the fact that 2009, 2010 and 2011 temporary digests tax collections would require a final billing, the BOC chose to not conduct a fourth final billing for the 2012 tax digest and used the rollback rate for the 2012 temporary digest (which would also be applied to the final 2012 digest). The actual 2012 digest was presented later in 2013 and approved by the GA DOR in September 2013 however the final digest lost significant value over the one presented as “close” temporary digest for 2012 temporary tax collections. The net result of this was a loss of $230,000 in tax revenues for 2012. In addition that revenue was also lost for 2013 and will be lost for the 2014 tax year with a net impact of $700,000 in lost tax revenues over those three tax years. The only way to recoup that lost tax revenues is through an increase in the millage rate in 2015.

For several years the BOC has been evaluating one of our most costly and critical services, EMS. We have conducted several studies on EMS response times and now have a long range plan that involves two EMS substations, one in Goldmine and one at Crossroads. The addition of the substations will decrease call response times for areas that have long response times however this will increase the cost of our EMS services. At the same time our call volume has increased where we now must add a fourth full time EMS crew to handle the excessive call volume. This fourth crew will add approximately $400,000 per year to the cost of our EMS services.

Compounding these first two large increases in cost is the closure of the Hart County hospital which has resulted in less efficiency with our EMS operations. Approximately 33% of our transports were to/from the Hart County hospital in Hartwell. With the closure of the Hart County hospital we now have much longer transport times for our calls which results in less efficiency with our existing resources.

Further compounding our EMS expenses is the fact that our revenues have decreased. Partially the decreased revenues are a result of poor economic conditions which result in less revenues from insurance companies (citizens not having insurance where they may have had insurance in the past), and less revenues from serving citizens who cannot pay. At the same time the Federal Government has reduced the reimbursement rates so our reimbursement from Federal Programs has decreased. While we are instituting every tool we have available to increase revenues, the gap between revenues and expenses is widening.

Current estimates are that the gap (revenues minus expenses) for EMS services is about 1.5 mills taxes. Preparing for the future, the BOC established a separate tax district (countywide) for EMS services. With this dedicated district we will be able to increase or decrease millage set aside specifically for this vital and costly service. In tax year 2014 the BOC implemented a 0.5 mill EMS tax district tax which will result in approximately $425,000 additional GF Revenue for FY15.

For FY15 there is also an expected one time GF impact for the unpaid back taxes for 2009-2013 which is budgeted at $225,000 however that does not include the positive revenue impacts to other related items such as commissioners and fees.

In FY14, the Affordable Care Act (ACA) added five additional fees to the Counties employee health insurance cost amounting to 4% increase in the cost to provide health insurance to our employees in FY14. In FY15 the ACA has dropped one fee but increased another with a net increase in the ACA “fees” that the County is required to pay. In addition the County will be required to provide health insurance for any part time employee that exceeds 30 hours per week. Currently the EMS, 911, and Jail have 12 part time employees that may be eligible for this required coverage with a net potential impact of $84,000 in increased health insurance costs (this has not been included in the final approved FY15 budget). Further the impacts of ACA on health care costs plus the County loss history had tentatively increased the health insurance cost by 19% ($105,000 over the 8% increase budgeted in the final FY15 budget).

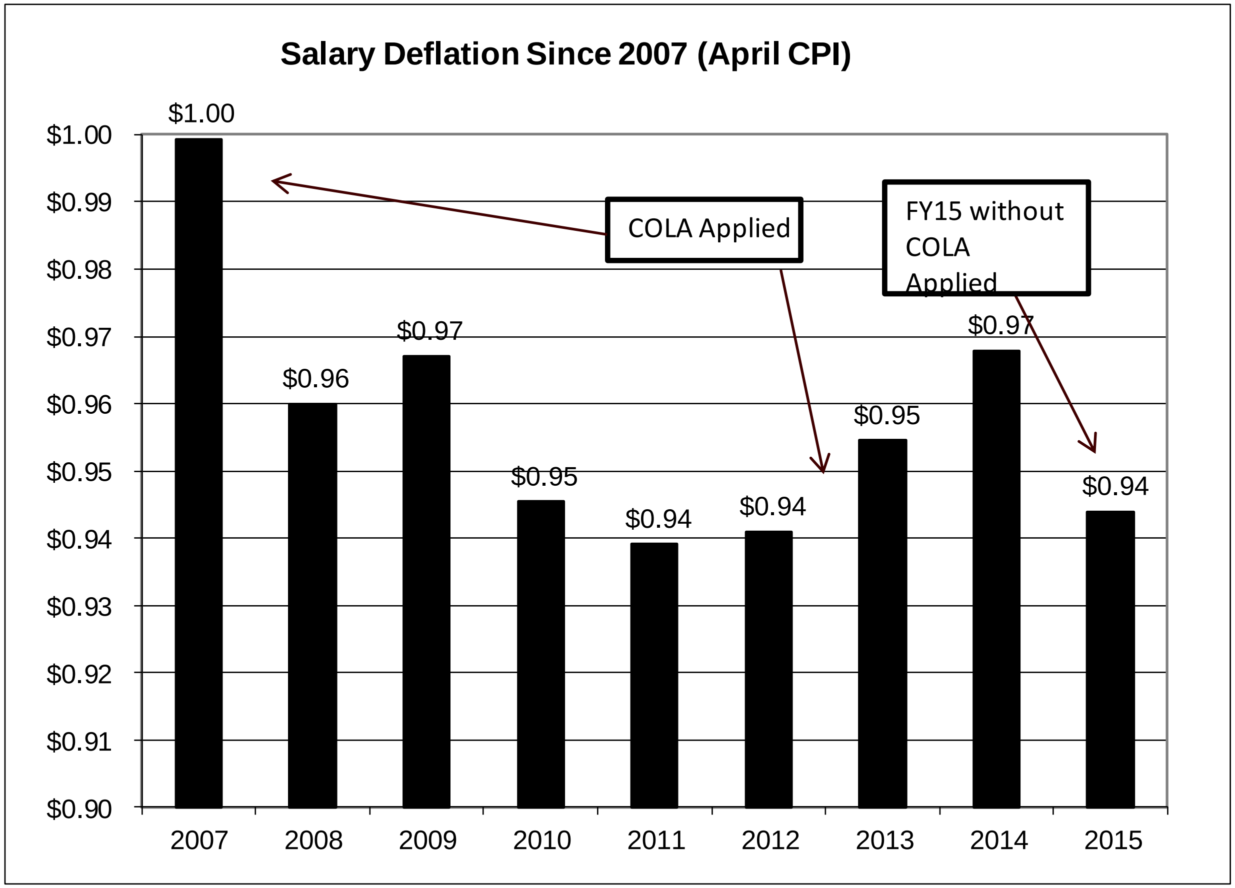
In response to rising health care costs, the County instituted new programs. An employee wellness programs was put in place in FY15 to reduce the cost to the County employee for the employee share of health insurance as well as promote positive healthcare initiatives. In addition, the County will grant a $100 per month supplement to employees choosing to participate in alternative health insurance programs not provided by the County. These two measures are expected to bring the health insurance back in line with the FY15 budget.

For FY15 the current projection is that LOST sales taxes (significant variable revenue source) will be the same as FY14 (FY14 was the same as FY13). Overall economic conditions indicate that the overall economy has stabilized.

- GF Major Capital:
    1. 33000 Sheriff Vehicles $87,000
    2. 36000 EMS vehicles, equipment $65,500 (remainder to be funded by Hospital fund)

- Shift Road Wages to 203 Insurance Premium Fund (see 203 Fund discussion below). A shift of $598,000 is budgeted again this year. This would mark the eighth year in a row we have relied on this fund to supplement GF expenditures. This is an equivalent 0.71 mills in property taxes in FY15. The transfer of expenses to the 203 fund has drawn down the reserves of this fund from a peak of $1,300,000 (FY09) to a potential of $264,000 at the end of FY15. There is no need for a set fund balance minimum in this account other than to keep the 540 fund balance healthy (see 540 account discussion below) however continual deficit spending from this account will eventual lead to a shifting of expenses back to general fund which may result in a substantial increase in property taxes.

- Personnel Expenses: The current budget does include additional personnel in EMS as described above. The current budget includes a 2.5% COLA in the wage figures (other than the State wages Judges, Sheriff etc, where the State will mandates a COLA). Inflation was 1.1% since April 2013 however as shown in the chart below wage deflation since the recession has resulted in a 3% cut in wages (purchasing power). Therefore $1 in wages in 2007 is similar to $0.97 in wages today (a decrease in wages). If a COLA is not applied to wages in FY15 wages will decrease an additional 1% to $0.94. It is important to note that a COLA is not a “raise” but rather an increase in wages to keep pace with inflation. A chart is included below that illustrates the decrease in wages due to inflation since FY07. Failure to keep wage adjusted for inflation will result in substantial increase in wage costs in the future as wages are adjusted.



GF Fund Balance (FB):

Our undesignated, unreserved fund balance for the end of FY03 (start of FY04) was $4,491,100. That fund balance grew 46% and was $6,344,120 (end of FY06 start of FY07) which was 70% of that year's GF expenses and could be deemed excessive reserves. Therefore, as planned, the GF FB retracted in FY07, FY08 and FY09 to pay for one time capital for the Sheriffs Office and Library (FY07). Planned utilization of GF FB for one time capital needs when excess reserves exist is sound financial management.

GF FB was also utilized in FY08 for a potential O&M deficit that was not expected to materialize when the budget was put together in 2007, however the downturn of the overall US economy in 2008 resulted in a significant decline in revenues (first decline in a decade) resulting in a utilization of GF FB for O&M. Planned utilization of GF FB for O&M when excess reserves exist is sound financial management in the short term however the utilization of GF FB (one time money) for O&M (ongoing expenses) is unsound financial management in the long term. The utilization of GF FB for O&M only occurred in FY08 and only occurred due to the recession of 2008.

Not anticipated in the original plans for the GF FB was the utilization of GF FB for the hiring of outside consultants to perform a Countywide property revaluation (normally a function of the independent Board of Assessors (BOA)). From FY08 to FY10 almost $900,000 (60%) of the GF FB utilized was for the BOA project. In FY08 the BOA project accounted for 19% of the GF FB reserves utilized that fiscal year. That percentage increased to 83% of the GF FB utilized in FY09 and accounts for 100% of the GF FB utilized in FY10. Rather than raise the revenue needed for funding this BOA project through an increase in property taxes, the Hart County BOC decided to further draw down the GF FB which has resulted in a decrease of the GF FB cash reserves to the lower threshold of the target recommended 25-50% GF FB.

It is important to note that the GF FB listed in the audits is not entirely cash. The actual fund balance available will depend on our cash flow therefore the important component of the GF FB is the item listed as "cash". Items listed as "receivables" are expected to be turned into cash at some point in the future but are not available as cash now and not available for operations. A minimum cash fund balance of 25% is recommended for short term cash flow needs and for emergencies.

Target GF FB should be maintained at 25-50% of expenses. While we have remained stable during the recent GF FB drawdowns and the recent downturn in the economy it is important to note that we have relied on special revenue funds fund balances also. A shifting of some of the GF expenses to the SR funds during this recent tough economic condition has resulted in significant lowering of the special revenue funds fund balances and a resulting false reduction of the GF FB expense ratio.

For FY14, there was a substantial amount of uncollectible EMS receivables that should have been cleared from our financial books many years ago but where not. Upon discovery of this the County Administrator set the receivables write-off to match the statute of limitations allowed by law for collection of this debt. As a result of this an approximate $700,000 in EMS receivables aged beyond the statute of limitations for this debt was removed from our financial books. This resulted in drop in the GF FB although the cash GF FB remains stable.

Audit FY06 (peak GF FB); GF FB: $6,344,120 (not cash), % of GF Expenses Total: 70%, % of GF Expenses (Cash): 35%
Audit FY07: GF FB: $5,830,089 (not all cash) % of GF Expenses Total: 62%, % of GF Expenses (Cash):28%
Audit FY08;GF FB: $5,092,451 (not all cash), % of GF Expenses Total: 54%, % of GF Expenses (Cash): 31%
Audit FY09; GF FB: $4,414,929 (not all cash) % of GF Expenses Total: 50%, % of GF Expenses (Cash): 25%
Audit FY10; GF FB: $4,202,130 (not all cash), % of GF Expenses Total: 45%, % of GF Expenses (Cash):29%
Audit FY11; GF FB: $4,705,478 (not all cash) % of GF Expenses Total: 55%, % of GF Expenses (Cash): 27%
Audit FY12; GF FB: $4,901,114 (not all cash) % of GF Expenses Total: 54%, % of GF Expenses (Cash): 31%
Audit FY13; GF FB: $5,190,336 (not all cash) % of GF Expenses Total: 54%, % of GF Expenses (Cash): 29%
Audit FY14; GF FB: $4,692,093 (not all cash) % of GF Expenses Total: 45%, % of GF Expenses (Cash): 26%

General Fund Balance uses:

FY07 ($514,031): BOA Tax Project, library (expenses above grant revenues), and the new governmental office campus
FY08 ($600,000): BOA ($115,000), O&M ($265,000), new governmental office campus ($220,000)
FY09 ($660,000): BOA Tax Project ($550,000), (balance for SO office completion)
FY10 ($200,000): BOA Tax Project
FY14 ($700,000): Write-off of uncollectible EMS debt from about 20 years.

NOTE: SEE SPECIAL REVENUE FUND FUND BALANCES FOR COMPLETE FINANCIAL REPRESENTATION

Special Revenue Funds:

FUND 201 Dare Fund: This account is funded from court generated revenues and is utilized by the Hart County Sheriff on drug education and prevention. Spending from this account is approved by the Hart County Sheriff and is limited by the revenue resources in this fund. No fund balance is required for this account.

FUND 203 (Insurance Premium Fund): Solid waste expenses had been transferred to the Solid Waste Enterprise fund (540) in prior fiscal years. However the 540 account needs to maintain a reserve (see 540 account for more discussion on this matter). Future reversal of the shift from 203 to 540 for some solid waste operations may potentially be required. There is no advisable fund balance minimum for the 203 account.

For FY09 through FY15 the budget postponed a millage increase for GF O&M by drawing on the insurance premium funds to fund $540,000-640,000 in road department expenses and other expenses that were formerly funded from the GF. For FY15 the 203 account will fund $600,000 in road department wages. The fund balance of this account reached a peak in 2009 at $1,329,517 but has been steadily declining to an audited FY14 balance of $416,613. The current projection is for a potential reduction in the fund balance of $273,000 by the end of FY15.

FUND 204 Jail Operations Fund: This account is funded from court generated revenues to help offset the cost of operating our Jail. Depending on the FB remaining in this account shifting of some of these expenses to/from the GF has taken place in prior fiscal years. No fund balance is required for this account.

FUND 206 Behavioral Health Building Fund: This account is funded from rental income charged to users of this facility. Spending for maintaining the building (HVAC etc…) is funded from this escrow account. A fund balance is recommended for this account to cover future costly obligations such as replacement of HVAC units (expected around 2017) and replacement of the roof (2023) and/or other costly repairs.

FUND 215 E911:
This fund has been drawn down to a minimum fund balance. Transfer of expenses to the GF or another fund may be required in FY16.

<u>FUND 216 DFACs Building Fund:</u> This account is funded from rental income charged to users of this facility. Spending for maintaining the building (HVAC etc…) is funded from this escrow account. A fund balance is recommended for this account to cover future costly obligations such as replacement of HVAC units (expected now) and replacement of the roof (very soon) and/or other costly repairs. The long term lease payments for the construction of this building ended in October 2014. A new lease arrangement with the State is currently being worked on.

<u>FUND 220 Multiple Grant Fund:</u>
This fund had been established in 2013 as a better way to manage funds that are secured from major grant sources. Periodically this fund may need to borrow money from SPLOST, GF or another fund to cover the cost of a grant funded project that is established on a reimbursement level. In these situations a transfer to/from those other funds will take place with the full funding from Grants to come from this 220 fund ultimately. The budget for this fund will vary depending on the grant funds secured. For FY14 and FY15 the majority of the grants in this fund were secured and will managed by the County Public Works Director.

<u>FUND 2XX EIP's:</u>
These funds are/were initially received as economic development grants pertaining to an original economic development project (new industry). This grant to the County is then loaned out to a private sector entity as an economic development tool. As this private sector entity repays this loan the proceeds are then used by the County for economic development future loans. These funds are revolving in nature and as a reserve (fund balance) accrues these will utilized for future loans.

<u>SPLOST (322, 323, 324):</u>
SPII 322 still has funds remaining for the City of Hartwell ($261,307) for water projects with any excess funds being allocated to roads (minimal amount available).

SPIII (323) ended in FY12 (May 2012) at which time SPIV began. One of the biggest concerns has been funding for roads which had been cut drastically in SPIII and IV to allocate more funds for the Cities of Hartwell, Royston, Canon, and Bowersville. With the decline is sales tax revenues from the recent recession, the County has drastically reduced the funding of road work however additional spending had to take place in SP3 to maintain roads during the period before the new SPIV was approved. A reimbursement from SPIV roads to SPIII took place in FY14 to cover the overage in SPIII roads (funding needed for remaining SPIII obligations). For FY15, only $7,500 remained as an obligation for SPIII recreation. This account will be closed in FY15.

SPIV (324) Began 4/1/12 (ending 4/1/18). This fund remains healthy with sufficient cash and projected income to fund the remaining obligations. Road funding continues to be of concern and is projected to be inadequately funded for the needs of Hart County during this SPLOST cycle however the amount of money being spent is being carefully monitored to ensure that this will remain within the projected revenues from this sales tax.

NEWLY CREATED (532) HOSPITAL FUND:
In FY14, the Hart County Hospital Authority (HCHA) dissolved and all of their financial obligations were transferred to the Hart County BOC. A new special revenue fund was established to manage these finances. Approximately $80,000 was transferred to the BOC. Currently there is a monthly lease with the new owners of the former Hart County Hospital Building and a subsequent sublease to Reddy Urgent Care (pass through of $4,100 monthly). Due to the lease obligations a minimum reserve is recommended to cover four months of lease payments ($20,500). Once the lease is terminated this reserve can be liquidated. The BOC has allocated the remaining fund balance ($59,500) to cover a portion of the cost of the new ambulance for FY15.

There is also an outstanding obligation by Ty Cobb Health Care to pay $269,533 annually for 5 years due on July 1 of each year as a term for the sale of the Hart County Hospital for the use of health care in Hart County. Only one payment has been made by Ty Cobb and dispersed to the HCHA. The second payment due on July 1, 2014 has not been paid; therefore 4 additional payments are due to the Hart County BOC. Currently the BOC is in negotiations with Ty Cobb on their request to defer payments as they seek to restructure.

FUND 540 (Solid Waste Enterprise Fund): This fund is generated through fees charged for waste disposal and from revenues generated from the sale of recyclable materials. A reserve is needed for continued funding of liabilities associated with the closed landfill although there is no way to adequately assess what the long term liabilities will be. Projects required to be funded in FY15 will depend on the mandates of the GA EPD however based on recent years should be about $45,000.

Solid Waste had been partially subsidized through the 203 fund (insurance premium) although expenses had been completely transferred to the 540 account for FY08-FY15. Subsidization of the 540 account through the 203 account had allowed a fund balance to accumulate in the 540 account to cover future potential liabilities. The fund balance has dropped significantly since 2007 due to investments in the old landfill and the shifting of all solid waste expenses from the 203 account to this solid waste fund.

A long range plan has been implemented to take care of legacy issues with this landfill. There are three main parts to this. The first is the cap on the landfill. A very large investment in the cap took place in 2008 and should take care of most of this problem for the duration of the landfill's remaining required monitoring life (approximately 2025). The second issue is long term care for the groundwater under the landfill. At this point the groundwater conditions appear to be contained. This issue is monitored regularly. Unless conditions change or the State requires additional actions the groundwater will require about $15,000 annually for reporting and about $30,000 annually for testing.

The final issue is methane migration from the landfill. The methane issue has been addressed in a phased approach with each phase building on the prior phase. The cost for each additional phase increases dramatically. The last phase cost approximately $250,000 and appears to be working well. Hopefully this will be the final phase required for this issue. There is one more phase to this issue that if required may cost about $400,000 to implement and add an annual O&M cost to the landfill.

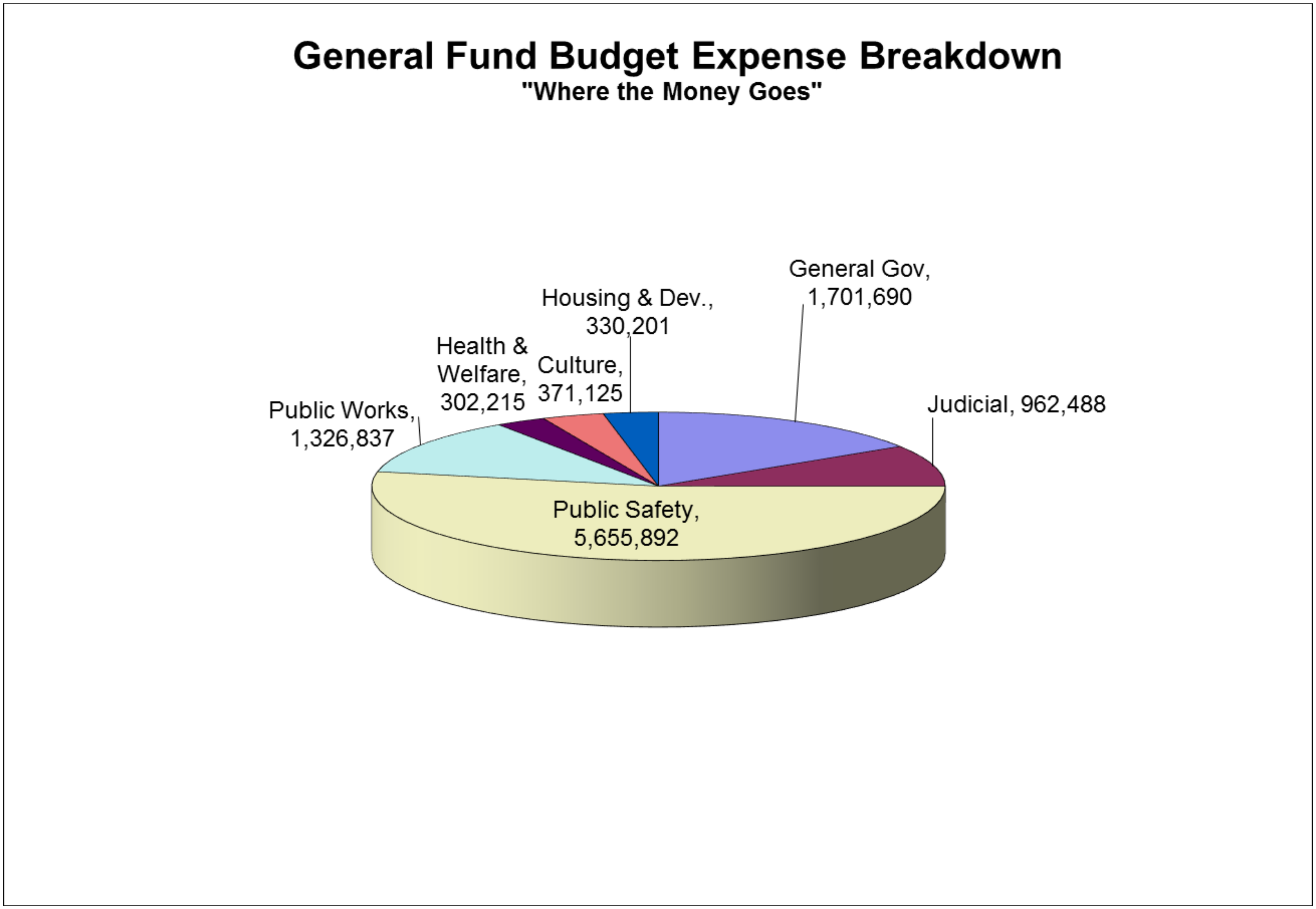
Current estimates are that the fund balance may be at $340,000 at the end of FY15. Assuming the three issues above have been satisfied and only the monitoring events are required, the cost to maintain the landfill should stabilize at approximately $50,000 per year. Therefore the fund balance of $340,000 may be adequate to maintain the needs of the landfill for FY15. This fund needs to be closely monitored as continued deficit spending will draw down the FB of this account requiring a shift of expenses to another funding source.

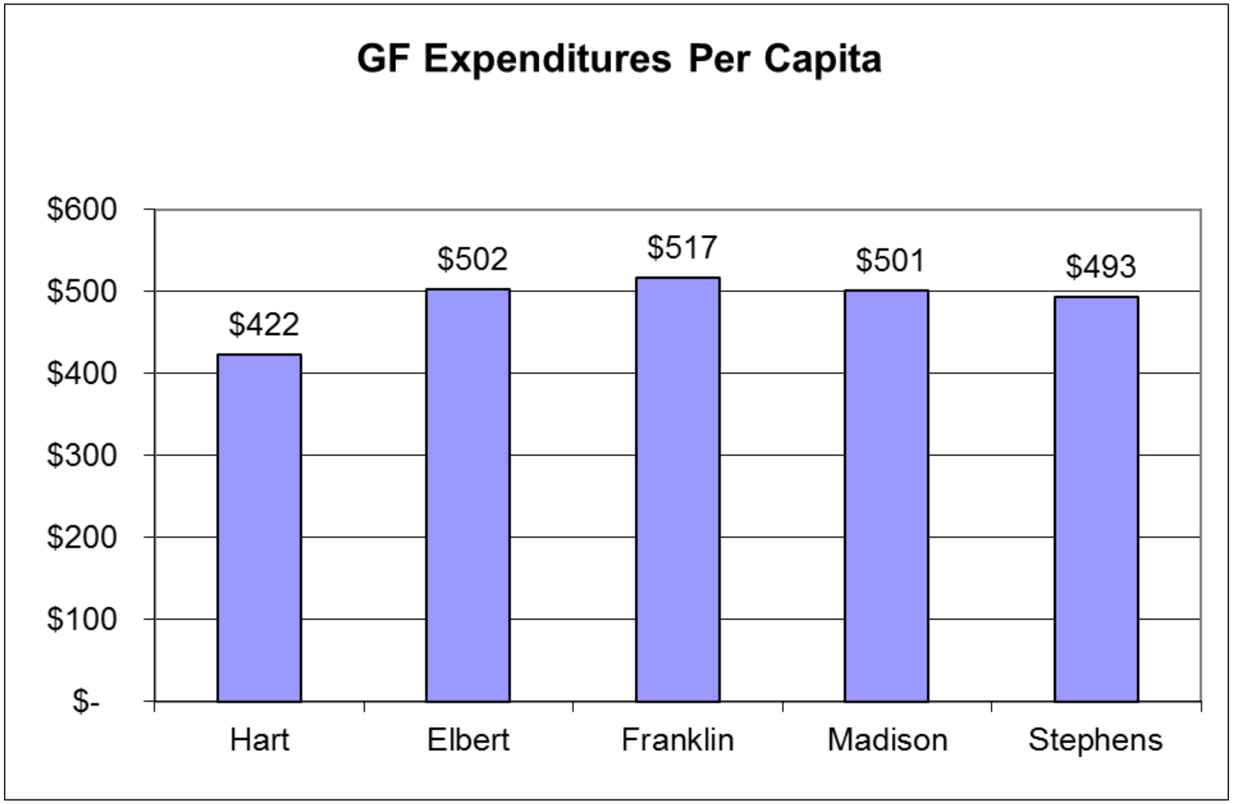
Budget Charts:

Several charts are included in this budget for visual representation of the key data:

General Fund Expense Breakdown Pie Chart:

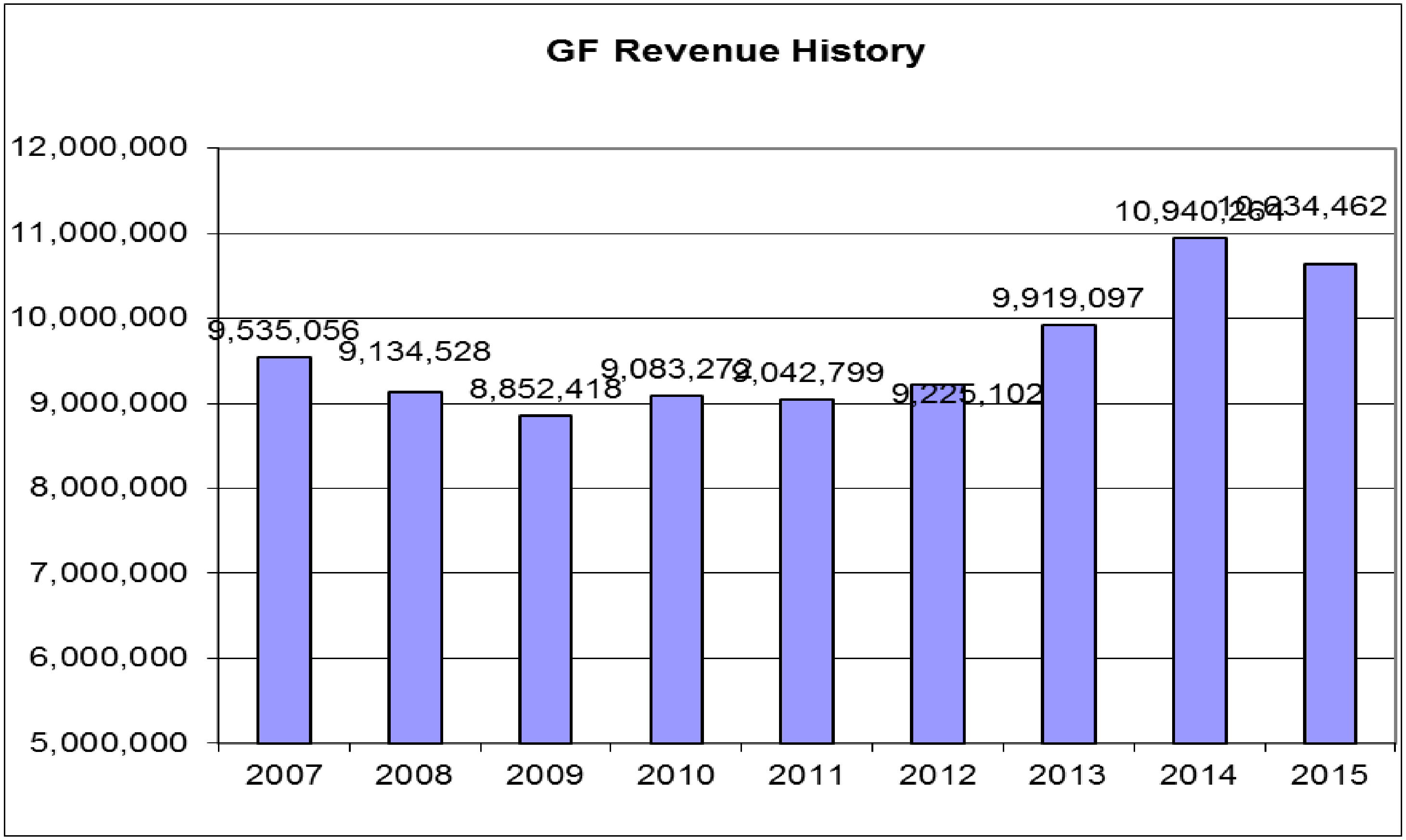
This chart graphically shows where the general fund expenses are categorically. It is clear from this chart that most of the GF spending is in the category of public safety (Sheriff, Jail, EMS etc..) at 52% of the total expenditures. Shifting of some Road Department wages to the 203 special revenue fund falsely shows the true impact of "Public Works" on the GF spending.


General Fund Budget Expense Breakdown
"Where the Money Goes"
General Gov, 1,701,690
Housing & Dev., 330,201
Health & Welfare, 302,215
Culture, 371,125
Public Works, 1,326,837
Judicial, 962,488
Public Safety, 5,655,892



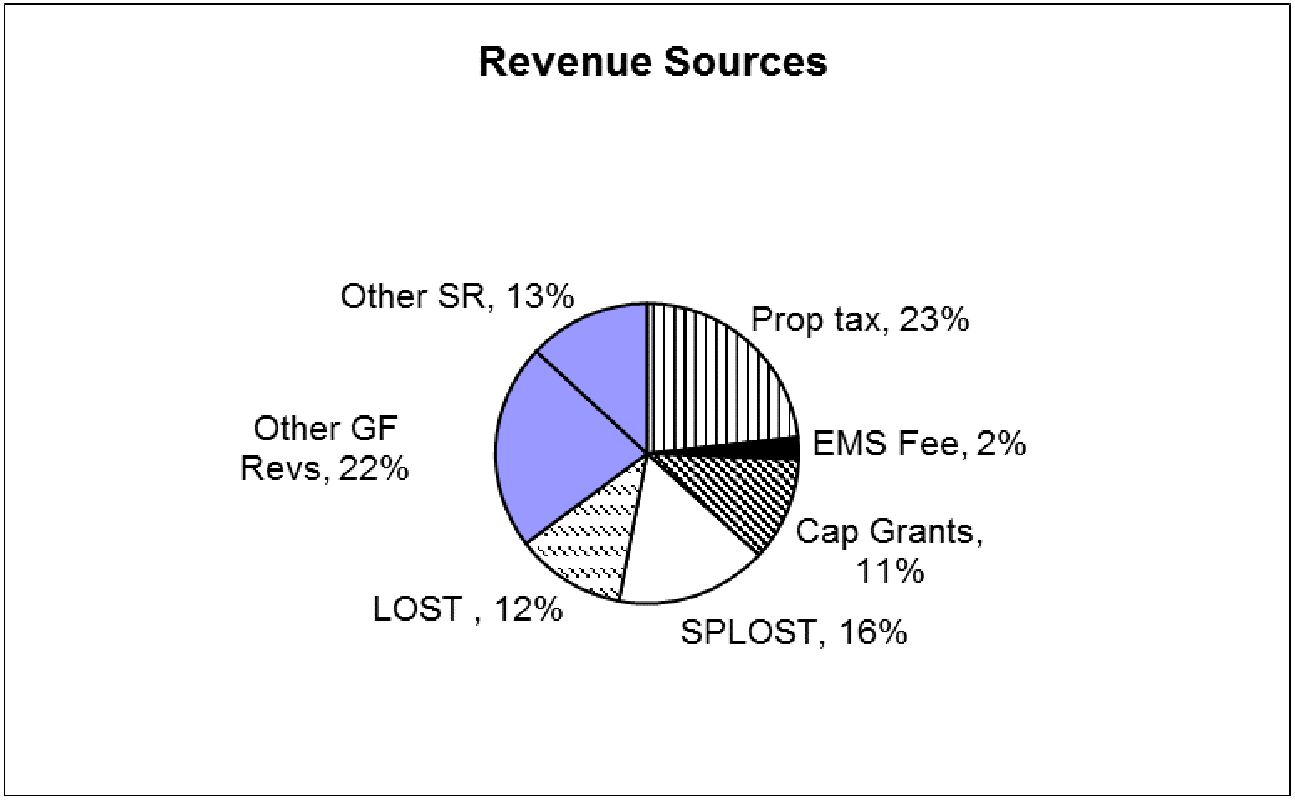
GF Expenditures Per Capita Chart:

This bar chart shows the comparison of General Fund expenditures per person of the surrounding counties. This chart shows that Hart County continues to have one of the lowest GF expenditures per person (capita) in the area indicating that we are operating at the most efficient use of GF revenues compared to surrounding counties.



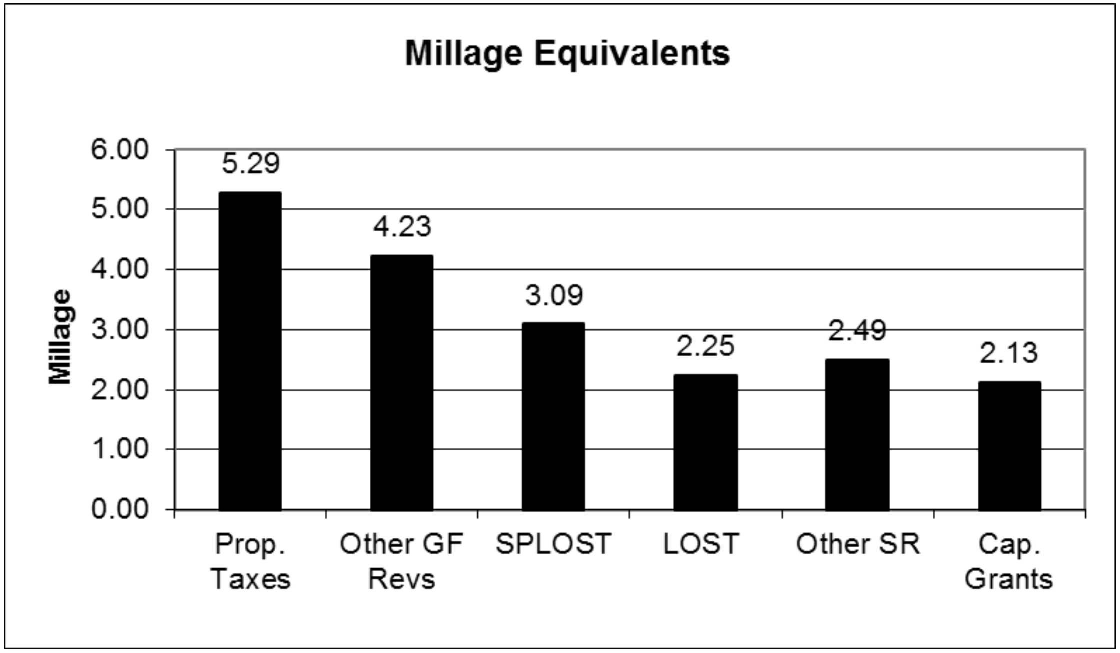
GF Revenue History Bar Chart:

This shows the recent historical GF total revenues. 2014 is artificially inflated due to back taxes. 2105 is budgeted.



Revenue Sources

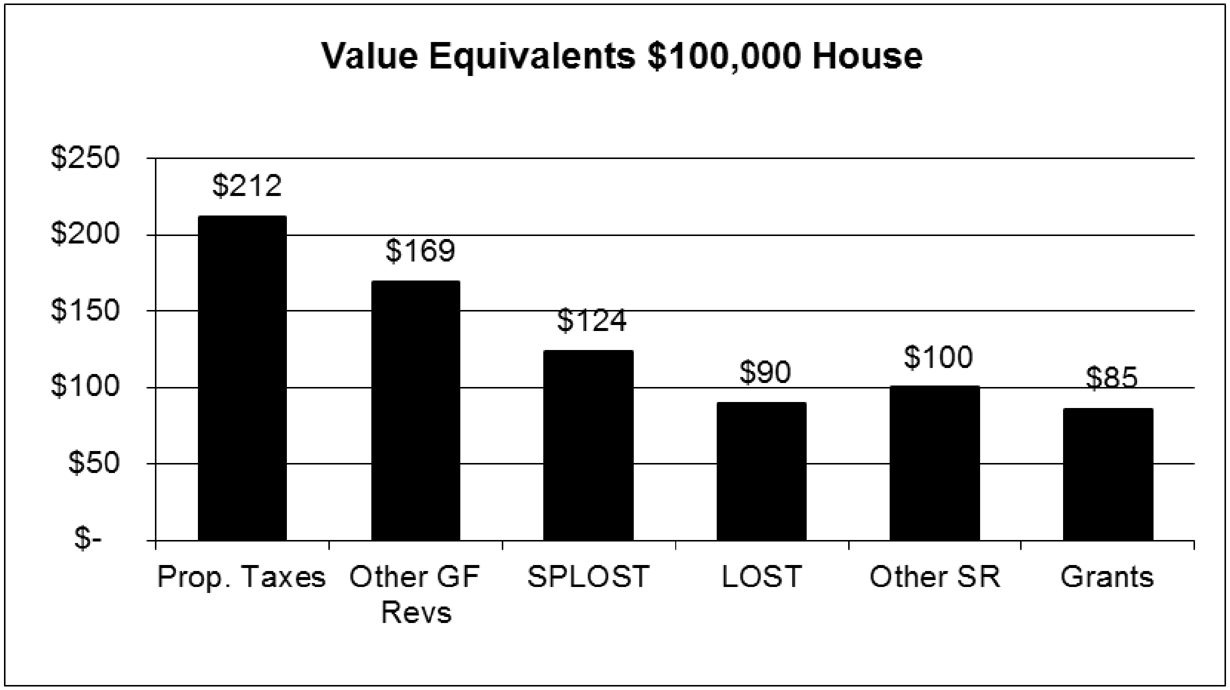
The pie chart is a breakdown of where the revenues are coming from for all funds. SPLOST sales taxes and LOST sales taxes account for almost 30% of total revenues. These sales taxes are a very significant portion of the revenue sources for Hart County and unfortunately have a direct correlation with the overall economy. This chart also shows that Hart County has a healthy mix of revenue sources. If one section of the pie chart (or one revenue source) was the source of an overly large percentage of the revenue, that may indicate an over-reliance on a particular revenue source. If that revenue source was to have problems then the cash flow of the General Fund could have problems. In addition, this pie chart shows that we do not rely heavily on property taxes as our sole means of revenue. This proves that the burden of funding the local governmental operations and projects is not solely on the revenue from property taxes and is more evenly spread among other users. This chart shows the new EMS fee for 2014 taxes as a revenue source.



Millage Equivalent

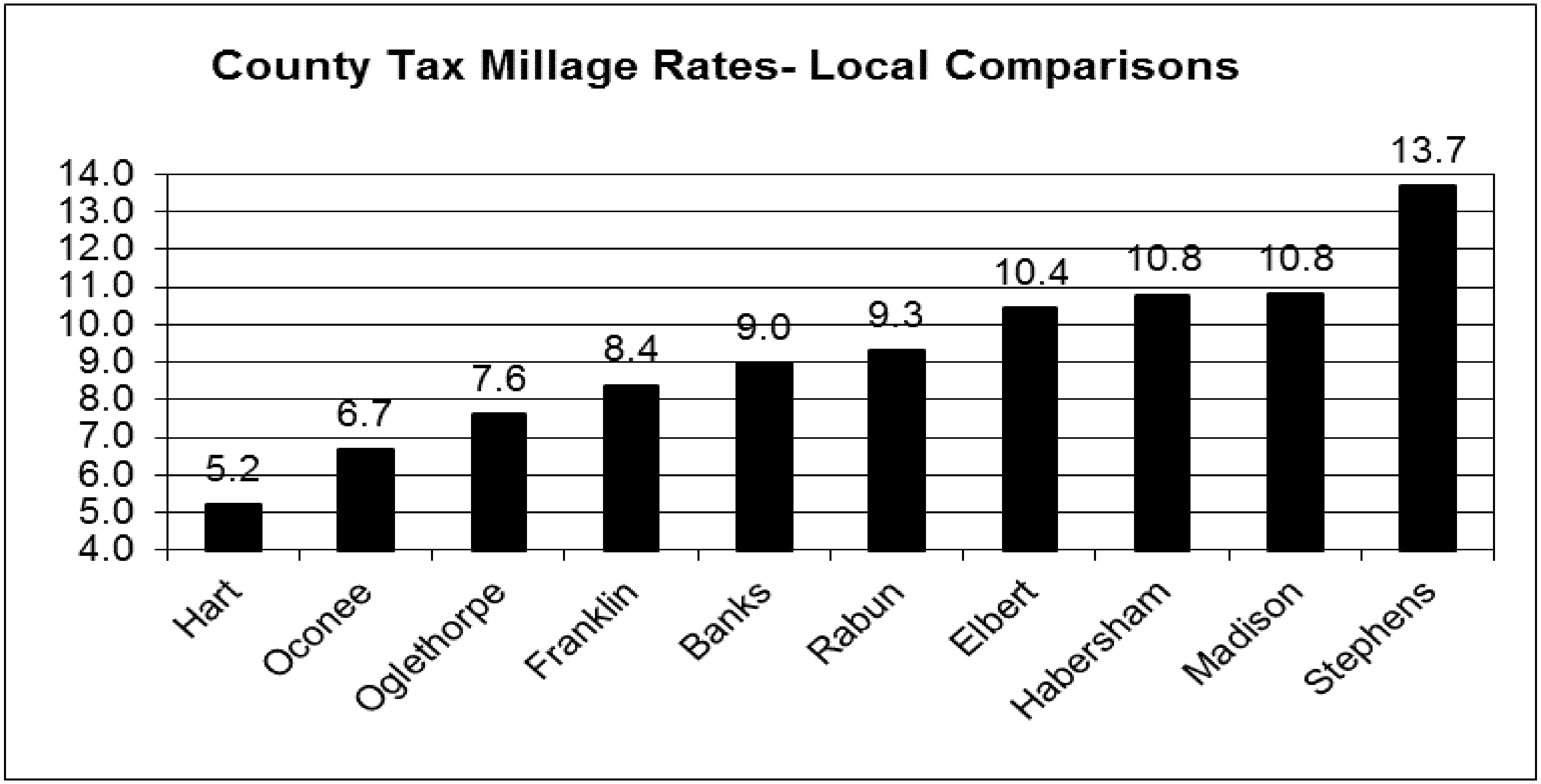
This bar chart further emphasizes the importance of the local sales taxes and other special revenue funds. Property tax revenues are generated from a 5.29 mill assessment on property values. The equivalent millage associated with the revenues from the SPLOST sales taxes is 3.09. Therefore to have the same amount of revenue as the revenue to be spent in the current FY budget from the SPLOST sales taxes the Hart County Board of Commissioners would have to raise the millage by 3.09 mills, or 58%. In addition, the LOST sales tax is a direct offset to the property tax millage. This sales tax is used solely to fund general fund operations and directly offsets the property tax millage. The equivalent millage from LOST revenues is 2.25. If the LOST sales tax was not in place in Hart County, our property tax millage would increase by approximately 43%.

Similar figures are illustrated in this chart to show the equivalent millage that would be required if the other non-property tax revenues were not available as revenue sources. One unique significant source of funding this fiscal year is a substantial amount of capital grants (second year in a row of significant capital grants). These capital project grants alone account for 2.13 mill equivalents (11%) of the current fiscal year revenue.



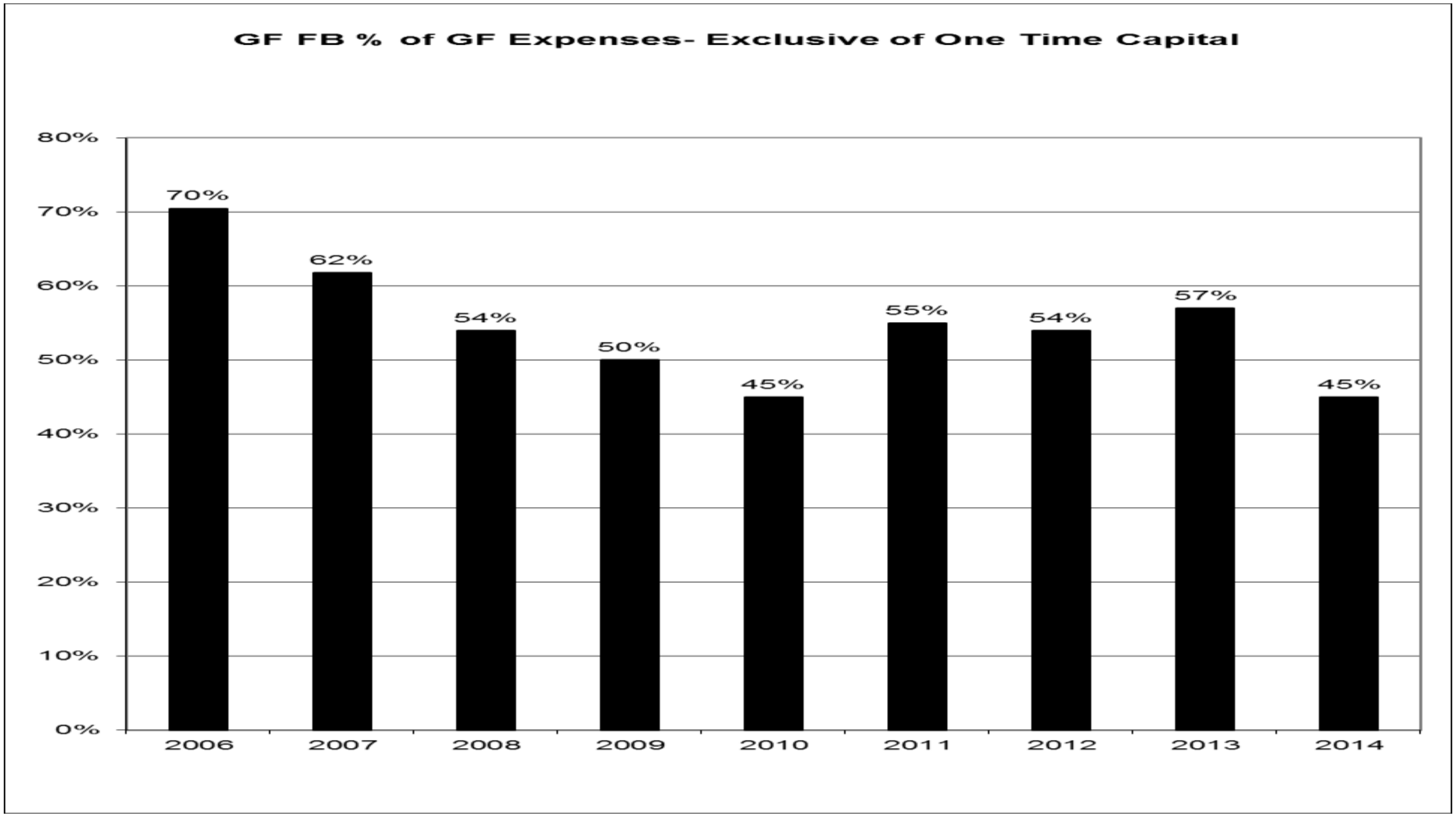
Value Equivalents $100,000 House

This bar chart is third way to show the value (equivalent to a property tax bill) of the various revenues sources. For example property taxes generate $212 per $100,000 in property value. If the LOST sales tax were not in place the owner of the same $100,000 would have to pay $90 additional dollars in property taxes. Similar values are given for the other non-property tax revenue sources. For this fiscal year the one time capital grants will save tax payers $85 per $100,000 property value.

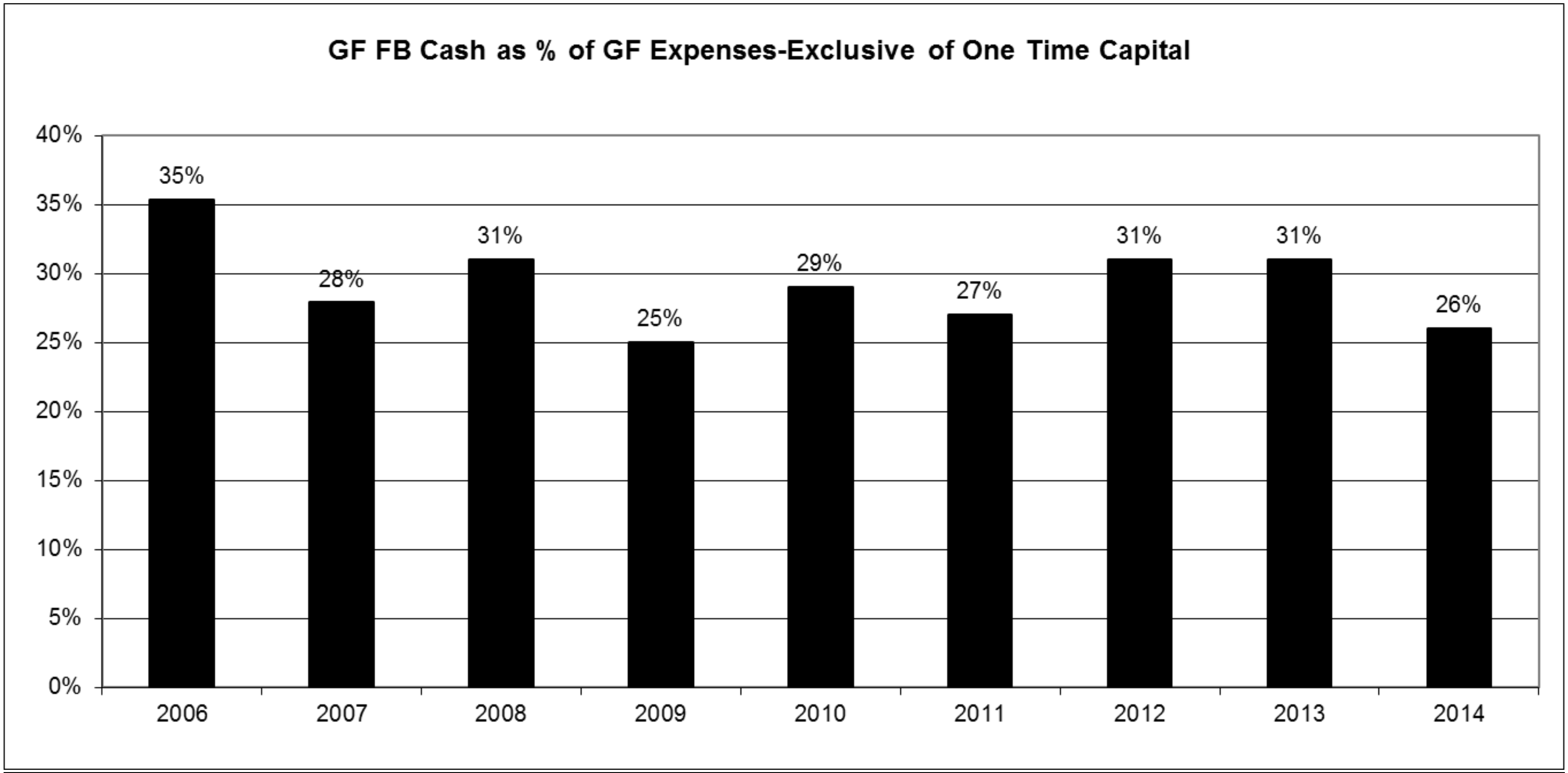


<u>10 Millage Rate- Local Comparison:</u>

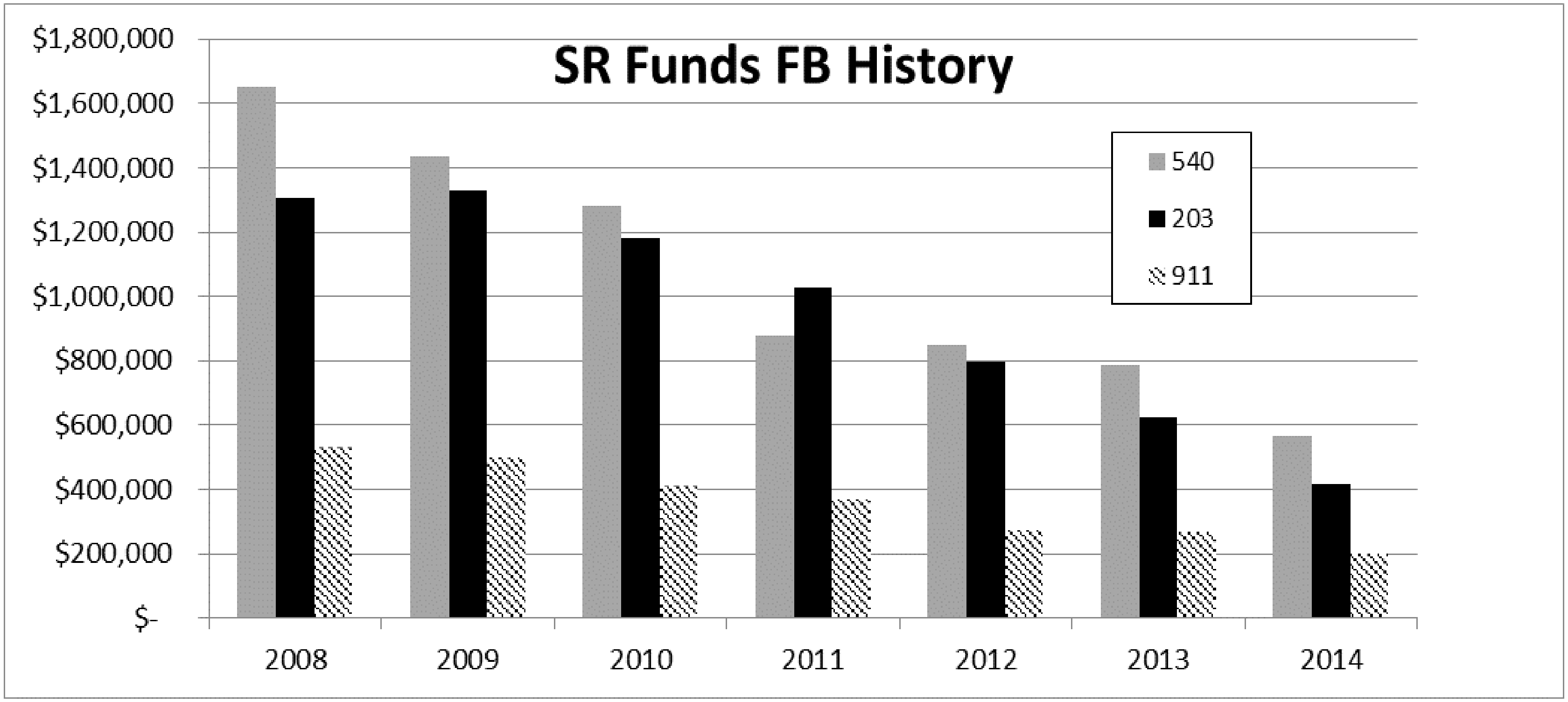
This bar chart shows the local comparison of 10 adjacent counties shows that in the Hart County's unincorporated millage rate was significantly lower than our surrounding counties. Hart County has one of the lowest unincorporated millage rate in the State of Georgia.



<u>GF FB as a % of GF Expenses:</u>
This chart shows the total GF FB (Fund Balance) as a percentage of O&M (no large capital) expenses for that fiscal year. A target range of 25-50% reserves is the goal. It is important to note that this is not just cash and includes non-liquid, non-cash items. The decline from the recession, deficit spending and one time capital spending is evident in the drop from 2006 to 2010. The decline in 2014 is from the one time write-off of uncollectible EMS receivables.

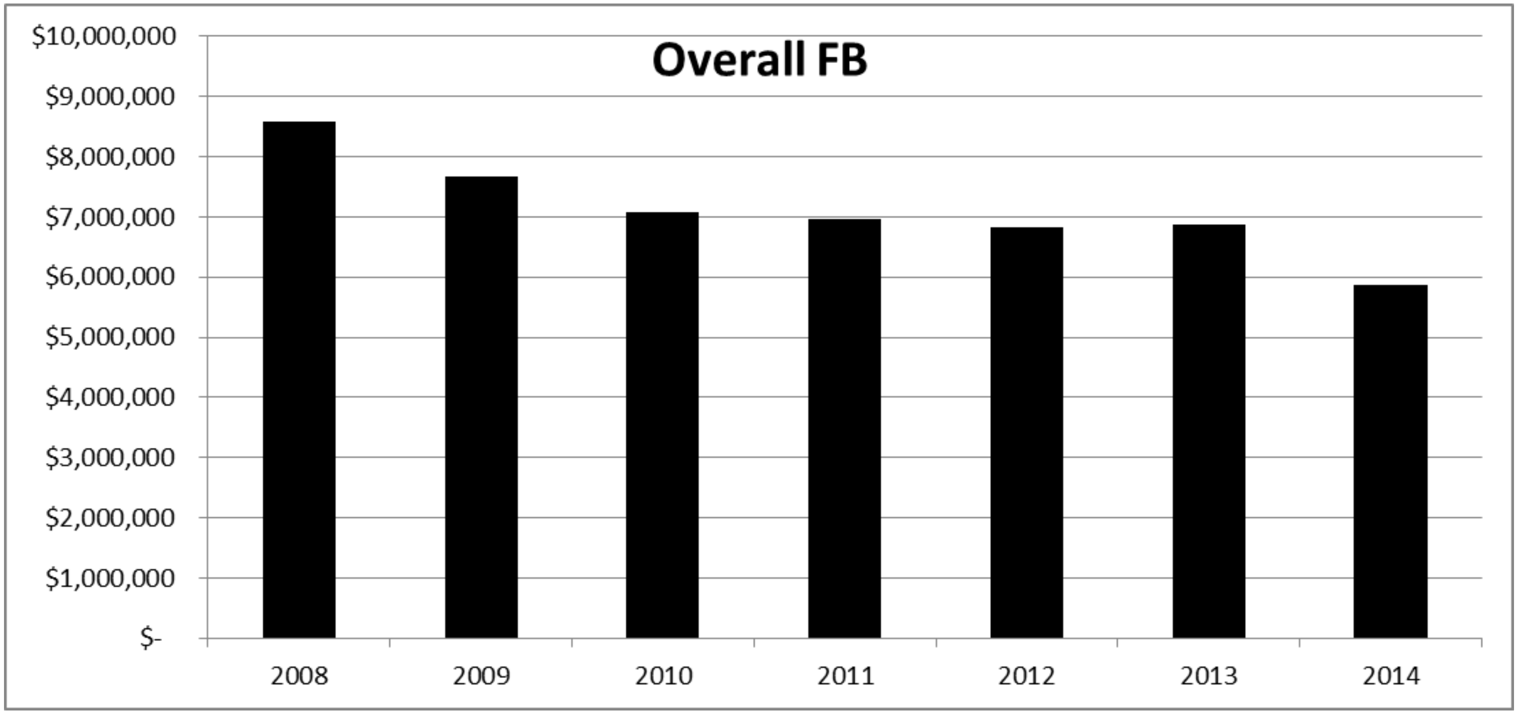


<u>GF FB Cash as a % of GF Expenses:</u>
This chart shows the available cash from our GF FB as a percentage of expenses for that fiscal year. A target minimum of 25% cash reserves is highly recommended to ensure a positive cash flow and to account for unforeseen emergencies that may arise during the fiscal year. A 25% cash reserve would indicate that we could operate our government for 3 months at full spending without a single revenue.



<u>SR FB History:</u>

This chart shows the large Special Revenue funds fund balances. Since the recession began the County has utilized the fund balance of all accounts to cover decreased revenues and avoid tax increases. With healthy fund balances it is sound financial management to draw down excess fund balances to cover short term shortfalls such as the conditions of the current Great Recession. This allows the community to be stable with continued necessary services while avoiding tax increases when the community can least afford such increases. The 911 fund balance is at a point where it is at a minimum recommended fund balance. Continued deficit spending from the account will result in shifting of expenses to another account in near future fiscal years. The 540 solid waste fund is probably nearing the minimum recommended fund balance also. Remaining liabilities for the landfill are not completely quantified but for the most part have been adequately addressed in the past decade.



<u>Overall FB:</u>
This chart shows all the fund balances of all accounts for each fiscal year. Since the recession began the County has utilized the fund balance of all accounts to cover decreased revenues and avoid tax increases. There was a large decrease in fund balances from 2008 to 2009 but the fund balances have remained relatively stable for the past few years. The drop in FB for 2014 was due to the write-off of decades of EMS receivables that were uncollectible and should have not been carried on our financials.

Related Long Range Plans and Studies are a Part of this Spending Plan