City of Fairburn, Georgia

Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2010



Prepared by

Department of Finance
56 Malone Street
Fairburn, Georgia 30213

CITY OF FAIRBURN, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010

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CITY OF FAIRBURN, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION
(Unaudited)

City of Fairburn
56 Malone Street
Fairburn, GA 30213
770-964-2244 FAX - 770-969-3484

Honorable Mario Avery, Mayor
and Members of the City Council
City of Fairburn
Fairburn, Georgia

Ladies and Gentlemen:

The comprehensive annual financial report of the City of Fairburn, Georgia for the fiscal year ended September 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, the City's organization chart and a list of principal officials. The transmittal letter includes general information about the City, services provided by the City, the organization of the government, economic condition and outlook for the City, the major events of the year and other information including the audit and acknowledgements.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The financial section includes the independent auditor's report on the financial statements, management's discussion and analysis, and the basic audited financial statements with combining and individual fund statements and schedules. This section also includes required supplementary information.

The statistical section contains selected historical financial data, debt statistics, and the miscellaneous social and economic data generally presented on a multi-year basis.

The compliance section contains the 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*.

General Information – City of Fairburn

The territory on which the City of Fairburn was originally located was ceded to the State of Georgia by the Cherokee Indians in the treaty of Indian Springs in 1825. U.S. Government records show a settlement as early as 1830, but the City's real growth started with the construction of the Atlanta and West Point Railroad in 1854. The City of Fairburn was incorporated February 17, 1854 and adopted its City Charter on August 3, 1925 (Georgia Statutes 1925).

It is believed that Fairburn was named for a township in the County of York, England by Williams McBride, the City's first postmaster, to honor his ancestral hometown. Fairburn was once the county seat for Campbell County, Georgia, starting in 1870 until the County was dissolved in 1931. A telephone system was installed in 1905 and the City received electric lights in 1911. Fairburn gained worldwide distinction in 1921 by erecting the first monument to World War I dead.

Services Provided

Services provided by the City under general governmental functions include police and fire protection, planning and engineering, code enforcement, street maintenance, traffic control, and parks operations and maintenance.

In addition, electric, water, sewer, and storm water services, educational complex rentals, and solid waste collection and disposal services, are provided (the latter by contract) under an Enterprise fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt. The City's primary sources of General Fund revenue continue to come from ad valorem taxes, sales taxes, and franchise fees.

The Organization of the Government

The City has a Mayor and Council – City Administrator form of government with a mayor and six council members in the governing body. The Mayor, while a part-time position, is the City's Chief Executive Officer. The City Administrator is a full-time position appointed by and serving at the pleasure of the City Council.

The City Council annually adopts a balanced budget and establishes an ad valorem tax rate for the support of City programs. The City Administrator has the responsibility of administering these programs in accordance with policies and the annual budget adopted by the City Council.

Economic Condition and Outlook

As a part of the metropolitan Atlanta area, Fairburn is positioned for significant economic growth with easy access to markets in the Northeast, South and Midwestern states by air, rail, or highway. The City of Fairburn is located ten miles south of Atlanta Hartsfield-Jackson International Airport, the world's busiest airport. A mainline operated by CSX provides access to their growing Fairburn intermodal yard. The community is bisected by Interstate 85 and is also in close proximity to the intersection of I-75, I-85, and I-20 in downtown Atlanta.

Fairburn works in partnership with a wide range of organizations to market the area to potential developers. The South Fulton Chamber of Commerce works to promote the area and encourage development, hosting an annual Developer's Day to showcase development

opportunities in and around Fairburn. The economic & community development group of the Electric Cities of Georgia is also an important partner in marketing the City to developers and in helping to provide extensive support to existing utility customers.

Annual investments in infrastructure improvements have been made over the years to maintain a functional level of service capacity and reliability. As a member of the Municipal Electric Authority of Georgia (MEAG), Fairburn provides very competitive and dependable electric service. The City is also a member of the South Fulton Municipal Regional Water & Sewer Authority, along with Union City and Palmetto. The Authority is currently constructing a water reservoir and water treatment plant near the Chattahoochee River to the west of the City limits in rural Fulton County.

Rebounding from the impact of the recession, The City experienced renewed interest in commercial and industrial development beginning in late 2010, especially for retail space along the Highway 74 corridor and for distribution space in the Southcreek area of Bohannon Road and Oakley Industrial Boulevard.

Fairburn is also home to the Georgia Renaissance Festival, a re-creation of a 16th-Century European Country Faire. Located on 150 acres just minutes from downtown, the Festival attracts more than 150,000 weekend visitors from mid-April to early June.

Major Events in 2010

A general obligation bond for $10.4 million was overwhelmingly approved during the November, 2010 general election. As a result, the City is preparing to purchase the 140-acre Duncan Park from Fulton County, renovate the park's facilities, build a new fire station, resurface roads, and improve the City's downtown area.

Jim Williams retired after eight very productive years as Fairburn's City Administrator, managing the City's tremendous economic growth via both annexation and new development. Mr. Williams' leadership and vision will be sorely missed.

While the national economic recession and housing industry woes have impacted the local economy, the City continues to operate with a balanced budget without personnel layoffs or drastic budget cuts. The City plans to continue to improve the quality of life of the community while maintaining a high degree of fiscal responsibility.

Already home to manufacturing and warehousing facilities for household names such as US Foods, Toto, Owens-Corning, Smuckers, and Nestle-Purina, Fairburn welcomed newcomers Clorox and Electrolux to town during early 2011.

Downtown Fairburn, centered at the intersection of Highway 29 and Highway 92, suffered the loss of three commercial buildings and experienced severe damage to a fourth along West Broad Street, the City's main thoroughfare. The now-vacant land and adjoining parking were donated to the City in late 2010. Renovation of the damaged building should be completed in the fall of 2011, enabling the return of Fairburn landmark Oz Pizza. Plans to replace the other three structures are still being formulated.

Duncan Park enjoyed its first face-lift in many years as favorite son Eric Berry, graduate of Creekside High School and Pro-Bowl defensive back for the Kansas City Chiefs, upgraded the park's natural-grass football field to Astroturf.

The City's educational complex at the north end of town continues to grow, with Georgia Military Academy's enrollment now over 800 and climbing, while Brenau University's nursing program is scheduled to open in January, 2012.

Financial Information

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with generally accepted accounting principles. In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets from unauthorized user disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

Independent Audit. State statues require an annual audit by independent certified public accountants. The accounting firm of Mauldin & Jenkins Certified Public Accountants, LLC was selected. The independent auditor's report on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and schedules is included in the financial section of this report.

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the government for its comprehensive annual financial report for the fiscal year ended September 30, 2009. This was the twenty-second consecutive year and the twenty-fifth time that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. I would like to take this opportunity to express my appreciation to you, the Mayor and Council, for your guidance and support in the preparation of this report. I would also like to express my sincere appreciation to the City staff for their assistance and cooperation during the year to effect a better accounting and reporting system for the City of Fairburn, for without this assistance and cooperation this report would not have been possible.

Respectfully submitted,

Tom Barber, CPA, MBA
City Administrator

March 30, 2011

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fairburn

Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Fairburn, Georgia
CITY OFFICIALS
2010

CITY COUNCIL
Mario Avery, Mayor
Elizabeth "Liz" Hurst, Mayor Pro Tem
Ron Alderman
Alex Heath
Marion Johnson
Jean Barkley Russell
Scott Vaughn

CITY ADMINISTRATOR
Tom Barber, CPA

CITY CLERK
Brenda James

FINANCE DIRECTOR
Vacant

CHIEF OF POLICE
Chip McCarthy

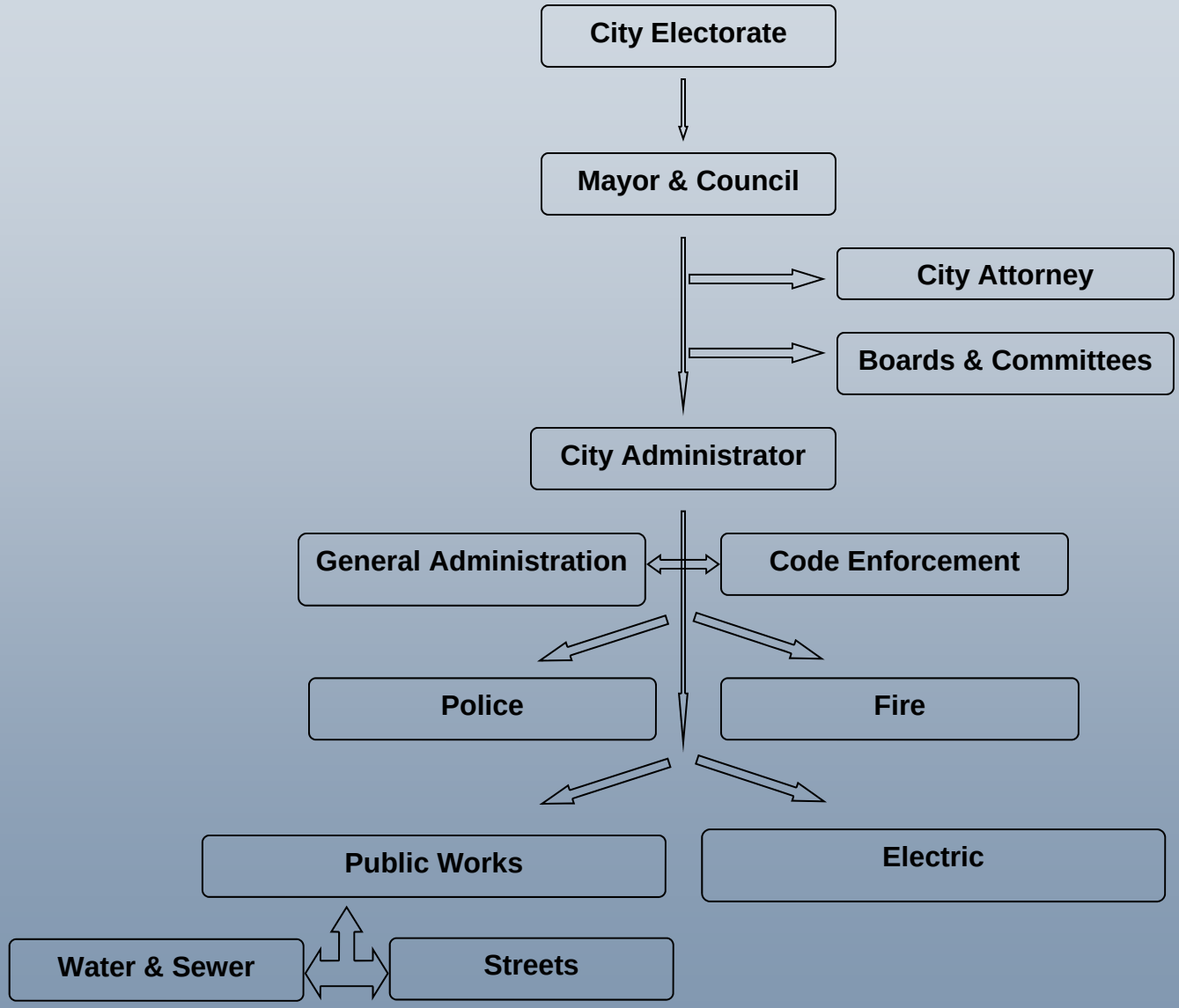
FIRE CHIEF
Jody Weller

BUILDING INSPECTOR
Harvey Stokes

CITY ATTORNEYS
Turner & Ross, LLC

City of Fairburn, Georgia

ORGANIZATIONAL CHART



FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of City Council
City of Fairburn, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Fairburn, Georgia** as of and for the fiscal year ended September 30, 2010, which collectively comprise the City of Fairburn, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fairburn, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairburn, Georgia as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2011, on our consideration of the City of Fairburn, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedule of Funding Progress (on pages 3 through 11 and page 52, respectively) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairburn, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 30, 2011

CITY OF FAIRBURN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

As management of the City of Fairburn (the "City"), we offer readers of the City of Fairburn's financial statements this narrative overview and analysis of the financial activities of the City of Fairburn for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2010 are as follows:

- The assets of the City of Fairburn exceeded its liabilities at the close of the fiscal year by $38,031,868 (net assets). Of this amount, $678,827 is restricted and $5,268,374 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by $(1,686,087) from amounts previously reported (as restated).
- As of the close of the current fiscal year, the City of Fairburn's governmental funds reported combined ending fund balances of $706,191, an increase of $517,243 from the balances previously reported.
- At the end of the current fiscal year, total fund balance for the General Fund was $91,611, an increase of $488,806 over the amount previously reported.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to those 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 are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net assets and the statement of activities, which are described below.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It is important to note that this statement consolidates the governmental fund's current financial resources (short-term) with capital assets and long-term liabilities.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, and planning and development.

The business-type activities of the City include electric, water and sewer, educational complex, stormwater, and sanitation.

The City's government-wide financial statements are presented on pages 12 and 13.

Reporting the City's Most Significant Funds

Unlike government-wide financial statements, the focus of fund financial statements is directed specific activities of the City rather than the City as a whole. Except for the General Fund, a special revenue fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The City's fund financial statements are divided into two broad categories, namely, (1) governmental funds and (2) proprietary funds.

Governmental Funds

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a year, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the statement of revenues, expenditures, and changes in fund balances for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the year.

For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because different accounting bases are used to prepare fund financial statements, there are often significant differences between the totals presented in these financial statements. For this reason, there is an analysis at the bottom of the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, on page 16, there is a reconciliation of the statement of revenues, expenditures, and changes in fund balance of governmental funds to the statement of activities.

The City presents in separate columns funds that are most significant to the City (major funds) and all other governmental funds are aggregated and reported in a single column (non-major funds). The City's governmental fund financial statements are presented on pages 14 and 15.

Proprietary Funds

Proprietary fund financial statements consist of a statement of net assets, the statement of revenues, expenses, and changes in fund net assets and statement of cash flows, which are prepared on the accrual basis of accounting. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds.

The City uses Enterprise Funds to account for business-type activities that typically charge fees to customers for the use of specific goods or services. Balances and activities accounted for in the City's Enterprise Funds are also reported in the business-type activities columns of the government-wide financial statements.

The City presents in separate columns Enterprise Funds that are most significant to the City (major enterprise funds) and all other Enterprise Funds are aggregated and reported in a single column. A statement of cash flows is presented at the fund financial statement level for proprietary funds.

The City's proprietary fund financial statements are presented on pages 18 - 20.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for the past two years are summarized as follows based on the information included in the government-wide financial statements (see pages 12 and 13):

City of Fairburn Net Assets
September 30, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 1,639,012	$ 1,308,985	$ 6,984,966	$ 9,113,492	$ 8,623,978	$ 10,422,477
Capital assets, net	14,509,879	21,005,415	37,644,347	30,743,396	52,154,226	51,748,811
Total assets	16,148,891	22,314,400	44,629,313	39,856,888	60,778,204	62,171,288
Other liabilities	799,320	1,438,572	1,442,240	987,496	2,241,560	2,426,068
Long-term liabilities	861,820	566,916	19,642,956	21,605,507	20,504,776	22,172,423
Total liabilities	1,661,140	2,005,488	21,085,196	22,593,003	22,746,336	24,598,491
Net assets:						
Invested in capital assets, net of related debt	14,043,159	20,438,499	18,041,508	9,311,194	32,084,667	29,749,693
Restricted	613,627	80,003	65,200	480,215	678,827	560,218
Unrestricted	(169,035)	(209,590)	5,437,409	7,472,476	5,268,374	7,262,886
Total net assets	$ 14,487,751	$ 20,308,912	$ 23,544,117	$ 17,263,885	$ 38,031,868	$ 37,572,797

Financial Position

The total net assets of the City increased $459,071 (1.2%), from $37,572,797 (not restated) to $38,031,868 as noted in the table below. Current year activities resulted in a decrease in net assets of ($1,686,087) and the restatement of prior year balance increased net assets by $2,145,158.

City of Fairburn Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	$ 1,481,525	$ 1,604,707	$ 13,751,183	$ 12,559,295	$ 15,232,708	$ 14,164,002
Operating grants and contributions	19,265	424,049	-	-	19,265	424,049
Capital grants and contributions	-	-	121,040	-	121,040	-
General revenues:						
Property taxes	2,853,789	2,831,173	-	-	2,853,789	2,831,173
Sales taxes	1,324,124	1,287,811	-	-	1,324,124	1,287,811
Franchise taxes	903,161	1,053,234	-	-	903,161	1,053,234
Other taxes	838,494	963,499	-	-	838,494	963,499
Miscellaneous revenue	139,915		-	-	139,915	-
Gain on sale of capital assets	-	-	264,841	-	264,841	-
Unrestricted investment earnings	34,694	49,027	27,686	87,501	62,380	136,528
Total revenues	7,594,967	8,213,500	14,164,750	12,646,796	21,759,717	20,860,296
Expenses:						
General government	2,022,054	2,501,785	-	-	2,022,054	2,501,785
Judicial	262,792	279,684	-	-	262,792	279,684
Public safety	6,758,087	6,622,873	-	-	6,758,087	6,622,873
Public works	1,747,445	1,590,792	-	-	1,747,445	1,590,792
Culture and recreation	270,198	80,226	-	-	270,198	80,226
Planning and development	433,145	584,404	-	-	433,145	584,404
Interest on long-term debt	25,411	37,401	-	-	25,411	37,401
Other expenses	-	59,925	-	-	-	59,925
Electric			6,080,267	5,988,466	6,080,267	5,988,466
Water & sewer	-	-	4,030,833	3,879,022	4,030,833	3,879,022
Educational complex	-	-	685,977	666,067	685,977	666,067
Stormwater	-	-	549,079	-	549,079	-
Sanitation	-	-	580,516	618,527	580,516	618,527
Total expenses	11,519,132	11,757,090	11,926,672	11,152,082	23,445,804	22,909,172
Increase (decrease) in net assets before transfers	(3,924,165)	(3,543,590)	2,238,078	1,494,714	(1,686,087)	(2,048,876)
Transfers	3,689,629	4,598,580	(3,689,629)	(4,598,580)	-	-
Changes in net assets	(234,536)	1,054,990	(1,451,551)	(3,103,866)	(1,686,087)	(2,048,876)
Restatement of prior year balances	(5,586,625)	-	7,731,783	-	2,145,158	-
Net assets, beginning of year	20,308,912	19,253,922	17,263,885	20,367,751	37,572,797	39,621,673
Net assets, end of year	$ 14,487,751	$ 20,308,912	$ 23,544,117	$ 17,263,885	$ 38,031,868	$ 37,572,797

Governmental Activities

Net assets for governmental activities decreased ($5,821,161) without the effect of the restatement. Restatement of prior year balances decreased governmental activities net assets ($5,586,625) due mainly to transferring stormwater capital assets to business type activities. Current year operating activities decreased governmental net assets by ($234,536). Governmental revenues decreased ($618,533) or 7.53%, the largest decreases in governmental revenue were operating grants which decreased ($404,784). Prior year operating grants included the City's share ($200,000) from the dissolution of the Tri-Cities narcotics bureau and certain federal grants which were not available in 2010. Franchise taxes and other taxes decreased ($150,073) and ($125,005), respectively, based on recessionary conditions experienced by the underlying taxpayers.

Expenses for governmental activities decreased ($237,958) or 2% as the City made significant efforts to reduce expenses in line with decreased revenues. Culture and recreation expenses increased $189,972 primarily because of the City's contribution of $150,000 for upgrades to Duncan Park. Planning and development expenses decreased ($151,259) because $53,814 of salary expense related to stormwater activities was moved to a separate stormwater enterprise fund and $100,000 of consulting fees expended in 2009 were not necessary in 2010.

Business-Type Activities

Net assets for business type activities increased $6,280,232 over amounts previously reported without consideration of the restatement of prior year balances. Restatement of prior year balances increased net assets by $7,731,783 primarily due to transferring $5,814,891 of stormwater capital assets from governmental activities. Other restatements are discussed in detail in footnote 18 of the notes to the financial statements. Current year operating activities of all enterprise funds decreased net assets by ($1,451,551). The activities of each enterprise fund are discussed below.

Electric Fund Net income before transfers for the Electric Fund was $1,575,335 compared to $1,100,263 in the prior year, an increase of $475,072 or 43.18%. Operating revenues increased $579,500 as a result of increased demand, while operating expenses increased $94,084 or 1.57%. Transfers to meet General Fund obligations were ($2,056,803) resulting in decrease of in net assets by ($481,468).

Water and Sewer Fund Net income before transfers for the Water and Sewer Fund was $897,083 compared to $732,145 in the prior year, an increase of $164,938 or 22.5%. Operating revenues decreased slightly to $4,522,440 from $4,547,918 in the prior year. Operating expenses increased $261,447 or 9.73%, primarily as a result of increased sewer rates charged by the City of Atlanta. Transfers to meet General Fund obligations were ($1,597,811) resulting in a decrease of net assets by ($700,728).

Educational Complex Fund Net losses for the Educational Complex were ($250,594) as rental revenues are not sufficient to cover operating and interest expenses. These losses are expected to be narrowed as additional space is filled or rental rates rise.

Stormwater Fund This Fund was created during fiscal year 2010 to properly segregate infrastructure utility charges in accordance with State statutes. As a result, beginning net assets was restated for $5,816,144 of which $5,814,891 relates to governmental infrastructure assets being transferred to this Fund and $1,253 of donated capital assets not previously reported by City. This Fund had net losses of ($100,525) and future losses, if any, will be met with transfers from the Water and Sewer Fund.

Sanitation Fund Net income before transfers for the Sanitation Fund was $116,779 compared to $69,252 in the prior year. Transfers to the General Fund were $35,015 resulting in an increase of net assets by $81,764.

Financial Analysis of the City's Funds

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

Governmental Fund Balance

The City's combined fund balances as of the end of the current fiscal year for governmental funds, presented on page 14, were $706,191. This balance represents an increase of $907,028 from balances previously reported without consideration of the restatement of prior year balances. Net change in fund balance for the current year was $517,243 and restatement of prior year balances of $389,785 accounts for the remainder of this increase.

	2010	2009 (1)
General Fund	$ 91,611	$ (320,001)
Other Governmental Funds	614,580	119,164
Total Governmental Fund Balance (Deficit)	$ 706,191	$ (200,837)

(1) - balance not restated in this table.

City of Fairburn's Changes in Governmental Fund Balance

	2010	2009	$ Change	% Change
Revenues				
Property taxes	$ 2,958,095	$ 2,794,148	$ 163,947	5.87%
Sales taxes	1,324,124	1,403,097	(78,973)	-5.63%
Franchise taxes	903,161	1,053,234	(150,073)	-14.25%
Other taxes	838,494	588,335	250,159	42.52%
Licenses and permits	480,241	802,835	(322,594)	-40.18%
Intergovernmental	19,265	424,049	(404,784)	-95.46%
Fines and forfeitures	398,212	350,884	47,328	13.49%
Charges for services	600,492	710,866	(110,374)	-15.53%
Interest revenue	34,694	49,027	(14,333)	-29.23%
Other revenues	142,495	-	142,495	100.00%
Total revenues	$ 7,699,273	$ 8,176,475	$ (477,202)	-5.84%
Expenditures				
Current:				
General government	$ 1,993,378	$ 3,166,567	(1,173,189)	-37.05%
Judicial	262,792	279,684	(16,892)	-6.04%
Public safety	6,578,133	7,066,933	(488,800)	-6.92%
Public works	1,269,111	1,505,312	(236,201)	-15.69%
Culture and recreation	209,493	79,287	130,206	164.22%
Planning and development	433,145	584,404	(151,259)	-25.88%
Other	-	59,925	(59,925)	-100.00%
Debt service:				
Principal retirements	223,196	296,729	(73,533)	-24.78%
Interest	25,411	37,401	(11,990)	-32.06%
Total expenditures	10,994,659	13,076,242	(2,081,583)	-15.92%
Deficiency of revenues under expenditures	(3,295,386)	(4,899,767)	1,604,381	-32.74%
Other Financing Sources (Uses)				
Capital leases	123,000	510,000	(387,000)	-75.88%
Transfers in	3,743,142	4,713,867	(970,725)	-20.59%
Transfers out	(53,513)	(115,287)	61,774	-53.58%
Total other financing sources (uses)	3,812,629	5,108,580	(1,295,951)	
Net change in fund balances	$ 517,243	$ 208,813	$ 308,430	

Deficiency of revenues under expenditures prior to other financing sources (uses) in the Governmental Funds was ($3,295,386) as compared to ($4,899,767) in the prior year.

Overall governmental revenues decreased ($477,202) or 5.84%. The most significant decrease was intergovernmental revenue which decreased ($404,784) or 95.46%. Prior year revenues for this category included state grants of $217,720 which were no longer available to the City in 2010, as well as $200,000 of confiscated assets received as the City's portion of the dissolution of the Tri-Cities narcotics task force.

Overall governmental expenditures decreased ($2,081,583) or 15.92%. General government expenditures decreased (1,173,189) or 37.05% because prior year expenditures included the purchase of real estate for $1,055,815. Public safety expenditures have decreased ($488,800) or 6.92%. Prior year public safety expenditures included $510,000 for the purchase of a new fire truck. As a result of management efforts to keep expenditures in line with anticipated revenues, subsidies from the Electric Fund and the Water and Sewer Fund were reduced from $4,713,867 in 2009 to $3,743,142 in 2010.

General Fund Budgetary Highlights

The final budgets passed by the City Council anticipated contributing $680,101 of general fund reserves to meet future expenditures. Actual results were $488,806 which was $191,295 under what was budgeted.

A comparison of the final budgetary figures and the actual budgetary figures for revenues are located on page 17.

- General Fund revenues in total were ($485,009) less than budgeted. Property taxes were $114,830 less than budgeted and franchise taxes were $159,855 less than budgeted. Intergovernmental revenue was $128,000 less than budgeted because Community Development Block Grant funds were accounted for in the Stormwater Fund instead of the General Fund since these grant funds were used to construct stormwater infrastructure.
- The actual expenditures of $10,315,041 were $335,881 less than budgeted as management reduced expenditures to meet decreased revenue expectations. Transfers from enterprise funds were $295,740 better than budgeted because land sales originally recorded on the General Fund were reclassified as transfers since the property sold actually belonged to the Water and Sewer Fund.

Capital Asset and Debt Administration

Capital Assets

The City has invested $52,154,226 in capital assets (net of depreciation). Capital assets held by the City at the end of the current and previous fiscal years are summarized as follows:

City of Fairburn, Captial Assets, net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2010	2009 (Restated)	2010	2009 (Restated)	2010	2009 (Restated)
Land	$ 1,259,352	$ 1,259,352	$ 3,595,069	$ 3,725,968	$ 4,854,421	$ 4,985,320
Construction in Progress	-	-	-	14,240	-	14,240
						-
Distribution system	-	-	9,307,292	9,395,885	9,307,292	9,395,885
Buildings and improvements	1,813,199	1,884,739	18,834,327	19,207,774	20,647,526	21,092,513
Machinery and equipment	248,530	291,070	83,389	108,738	331,919	399,808
Infrastructure	8,880,736	9,310,778	5,613,014	5,816,144	14,493,750	15,126,922
Vehicles	2,308,062	2,444,585	211,256	252,079	2,519,318	2,696,664
Total	$ 14,509,879	$ 15,190,524	$ 37,644,347	$ 38,520,828	$ 52,154,226	$ 53,711,352

The detailed schedule capital assets are reported in Note 6 of the footnotes to the financial statements.

Long-term Debt

At the end of the current fiscal year, the City had long-term debt related to business-type activities of $19,642,956 and $861,820 of governmental activities. Bonds, notes, and capital leases outstanding as of the year ended September 30, 2010 are fully secured by the full faith and credit of the government. Business-type activities debt is secured by electric, water and sewer, and educational complex revenues while governmental debt is secured by general revenues.

The debt position of the City is summarized below and is more fully analyzed in Note 8 of the footnotes to the financial statements.

City of Fairburn Outstanding Long-Term Liabilities

	Business-type Activities		Governmental Activities	
	2010	2009	2010	2009 (Restated)
Series 2008 Educational Complex Bonds	$ 8,702,250	$ 9,236,166	$ -	$ -
Less unamortized loss on refunding	(710,148)	(836,062)	-	-
Series 2006 Utility Bonds	11,500,000	12,135,000	-	-
GEFA Note Payable	39,538	60,441	-	-
Capital Leases	71,199	173,899	466,720	566,916
Compensated Absences	40,117	35,193	395,100	328,076
Total	$ 19,642,956	$ 20,804,637	$ 861,820	$ 894,992

Economic Factors and Next Year's Budgets and Rates

The City of Fairburn, along with most other municipalities in the Southern Fulton County area, has experienced a loss of revenues as a result of the global economic downturn. As a result, expected services and revenues will be revised as economic conditions dictate. Water and sewer, electric and sanitation rates are not expected to increase in fiscal year 2011. Property taxes for general operations are budgeted to remain at 7.5 mills.

The City issued general obligation bonds of $10,415,000 on March 3, 2011 for the purpose of constructing an additional fire station, acquiring Duncan Park from Fulton County and various downtown renewal and road rebuilding projects. Accordingly, a separate fund has been set up to record the expenditure of these bond funds. Subsequent to the issuance of the general obligation bonds, on November 2, 2010, Fairburn voters approved additional property taxes to meet the debt service obligations of these bonds.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department (770) 964-2244, City Hall, 56 Malone Street, Fairburn, Georgia 30213-1341.

CITY OF FAIRBURN, GEORGIA

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 763,179	$ 3,981,268	$ 4,744,447
Investments	106,038	819,242	925,280
Accounts receivable, net of allowances	5,812	1,973,012	1,978,824
Taxes receivable	314,411	-	314,411
Other receivables	242,260	83,736	325,996
Other assets	893	-	893
Internal balances	186,809	(186,809)	-
Prepaid items	19,610	8,296	27,906
Deferred charges, unamortized balance	-	241,021	241,021
Restricted assets:			
Investments	-	65,200	65,200
Capital assets:			
Non-depreciable	1,259,352	3,595,069	4,854,421
Depreciable, net of accumulated depreciation	13,250,527	34,049,278	47,299,805
Total assets	16,148,891	44,629,313	60,778,204
LIABILITIES			
Accounts payable	306,086	726,331	1,032,417
Funds held in escrow (due to others)	447,382	-	447,382
Accrued liabilities	36,686	4,960	41,646
Accrued interest payable	-	291,357	291,357
Unearned revenue	5,300	-	5,300
Customer deposits payable	1,350	419,592	420,942
Other liabilities	2,516	-	2,516
Compensated absences due within one year	395,100	40,117	435,217
Capital leases due within one year	160,690	64,987	225,677
Capital leases due in more than one year	306,030	6,212	312,242
Bonds and notes payable due within one year	-	1,321,666	1,321,666
Bonds and notes payable due in more than one year	-	18,209,974	18,209,974
Total liabilities	1,661,140	21,085,196	22,746,336
NET ASSETS			
Invested in capital assets, net of related debt	14,043,159	18,041,508	32,084,667
Restricted for public safety activities	216,317	-	216,317
Restricted for cemetery activities	75,762	-	75,762
Restricted by third party as letter of credit	-	65,200	65,200
Restricted for tourism and economic development	321,548	-	321,548
Unrestricted	(169,035)	5,437,409	5,268,374
Total net assets	$ 14,487,751	$ 23,544,117	$ 38,031,868

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

CITY OF FAIRBURN, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 2,022,054	$ 480,241	$ -	$ -	$ (1,541,813)	$ -	$ (1,541,813)
Judicial	262,792	357,098	-	-	94,306	-	94,306
Public safety	6,758,087	146,142	19,265	-	(6,592,680)	-	(6,592,680)
Public works	1,747,445	498,044	-	-	(1,249,401)	-	(1,249,401)
Culture and recreation	270,198	-	-	-	(270,198)	-	(270,198)
Planning and development	433,145	-	-	-	(433,145)	-	(433,145)
Interest on long-term debt	25,411	-	-	-	(25,411)	-	(25,411)
Total governmental activities	11,519,132	1,481,525	19,265	-	(10,018,342)	-	(10,018,342)
Business-type activities:							
Electric	6,080,267	7,647,865	-	-	-	1,567,598	1,567,598
Water and sewer	4,030,833	4,522,440	-	121,040	-	612,647	612,647
Educational complex	685,977	435,173	-	-	-	(250,804)	(250,804)
Stormwater	549,079	448,554	-	-	-	(100,525)	(100,525)
Sanitation	580,516	697,151	-	-	-	116,635	116,635
Total business-type activities	11,926,672	13,751,183	-	121,040	-	1,945,551	1,945,551
Total primary government	$ 23,445,804	$ 15,232,708	$ 19,265	$ 121,040	$ (10,018,342)	$ 1,945,551	$ (8,072,791)
General revenues:							
Property taxes					$ 2,853,789	$ -	$ 2,853,789
Franchise taxes					903,161	-	903,161
Insurance premium taxes					302,941	-	302,941
Sales and use taxes					1,324,124	-	1,324,124
Motor vehicle taxes					180,995	-	180,995
Beer, wine, and liquor taxes					240,762	-	240,762
Hotel/Motel taxes					86,369	-	86,369
Other taxes					27,427	-	27,427
Unrestricted investment earnings					34,694	27,686	62,380
Gain on sale of capital assets					-	264,841	264,841
Miscellaneous					139,915	-	139,915
Transfers					3,689,629	(3,689,629)	-
Total general revenues and transfers					9,783,806	(3,397,102)	6,386,704
Change in net assets					(234,536)	(1,451,551)	(1,686,087)
Net assets, beginning of year (restated)					14,722,287	24,995,668	39,717,955
Net assets, end of year					$ 14,487,751	$ 23,544,117	$ 38,031,868

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

CITY OF FAIRBURN, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

ASSETS	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 250,967	$ 512,212	$ 763,179
Investments	21,038	85,000	106,038
Taxes receivable	289,049	25,362	314,411
Accounts receivable	-	5,812	5,812
Other receivables	242,063	197	242,260
Due from other funds	196,244	-	196,244
Prepaid items	19,610	-	19,610
Other assets	893	-	893
Total assets	$ 1,019,864	$ 628,583	$ 1,648,447
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 303,761	$ 2,325	$ 306,086
Funds held in escrow (due to others)	447,382	-	447,382
Accrued liabilities	34,443	2,243	36,686
Deferred revenues	138,801	-	138,801
Customer deposits	1,350	-	1,350
Other liabilities	2,516	-	2,516
Advances from other funds	-	9,435	9,435
Total liabilities	928,253	14,003	942,256
FUND BALANCES			
Fund balances:			
Reserved for:			
Prepaid items	19,610	-	19,610
Cemetery	-	75,762	75,762
Unreserved, reported in:			
General fund	72,001	-	72,001
Special revenue funds	-	538,818	538,818
Total fund balances	91,611	614,580	706,191
Total liabilities and fund balances	$ 1,019,864	$ 628,583	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,509,879
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	133,501
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(861,820)
Net assets of governmental activities	$ 14,487,751

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

CITY OF FAIRBURN, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 5,937,505	$ 86,369	$ 6,023,874
Licenses and permits	480,241	-	480,241
Fines and forfeitures	357,098	41,114	398,212
Charges for services	498,044	102,448	600,492
Interest income	21,036	13,658	34,694
Intergovernmental revenue	19,265	-	19,265
Miscellaneous revenue	141,542	953	142,495
Total revenues	7,454,731	244,542	7,699,273
Expenditures			
Current:			
General government	1,993,378	-	1,993,378
Judicial	262,792	-	262,792
Public safety	5,984,665	593,468	6,578,133
Public works	1,269,111	-	1,269,111
Culture and recreation	202,403	7,090	209,493
Planning and development	379,632	53,513	433,145
Debt service:			
Principal retirements	198,193	25,003	223,196
Interest	24,867	544	25,411
Total expenditures	10,315,041	679,618	10,994,659
Deficiency of revenues under expenditures	(2,860,310)	(435,076)	(3,295,386)
Other financing sources (uses):			
Capital leases	123,000	-	123,000
Transfers in	3,279,629	463,513	3,743,142
Transfers out	(53,513)	-	(53,513)
Total other financing sources (uses)	3,349,116	463,513	3,812,629
Net change in fund balances	488,806	28,437	517,243
Fund balances (deficits), beginning of year, restated	(397,195)	586,143	188,948
Fund balances, end of year	$ 91,611	$ 614,580	$ 706,191

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

CITY OF FAIRBURN, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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

Net change in fund balances - total governmental funds	$	517,243
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 depreciation exceeded capital outlay in the current period.		(672,826)
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net assets.		(7,819)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(104,306)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		100,196
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(67,024)
Change in net assets - governmental activities	$	(234,536)

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

CITY OF FAIRBURN, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 2,900,000	$ 3,072,925	$ 2,958,095	$ (114,830)
Sales taxes	1,400,000	1,299,643	1,324,124	24,481
Franchise taxes	1,100,000	1,063,016	903,161	(159,855)
Insurance premium taxes	310,000	302,941	302,941	-
Beer, liquor, and wine taxes	250,000	257,103	240,762	(16,341)
Motor vehicle taxes	160,000	175,971	180,995	5,024
Other taxes	52,000	46,084	27,427	(18,657)
Licenses and permits	590,071	524,461	480,241	(44,220)
Fines and forfeitures	355,000	378,191	357,098	(21,093)
Interest	40,000	34,850	21,036	(13,814)
Charges for services	425,000	540,057	498,044	(42,013)
Intergovernmental	5,000	147,265	19,265	(128,000)
Miscellaneous	124,000	97,233	141,542	44,309
Total revenues	7,711,071	7,939,740	7,454,731	(485,009)
Expenditures				
Current:				
General government:				
Mayor and council	180,000	269,631	284,976	(15,345)
Administration	620,000	395,056	408,882	(13,826)
City clerk	235,610	328,884	442,997	(114,113)
Finance	370,000	399,810	408,594	(8,784)
Technology	130,000	129,960	93,836	36,124
Property management	690,000	673,994	354,093	319,901
Total general government	2,225,610	2,197,335	1,993,378	203,957
Judicial:				
Municipal court	300,000	276,966	262,792	14,174
Total judicial	300,000	276,966	262,792	14,174
Public safety:				
Police	2,921,000	2,924,603	2,840,102	84,501
Fire	3,053,275	3,042,233	3,144,563	(102,330)
Total public safety	5,974,275	5,966,836	5,984,665	(17,829)
Public works:				
Public works administration	370,000	325,088	250,552	74,536
Highways and streets	1,170,663	1,114,846	1,018,559	96,287
Total public works	1,540,663	1,439,934	1,269,111	170,823
Culture and recreation:				
Recreation	80,000	67,757	202,403	(134,646)
Total culture and recreation	80,000	67,757	202,403	(134,646)
Planning and development:				
Protective inspection and enforcement	330,000	324,025	265,452	58,573
Planning and zoning	194,390	161,329	114,180	47,149
Total planning and development	524,390	485,354	379,632	105,722
Debt service:				
Principal	333,908	191,205	198,193	(6,988)
Interest	41,154	25,535	24,867	668
Total debt service	375,062	216,740	223,060	(6,320)
Total expenditures	11,020,000	10,650,922	10,315,041	335,881
Deficiency of revenues under expenditures	(3,308,929)	(2,711,182)	(2,860,310)	(149,128)
Other financing sources (uses)				
Capital leases	-	-	123,000	123,000
Proceeds from sale of capital assets	5,000	407,394	-	(407,394)
Transfers in	673,946	2,983,889	3,279,629	295,740
Transfers out	-	-	(53,513)	(53,513)
Total other financing sources (uses)	678,946	3,391,283	3,349,116	(42,167)
Net change in fund balances	(2,629,983)	680,101	488,806	(191,295)
Fund balance (deficit), beginning of year, restated	(397,195)	(397,195)	(397,195)	-
Fund balance (deficit), end of year	$ (3,027,178)	$ 282,906	$ 91,611	$ (191,295)

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

CITY OF FAIRBURN, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds					
ASSETS	Electric Fund	Water and Sewer Fund	Educational Complex Fund	Stormwater Fund	Nonmajor Sanitation Enterprise Fund	Total
CURRENT ASSETS						
Cash and cash equivalents	$ 2,235,891	$ 573,104	$ 24,963	$ 434,658	$ 712,652	$ 3,981,268
Investments	819,242	-	-	-	-	819,242
Accounts receivable, net of allowances	1,034,521	817,707	11,000	13,896	95,888	1,973,012
Other receivable	83,736	-	-	-	-	83,736
Due from other funds	-	449,158	-	-	-	449,158
Prepaid items	8,296	-	-	-	-	8,296
	4,181,686	1,839,969	35,963	448,554	808,540	7,314,712
RESTRICTED ASSETS						
Investments	65,200	-	-	-	-	65,200
	65,200	-	-	-	-	65,200
Total current assets	4,246,886	1,839,969	35,963	448,554	808,540	7,379,912
CAPITAL ASSETS						
Non-depreciable	14,874	2,270,996	1,309,199	-	-	3,595,069
Depreciable, net of accumulated depreciation	4,939,647	14,303,566	9,193,598	5,612,467	-	34,049,278
	4,954,521	16,574,562	10,502,797	5,612,467	-	37,644,347
OTHER NONCURRENT ASSETS						
Deferred charges, unamortized balance	-	175,265	65,756	-	-	241,021
Advances to other funds	-	9,435	-	-	-	9,435
	-	184,700	65,756	-	-	250,456
Total noncurrent assets	4,954,521	16,759,262	10,568,553	5,612,467	-	37,894,803
Total assets	9,201,407	18,599,231	10,604,516	6,061,021	808,540	45,274,715
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	507,166	170,807	2,978	-	45,380	726,331
Accrued liabilities	3,457	1,503	-	-	-	4,960
Accrued interest payable	-	235,808	55,549	-	-	291,357
Customer deposits	308,307	98,894	9,583	-	2,808	419,592
Compensated absences payable	20,959	19,158	-	-	-	40,117
Due to other funds	-	-	300,000	345,402	-	645,402
Revenue bonds payable - current	-	745,000	554,559	-	-	1,299,559
Capital leases payable - current	53,059	11,928	-	-	-	64,987
Notes payable - current	-	22,107	-	-	-	22,107
Total current liabilities	892,948	1,305,205	922,669	345,402	48,188	3,514,412
NONCURRENT LIABILITIES						
Revenue bonds payable	-	10,044,852	8,147,691	-	-	18,192,543
Capital leases payable	6,212	-	-	-	-	6,212
Notes payable	-	17,431	-	-	-	17,431
Total noncurrent liabilities	6,212	10,062,283	8,147,691	-	-	18,216,186
Total liabilities	899,160	11,367,488	9,070,360	345,402	48,188	21,730,598
NET ASSETS						
Invested in capital assets, net of related debt	4,895,250	5,733,244	1,800,547	5,612,467	-	18,041,508
Restricted by third party as letter of credit	65,200	-	-	-	-	65,200
Unrestricted	3,341,797	1,498,499	(266,391)	103,152	760,352	5,437,409
Total net assets	$ 8,302,247	$ 7,231,743	$ 1,534,156	$ 5,715,619	$ 760,352	$ 23,544,117

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

CITY OF FAIRBURN, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds					
	Electric Fund	Water and Sewer Fund	Educational Complex Fund	Stormwater Fund	Nonmajor Sanitation Enterprise Fund	Total
OPERATING REVENUES						
Charges for sales and services	$ 7,647,865	$ 4,522,440	$ 435,173	$ 448,554	$ 697,151	$ 13,751,183
Total operating revenues	7,647,865	4,522,440	435,173	448,554	697,151	13,751,183
OPERATING EXPENSES						
Cost of sales and services	5,017,208	1,793,568	-	250,202	-	7,060,978
General operating expenses	765,141	587,594	79,324	40,485	574,662	2,047,206
Depreciation and amortization	293,665	568,224	261,379	258,392	5,854	1,387,514
Total operating expenses	6,076,014	2,949,386	340,703	549,079	580,516	10,495,698
Operating income (loss)	1,571,851	1,573,054	94,470	(100,525)	116,635	3,255,485
NON-OPERATING REVENUES (EXPENSES)						
Interest income	7,737	19,595	210	-	144	27,686
Intergovernmental revenue	-	121,040	-	-	-	121,040
Interest expense	(4,253)	(1,081,447)	(345,274)	-	-	(1,430,974)
Net gain on disposition of capital assets	-	264,841	-	-	-	264,841
Total non-operating revenue (expenses)	3,484	(675,971)	(345,064)	-	144	(1,017,407)
Income (loss) before transfers	1,575,335	897,083	(250,594)	(100,525)	116,779	2,238,078
Transfers out	(2,056,803)	(1,597,811)	-	-	(35,015)	(3,689,629)
Change in net assets	(481,468)	(700,728)	(250,594)	(100,525)	81,764	(1,451,551)
Net assets, beginning of year, restated	8,783,715	7,932,471	1,784,750	5,816,144	678,588	24,995,668
Net assets, end of year	$ 8,302,247	$ 7,231,743	$ 1,534,156	$ 5,715,619	$ 760,352	$ 23,544,117

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

CITY OF FAIRBURN, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Electric Fund	Water and Sewer Fund	Educational Complex Fund	Stormwater Fund	Nonmajor Sanitation Enterprise Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 7,359,627	$ 4,206,451	$ 468,818	$ 489,373	$ 699,248	$ 13,223,517
Payments to suppliers	(5,129,705)	(2,022,425)	-	-	(473,937)	(7,626,067)
Payments to employees	(584,964)	(237,504)	-	-	(53,958)	(876,426)
Net cash provided by operating activities	1,644,958	1,946,522	468,818	489,373	171,353	4,721,024
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers out to other funds	(2,056,803)	(1,597,811)	-	-	(35,015)	(3,689,629)
Advances to other funds	-	(9,435)	-	-	-	(9,435)
Net cash used in non-capital financing activities	(2,056,803)	(1,607,246)	-	-	(35,015)	(3,699,064)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(64,310)	(63,533)	(165,486)	(54,715)	-	(348,044)
Net gain on sale of capital assets	-	264,841	-	-	-	264,841
Principal payments on bonds	-	(635,000)	(533,917)	-	-	(1,168,917)
Principal payments on notes payable	-	(20,903)	-	-	-	(20,903)
Principal payments on capital leases	(91,415)	(11,285)	-	-	-	(102,700)
Interest paid	(4,439)	(1,094,737)	(348,681)	-	-	(1,447,857)
Intergovernmental receipts	-	121,040	-	-	-	121,040
Net cash used in capital and related financing activities	(160,164)	(1,439,577)	(1,048,084)	(54,715)	-	(2,702,540)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	7,737	19,595	210	-	144	27,686
Purchases of investments	(241,412)	-	-	-	-	(241,412)
Net cash provided by (used in) investing activities	(233,675)	19,595	210	-	144	(213,726)
Net increase (decrease) in cash and cash equivalents	(805,684)	(1,080,706)	(579,056)	434,658	136,482	(1,894,306)
Cash and cash equivalents, beginning of year	3,041,575	1,653,809	604,019	-	576,170	5,875,573
Cash and cash equivalents, end of year	$ 2,235,891	$ 573,103	$ 24,963	$ 434,658	$ 712,652	$ 3,981,267
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ 1,571,851	$ 1,573,054	$ 94,470	$ (100,525)	$ 116,635	$ 3,255,485
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	293,665	568,224	261,379	258,392	5,854	1,387,514
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(288,238)	133,169	(11,000)	(13,896)	2,097	(177,868)
Due from other funds	-	(449,158)	-	-	-	(449,158)
Prepaid items	(8,296)	-	-	-	-	(8,296)
Increase (decrease) in:						
Accounts payable	62,338	125,351	2,978	-	45,380	236,047
Accrued liabilities	3,457	(7,401)	-	-	-	(3,944)
Customer deposits	8,088	451	9,583	-	1,387	19,509
Compensated absences payable	2,093	2,832	-	-	-	4,925
Due to other funds	-	-	111,408	345,402	-	456,810
Net cash provided by operating activities	$ 1,644,958	$ 1,946,522	$ 468,818	$ 489,373	$ 171,353	$ 4,721,024

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fairburn, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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 City's accounting policies are described below.

A. Reporting Entity

The City of Fairburn, Georgia was incorporated February 17, 1854 and adopted its City Charter on August 3, 1925 (Georgia Statutes 1925). The City operates under the Mayor and Council form of government and provides the following services as authorized by its charter: public safety (police and fire), street, sanitation, electric, water, and stormwater utilities, planning and zoning, and general administrative services.

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) 14 "The Financial Reporting Entity," the accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The Development Authority of Fairburn ("the Development Authority") was created for the purpose of revitalizing and redeveloping the central business district of the City, developing and promoting for the public good and general welfare, trade, commerce, industry, and employment opportunities, and to promote the general welfare within the City of Fairburn. The Development Authority is composed of seven (7) members created and appointed by the City Council and Mayor. The Development Authority is reported in the City's financial statements as a blended component unit special revenue fund as it provides services exclusively to the City of Fairburn as a financing instrument. The blended component unit has a September 30th year-end. Financial information with regard to the Development Authority can be obtained directly from the City of Fairburn, City Hall, 56 Malone Street, Fairburn, Georgia 30213. Separate financial statements for the Development Authority are not prepared.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. (For the most part, the effect of interfund activity has been removed from the government-wide financial statements). Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and capital leases, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses and permits, 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 City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

Additionally, the City reports the following fund types within the nonmajor governmental funds:

The **special revenue funds** account for revenue sources that are legally restricted to expenditures for specific purposes.

The **permanent fund** accounts for amounts received by the City which can only be used for a specific purpose.

The City reports the following major enterprise (or proprietary) funds:

The **Electric Fund** accounts for the activities of the City's electric distribution operations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The **Water and Sewer Fund** accounts for the activities of the City's water and sewer operations offered to its residents and businesses.

The **Educational Complex Fund** accounts for the activities of the City's educational complex operations offered to residents and businesses.

The **Stormwater Fund** accounts for the activities of the City's storm water operations.

The City reports the following nonmajor proprietary funds:

The **Sanitation Fund** accounts for the activities of the City's sanitation operations.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

Annual appropriated budgets are adopted for all funds, except for the Cemetery Permanent Fund, which has its expenditures controlled by legal use restrictions imposed by a trust agreement. No separate annual budget was adopted for the Development Authority as a special revenue fund since the activity for the Development Authority was originally included in the General Fund at the time the annual budget was adopted. However, the City has determined that it would be appropriate to separately report activity for the Development Authority Fund outside of the General Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting (Continued)

The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are prepared by the City Administrator prior to September 1 for the fiscal year to commence October 1. The City Administrator is authorized to transfer between line items within the budget without the City Council's approval and expenditures may not exceed the legally adopted budget without the City Council's approval. The level of control does not allow expenditures to legally exceed budgeted appropriations at the department level. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds. All appropriations lapse at fiscal year end. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents. Investments are reported at fair value as determined by quoted market prices

F. Deposits and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"); (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. The Georgia Fund 1 and Georgia Extended Asset Statement Investment Pool (GEAP) are not registered with the Securities and Exchange Commission (SEC) but operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. As of September 30, 2010, the City did not have any investments in GEAP.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property Taxes Receivable

The tax digest for the calendar year is compiled by the Fulton County Tax Commissioner's Office and is presented to the City by the first of August. The City bills and collects its own property taxes. The digest is reviewed by the City and tax bills are mailed by October 31st of each year and due on or before December 31st. The City may place liens for any and all debts after the due date. Ad valorem property tax revenue is recorded when it becomes available. Available means then due, or past due and receivable within the current period, expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Delinquent property taxes for which the City has a property lien are shown as taxes receivable. Receivables are shown net of an allowance for uncollectible amounts when necessary.

H. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

I. Inventory and Prepaid Items

Inventory (if any) is valued at cost, using the first-in, first-out method. The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Prepaid items are accounted for using the consumption method. Payments made to vendors for services that will benefit periods beyond September 30, 2010, are recorded as prepaid items in both government-wide and fund financial statements.

J. Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Grants from Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, business development employment, construction programs, capital asset additions and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in both governmental and proprietary funds. Grant contributions in the proprietary funds, which are for the purpose of construction activities, or land easement or capital asset acquisitions, are recorded as capital contributions within the statement of revenues and expenses. For all funds, a grant receivable is recorded when the City has met all eligibility requirements.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure (e.g., roads, bridges, sidewalks, and similar items) prior to July 1, 2003 have not been reported.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Distribution system	50
Infrastructure	30
Buildings and improvements	15-40
Vehicles	10-20
Machinery and equipment	3-10
Computer equipment	3-5

M. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City permits an accumulation of a maximum of one hundred and twenty (120) days of sick leave.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

Sick leave is payable to those employees who have resigned from the City with a minimum of five (5) years service up to 25% of their accumulated sick leave. Vacation time is allowed to be carried over from the current calendar year up to a maximum of 240 hours without special approval from the City Administrator. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

N. Unearned Revenue/Deferred Revenue

Unearned/deferred revenues at the governmental fund level arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned/deferred revenue also arise in both the governmental fund level and government-wide level when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements.

In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned/deferred revenue is removed from the balance sheet and revenue is recognized.

O. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

Proprietary fund type loans payable are reported as liabilities at their outstanding value. Loan issuance costs are reported as deferred charges and amortized over the term of the loan using the effective interest method.

In the fund financial statements, governmental fund types report the face amount of debt issued and related premiums or discounts as other financing sources and bond issuance costs as expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Equity or Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Restrictions on the statement of net assets represent amounts segregated to meet debt covenants and State laws.

Q. Management Estimates

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

R. Interfund Transactions

Interfund services provided and used in the fund financial statements are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $861,820 difference are as follows:

Capital leases payable	$	(466,720)
Compensated absences		(395,100)
Net adjustment to reduce *fund balance - total governmental funds to arrive at net assets - governmental activities*	$	(861,820)

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period". The details of this $672,826 difference are as follows:

Capital outlay	$	182,071
Depreciation expense		(854,897)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(672,826)

Another element of that reconciliation explains that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this $100,196 difference are as follows:

Initiation of capital leases	$	(123,000)
Principal payment on capital leases		223,196
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	100,196

NOTE 3. LEGAL COMPLIANCE - BUDGETS

Prior to September 1 of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information of the prior year, current year estimates, and requested appropriations for the next fiscal year.

Before September 30, the proposed budget is presented to the City Council for review. City Council holds public hearings and may add to, subtract from or change appropriations. The budget is then approved by an affirmative vote of a majority of the City's council.

Expenditures may not legally exceed budgeted appropriations at the department level (e.g. administration). For the fiscal year ended September 30, 2010, the following departments, and funds, had excesses of actual expenditures over appropriations:

Confiscated Asset Fund department:		
Public safety	$	36,592
E-911 Fund departments:		
Public safety		21,543
Interest (debt service)		24
General Fund departments:		
General government:		
Mayor and Council		15,345
Administration		13,826
City clerk		114,113
Finance		8,784
Fire (public safety)		102,330
Culture (culture and recreation)		134,646
Principal (debt service)		6,988
Transfers out		53,513

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

NOTE 4. DEPOSITS AND INVESTMENTS

As of September 30, 2010, the City had the following investments:

Investment	Maturities/Weighted Average Maturity	Fair Value
Certificates of deposit	March 28, 2011 - September 5, 2011	$ 171,238
Municipal Competitive Trust - intermediate	1.12	128,186
Municipal Competitive Trust - short-term	0.21	691,056
Total		$ 990,480

Below is a reconciliation of cash and cash equivalents and investments to the Statement of Net Assets.

As reported in the Statement of Net Assets	
Primary government	
Cash and cash equivalents	$ 4,744,447
Investments	925,280
Restricted Assets:	
Investments	65,200
	$ 5,734,927
Cash deposited with financial institutions	$ 2,022,971
Cash deposited with Georgia Fund 1	2,892,714
Municipal Competitive Trust - intermediate	128,186
Municipal Competitive Trust - short term	691,056
	$ 5,734,927

Interest rate risk. The City has a no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. 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 bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

The credit rating for the Municipal Competitive Trust ("MCT") funds for both intermediate and short-term investment securities is AAA.

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable net asset value investment pool, which follows Standard and Poor's criteria for AAAm rated money market funds and is regulated by the Georgia Office of Treasury and Fiscal Services. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. 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 per share value). Net asset value is calculated weekly to ensure stability.

NOTE 4. DEPOSITS (Continued)

The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1 per share. The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia. As of September 30, 2010, the City's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's and has a weighted average to maturity of 47 days. Funds included in this Pool are not required to be collateralized. The City has reported the Georgia Fund 1 as cash equivalents as noted in the previous table.

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 statues, and City policy, 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. As of September 30, 2010, the City had no bank balances that were exposed to custodial credit risk.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The tax bills are levied on October 1 and are mailed by October 31 to the taxpayers. The billings are considered due upon receipt by the taxpayer; however, the actual due date is December 31. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City. Property taxes are recorded as receivables and deferred revenues when levied. Revenues are recognized when available (received within 60 days of fiscal year-end).

Receivables at September 30, 2010, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Electric Enterprise Fund	Water & Sewer Enterprise Fund	Educational Complex Enterprise Fund	Stormwater Enterprise Fund	Other Nonmajor Funds
Receivables:						
Taxes	$ 370,942	$ -	$ -	$ -	$ -	$ 25,362
Accounts	-	1,051,521	832,707	11,000	13,896	103,200
Other	242,063	83,736	-	-	-	197
Less allowance for uncollectible receivables	(81,893)	(17,000)	(15,000)	-	-	(1,500)
Net total receivable	$ 531,112	$ 1,118,257	$ 817,707	$ 11,000	$ 13,896	$ 127,259

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2010, is as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,259,352	$ -	$ -	$ 1,259,352
Total	1,259,352	-	-	1,259,352
Capital assets, being depreciated:				
Buildings and improvements	3,305,933	47,154	-	3,353,087
Infrastructure	17,194,152	-	-	17,194,152
Machinery and equipment	748,200	13,446	(28,914)	732,732
Vehicles	4,143,357	121,471	-	4,264,828
Total	25,391,642	182,071	(28,914)	25,544,799
Less accumulated depreciation for:				
Buildings and improvements	(1,421,194)	(118,694)	-	(1,539,888)
Infrastructure	(7,883,374)	(430,042)	-	(8,313,416)
Machinery and equipment	(457,130)	(48,167)	21,095	(484,202)
Vehicles	(1,698,772)	(257,994)	-	(1,956,766)
Total	(11,460,470)	(854,897)	21,095	(12,294,272)
Total capital assets, being depreciated, net	13,931,172	(672,826)	(7,819)	13,250,527
Governmental activities capital assets, net	$ 15,190,524	$ (672,826)	$ (7,819)	$ 14,509,879

NOTE 6. CAPITAL ASSETS (Continued)

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 3,725,968	$ -	$ (130,899)	$ 3,595,069
Construction in progress	14,240	-	(14,240)	-
Total	3,740,208	-	(145,139)	3,595,069
Capital assets, being depreciated:				
Distribution system	14,472,153	272,981	-	14,745,134
Infrastructure	11,063,420	54,715	-	11,118,135
Buildings and improvements	21,209,288	165,486	-	21,374,774
Machinery and equipment	924,811	-	(20,108)	904,703
Vehicles	634,419	-	-	634,419
Total	48,304,091	493,182	(20,108)	48,777,165
Less accumulated depreciation for:				
Distribution system	(5,076,268)	(361,574)	-	(5,437,842)
Infrastructure	(5,247,276)	(257,845)	-	(5,505,121)
Buildings and improvements	(2,001,514)	(538,933)	-	(2,540,447)
Machinery and equipment	(816,073)	(25,349)	20,108	(821,314)
Vehicles	(382,340)	(40,823)	-	(423,163)
Total	(13,523,471)	(1,224,524)	20,108	(14,727,887)
Total capital assets, being depreciated, net	34,780,620	(731,342)	-	34,049,278
Business-type activities capital assets, net	$ 38,520,828	$ (731,342)	$ (145,139)	$ 37,644,347

NOTE 6. CAPITAL ASSETS (Continued)

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

Governmental activities:		
General government	$	29,876
Public safety		292,178
Public works		472,884
Culture and recreation		59,959
Total depreciation expense - governmental activities	$	854,897
Business-type activities:		
Water and sewer	$	424,785
Electric		293,665
Education complex		241,828
Stormwater		258,392
Sanitation		5,854
Total depreciation expense - business-type activities	$	1,224,524

NOTE 7. OPERATING LEASES

The City is the lessor of space at the Educational Complex. Each of the lease agreements have terms extending beyond the end of the next fiscal year. As of September 30, 2010, the City received $435,173 in lease revenues derived from the current lease agreements with third parties.

Lease revenues from these tenants in future years are as follows:

Fiscal Year Ending		Total Revenues
2011	$	489,298
2012		489,298
2013		489,298
2014		489,298
2015		478,298
2016-2018		865,227
Total Future Lease Revenues	$	3,300,717

NOTE 8. LONG-TERM DEBT

Primary Government

Long-term liability activity for the fiscal year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 566,916	$ 123,000	$ (223,196)	$ 466,720	$ 160,690
Compensated absences	328,076	386,556	(319,532)	395,100	395,100
Governmental activities:					
Long-term liabilities	$ 894,992	$ 509,556	$ (542,728)	$ 861,820	$ 555,790

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Series 2006 Revenue Refunding Bonds	$ 12,135,000	$ -	$ (635,000)	$ 11,500,000	$ 745,000
Series 2008 Educational Complex Bonds	9,236,166	-	(533,916)	8,702,250	554,559
Less unamortized loss on refunding	(836,062)	-	125,914	(710,148)	-
	20,535,104	-	(1,043,002)	19,492,102	1,299,559
GEFA note payable	60,441	-	(20,903)	39,538	22,107
Capital leases	173,899	-	(102,700)	71,199	64,987
Compensated absences	35,193	38,275	(33,351)	40,117	40,117
Business-type activities:					
Long-term liabilities	$ 20,804,637	$ 38,275	$ (1,199,956)	$ 19,642,956	$ 1,426,770

For governmental funds, compensated absences are liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the Water and Sewer Fund and the Electric Fund.

Capital Leases. The City has entered into lease agreements as lessee for financing the acquisition of various public safety and public works vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. As of September 30, 2010, the City had vehicles with a net book value of $937,665 under capital leases.

NOTE 8. LONG-TERM DEBT (Continued)

The City's total capital lease debt service requirements to maturity are as follows:

	Governmental Activities
Fiscal Year Ending September 30,	
2011	$ 179,934
2012	143,624
2013	143,624
2014	26,899
2015	13,449
Total minimum lease payments	507,530
Less amount representing interest	40,810
Present value of future minimum lease payments	$ 466,720

	Business-type Activities
Fiscal Year Ending September 30,	
2011	$ 66,479
2012	6,299
Total minimum lease payments	72,778
Less amount representing interest	1,579
Present value of future minimum lease payments	$ 71,199

Revenue Refunding Bonds – Business-type activities

The City issued $13,145,000 of Series 2006 bonds bearing an interest rate of 4.101% payable each April 1 and October 1 beginning 2007 through until 2020. The proceeds from the bonds were used to refund Series 2000 Combined Utility Refunding Revenue Bonds. The proceeds of the refunded Series 2000 Bonds were used to acquire the contractual right to use Camp Creek Water Reclamation Facility from Fulton County and to also make infrastructure improvements to the City's existing sewerage collection system which is held as collateral.

On January 31, 2008, the Development Authority, as a blended component unit of the City of Fairburn, issued $10,000,000 of Series 2008 revenue bonds bearing an interest rate of 3.83% payable July 31 and January 1 beginning 2008 until 2023. The 2008 bonds were issued for the purpose of providing a major portion of the funds necessary to finance the acquisition, construction, equipping and installation of the educational complex which is used to rent space to educational institutions and as such is being treated as a business-type activity for purposes of financial reporting.

NOTE 8. LONG-TERM DEBT (Continued)

The Development Authority is responsible for promoting industrial and commercial development within the City of Fairburn. However, the City of Fairburn does provide financial support each year and has contractually obligated itself to use its taxing powers to guarantee the repayment of principal and interest on the Series 2008 Development Authority Fairburn revenue bonds issued by the Development Authority.

Revenue bonds currently outstanding mature as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2011	$ 1,299,559	$ 784,376	$ 2,083,935
2012	1,296,001	732,892	2,028,893
2013	1,403,274	679,351	2,082,625
2014	1,526,407	621,153	2,147,560
2015	1,625,435	558,474	2,183,909
2016-2020	10,966,396	1,728,354	12,694,750
2021-2024	2,085,178	121,308	2,206,486
Total	20,202,250	$ 5,225,908	$ 25,428,158
Less deferred loss on refunding	(710,148)		
	$ 19,492,102		

Other Long-Term Debt:

Business-type activities – Notes Payable

The City entered into a loan agreement with the Georgia Environmental Finance Authority ("GEFA") for the purpose of constructing and acquiring building and equipment. This GEFA note is recorded in the City's Water & Sewer Fund. Principal and interest payments are due quarterly with the final payment being on June 1, 2012. The outstanding balance of this GEFA note payable at September 30, 2010 is $39,538.

The following is a schedule of future principal and interest payments due on the note payable:

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2011	$ 22,107	$ 1,657	$ 23,764
2012	17,431	462	17,893
Total	$ 39,538	$ 2,119	$ 41,657

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2010, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Stormwater Fund	$ 196,244
Water and Sewer Fund	Education Complex Fund	300,000
Water and Sewer Fund	Stormwater Fund	149,158
		$ 645,402

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances to/from other funds:

Receivable Entity	Payable Entity	Amount
Water and Sewer Fund	Nonmajor Governmental - Cemetery Fund	$ 9,435
		$ 9,435

The Water and Sewer Fund loaned the Cemetery Fund money to finance its operations. All amounts are expected to be paid in more than one year through interest earned on investments held by the Fund in the future.

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Water & Sewer Fund	$ 1,187,811
General Fund	Electric Fund	2,056,803
General Fund	Nonmajor enterprise fund	35,015
Nonmajor governmental funds	Water & Sewer Fund	410,000
Nonmajor governmental funds	General Fund	53,513
		$ 3,743,142

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) pay the General Fund a franchise fee amounting to 5% of each Enterprise Funds annual operating revenue.

NOTE 10. PENSION PLANS

Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Fairburn Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by the City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All full-time employees and City officials are eligible to participate in the system. Benefits vest after five years of service. City employees may retire on reaching the age of 60 or 65, (55 for police or firefighters). Early retirement is possible on reaching the age of 50 or 55, depending on the classification of the employee. Benefits are calculated at 1.25% to 2.0% of the average monthly earnings for the period of the five highest years prior to retirement, payable monthly for life. City officials receive a lifetime benefit at age 65 of $25 per month for each year of service to the City.

At January 1, 2010, the date of the most recent actuarial valuation, there were 215 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	30
Terminated vested participants not yet receiving benefits	36
Active employees - vested	52
Active employees - nonvested	97
Total	215

NOTE 10. PENSION PLANS (Continued)

Funding Policy

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to the recommended contribution described below. The actuarially determined contribution rates based on actuarial valuations done on January 1, 2010 and January 1, 2009 were respectively, 10.10% and 14.87% of covered payroll. The actuarial valuation performed as of January 1, 2010 was prepared for the City's fiscal year beginning October 1, 2010 (fiscal year 2011).

For fiscal year ended September 30, 2010, the City's recommended contribution was $776,617. Actual contributions totaled $776,617. The recommended contribution was determined as part of the January 1, 2009 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include an 8% rate of return on investments and projected salary increases of 5.5% based on age and years of service. Both rates included an inflation component of 5.0%. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is over 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

The following is the most recent schedule of funding progress:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
1/1/2010	$ 6,828,413	$ 7,636,085	$ 807,672	89.42 %	$ 5,833,192	13.85 %

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTE 10. PENSION PLANS (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations for fiscal year 2010 are based on the substantive plan in effect as of January 1, 2009.

Fiscal Year Ended September 30,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
2010	$ 776,617	$ 776,617	100.0 %	$ -
2009	303,004	303,004	100.0	-
2008	210,313	210,313	100.0	-

NOTE 11. DEFERRED COMPENSATION PLAN

The City of Fairburn, Georgia offers its employees an Internal Revenue Code Section 457 Plan (the "Plan") which is a deferred compensation plan that qualifies as a defined contribution pension plan. The Plan is administered by a third party administrator, ICMA. The City has no fiduciary relationship with the trust. Accordingly, the plan assets are not reported in the City's financial statements. Plan provisions and contribution requirements are established and may be amended by the City's Mayor and Council. At September 30, 2010, there were 68 plan members, in the respective plans.

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary, not to exceed the IRS guidelines, into the Plans. The City contributions to the plan are a match of the employee contributions made. The Plans allow employees to increase, decrease, stop, and restart deferrals as often as they wish without penalties or fees. Total employee contributions for the fiscal year ended September 30, 2010 were $232,062 while total employer contributions for the same fiscal year were $216,999.

NOTE 12. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Atlanta, Georgia area, is a member of the Atlanta Regional Commission (ARC). Dues to the ARC are assessed at the County level and are, accordingly, paid on the City's behalf by Fulton County. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The ARC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

NOTE 13. RELATED ORGANIZATIONS

The City's governing body is responsible for appointing a majority of the board members of the City of Fairburn Housing Authority. However, the City has no further accountability for this organization.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City 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 City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City 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 workers' 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.

NOTE 14. RISK MANAGEMENT (Continued)

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

The City carries commercial insurance for other risks of losses. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the past three years.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of City operations. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

Agreements with the Municipal Electric Authority of Georgia:

The Municipal Electric Authority of Georgia (MEAG) is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by State law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit, unless any such profits insure to the benefit of the public.

NOTE 15. COMMITMENTS AND CONTINGENCIES (Continued)

Agreements with the Municipal Electric Authority of Georgia (Continued)

As of September 30, 2010, the City is an electric utility participant in MEAG and obligated to purchase, all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements in excess of that received by the City through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by the MEAG. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on KWH usage. The total payments under these contracts amounted to $4,597,908 in 2010.

At September 30, 2010, the outstanding debt of MEAG was approximately $5.51 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $47.6 million at September 30, 2010.

During fiscal year 2009, MEAG and MEAG's bond holders authorized the usage of Municipal Competitive Trust ("MCT") funds. The original intended use of the MCT funds were to reduce MEAG's costs and thus charge individual participants, such as the City of Fairburn, less in power on a monthly basis. The MCT funds were only to be used in response to remedy potential deregulation in the State of Georgia. Since deregulation has not occurred in the State of Georgia, MEAG and MEAG's bond holders authorized the usage of the MCT funds as if deregulation had actually occurred. As a result, the City will receive a credit reduction in its monthly purchased power invoice; effectively reducing the City's cost. The projected benefits of this reduction over the next eight (8) years as of September 30, 2010 are $3,269,701.

NOTE 16. HOTEL/MOTEL LODGING TAX

The City imposed a 3% tax on gross hotel occupancy revenues for the purpose of promoting tourism, conventions, and trade shows. For the fiscal year ended September 30, 2010, $86,369 of hotel/motel tax was collected and no amounts were used or expended during the current fiscal year-end.

NOTE 17. JOINTLY GOVERNED ORGANIZATION

On March 13, 2001, the City of Fairburn, the City of Union City, and the City of Palmetto created by joint resolutions pursuant to the authority of the General Assembly of the State of Georgia, the South Fulton Municipal Regional Water and Sewer Authority (the "Water and Sewer Authority"). The Water and Sewer Authority was created to provide alternative water and sewer resources for the Cities of Fairburn, Union City, and Palmetto. The Water and Sewer Authority is governed by a board of seven (7) directors, three of whom are the chief elected official of each member city, three (3) of whom are appointed one (1) each by each of the member cities, and one (1) director being appointed by members of the local delegation of the Georgia General Assembly who represent all, or any part of, a member city. The Water and Sewer Authority issues revenue bonds to finance the construction of reservoir. Once completed, the member Cities will purchase water from the Water and Sewer Authority.

The City does not provide financial support to the Water and Sewer Authority, but has contractually obligated itself to use its full taxing power to guarantee the repayment of approximately 34.72% of the principal and interest on the Water and Sewer Authority's Series 2007 Variable Rate Revenue Bonds. During the fiscal year ended September 30, 2010, the City agreed to pay the Water and Sewer Authority $606,175 for the City's proportionate share of the principal and interest on the Water and Sewer Authority's bonds from revenues of the City's Water and Sewer Fund. As of December 31, 2009 (from the most recent available audited financial statements), the Water and Sewer Authority's debt service requirements on the Series 2007 Variable Rate Revenue Bonds were as follows using the synthetic interest rate of 3.835%:

	Principal	Interest	Total
Fiscal Year Ending December 31,			
2011	$ 375,000	$ 1,538,986	$ 1,913,986
2012	480,000	1,520,578	2,000,578
2013	585,000	1,498,143	2,083,143
2014	615,000	1,474,558	2,089,558
2015	840,000	1,442,344	2,282,344
2016-2020	6,125,000	6,568,588	12,693,588
2021-2025	9,215,000	5,018,865	14,233,865
2026-2030	12,420,000	2,907,122	15,327,122
2031-2033	9,850,000	402,292	10,252,292
Total	$ 40,505,000	$ 22,371,476	$ 62,876,476

Separate financial statements for the Water and Sewer Authority can be obtained at the following address: South Fulton Municipal Regional Water and Sewer Authority, P.O. Box 855, Fairburn, Georgia 30213.

NOTE 18. PRIOR PERIOD ADJUSTMENTS

General Fund: The City has determined that a restatement of beginning fund balance of the General Fund is necessary for the following: (1) to adjust deferred tax revenue at September 30, 2009 to actual based upon the City's revenue recognition policy as mentioned in Footnote 1; (2) to remove the accrued vacation payable from the General Fund under the modified accrual basis of accounting which should not have been recorded; (3) to remove liabilities which did not represent proper accruals as of September 30, 2009; (4) to reclassify grant revenue related to the Water and Sewer Fund that were improperly recorded in the General Fund in the prior year; (5) to adjust Lost Option Sales Tax receivable and deferred revenue to actual based on information from the State Department of Revenue; (6) to write-off receivable balances which have been on the City's books for a number of years with no support, activity, or reconciliation; (7) an adjustment is necessary to report the Confiscated Asset Fund separately from the General Fund as a special revenue fund in accordance with the Uniform Chart of Accounts for local governments in Georgia; and (8) write off of duplicate expenditures reported during the fiscal year ended September 30, 2009.

Fund balance (deficit) September 30, 2009, as previously reported	$	(320,001)	
Adjustment for deferred tax revenue		(154,005)	*
Adjustment to remove vacation payable		316,039	*
Adjustment for correction of accrued liabilities		194,695	
Reclassification of grant revenue to the Water & Sewer Fund		(48,960)	
Adjustment for L.O.S.T. receivable		(64,259)	
Adjustment for L.O.S.T. deferred revenue		(12,552)	*
Adjustment to write-off accounts receivable balances		(23,082)	
Adjustment to segregate confiscated asset activity		(266,350)	*
Adjustment to reverse duplicate expenditures		(18,720)	
Fund balance (deficit) September 30, 2009, as restated	$	(397,195)	

***** These adjustments have no effect on beginning net assets of governmental activities.

Individual Nonmajor Governmental Fund (E911 Fund): The City has determined that a restatement of beginning fund balance of the E911 Fund, a nonmajor governmental fund, is necessary to remove the accrued vacation payable from the E911 Fund under the modified accrual basis of accounting which should not have been recorded.

Fund balance (deficit) September 30, 2009, as previously reported	$	(7,426)	
Adjustment to remove vacation payable		12,037	*
Fund balance September 30, 2009, as restated	$	4,611	

***** This adjustment has no effect on beginning net assets of governmental activities.

Individual Nonmajor Governmental Fund (Hotel/Motel Tax Fund): The City has determined that a restatement of beginning fund balance of the Hotel/Motel Tax Fund, a nonmajor governmental fund, is necessary to reverse a prior year transfer of Hotel/Motel Taxes to the Educational Complex Fund made in error. The detail of this adjustment is noted on the following page.

NOTE 18. PRIOR PERIOD ADJUSTMENTS (Continued)

Fund balance September 30, 2009, as previously reported	$	46,587
Adjustment to reverse transfer of funds		188,592
Fund balance September 30, 2009, as restated	$	235,179

Individual Nonmajor Governmental Fund (Confiscated Asset Fund): The City has determined that a restatement of beginning fund balance of the Confiscated Asset Fund, a nonmajor governmental fund, is necessary to report this Fund separately from the General Fund, as a special revenue fund in accordance with the Uniform Chart of Accounts for local governments in Georgia.

Fund balance September 30, 2009, as previously reported	$	-	
Adjustment to segregate confiscated asset activity		266,350	*
Fund balance September 30, 2009, as restated	$	266,350	

* This adjustment has no effect on beginning net assets of governmental activities.

Nonmajor Governmental Funds: As a result of the adjustments to each of the above nonmajor governmental funds, the beginning fund balance of the nonmajor governmental funds has also been restated from the prior year as noted below.

Fund balance September 30, 2009, as previously reported	$	119,164
Adjustment to E911 Fund		12,037
Adjustment to Hotel/Motel Tax Fund		188,592
Adjustment to Confiscated Asset Fund		266,350
Fund balance September 30, 2009, as restated	$	586,143

Governmental Activities: As a result of the adjustments to the fund level balances, the beginning net assets of the governmental activities have also been restated from the prior year. Along with the adjustments to the General Fund and the Hotel/Motel Tax Fund, additional adjustments to remove capital assets from governmental activities and record capital assets related to stormwater activities to the newly created Stormwater Enterprise Fund. Adjustments made at the fund level (i.e., deferred revenue, vacation payable, and the segregation of confiscated asset activity) which have no effect on beginning governmental net assets have been removed from the adjustments noted for governmental activities' beginning net assets. The details of the adjustment to governmental activities beginning net assets are as follows:

Net assets September 30, 2009, as previously reported	$	20,308,912
Adjustment to capital assets for change in reporting entity		(5,814,891)
Adjustment to Hotel/Motel Tax Fund		188,592
Net adjustments to General Fund		39,674
Net assets September 30, 2009, as restated	$	14,722,287

NOTE 18. PRIOR PERIOD ADJUSTMENTS (Continued)

Stormwater Enterprise Fund: The City has determined that a restatement of beginning net assets of the Stormwater Fund, a major enterprise fund, is necessary to properly segregate stormwater activity out of the Water & Sewer Fund in accordance with the State Uniform Chart of Accounts and to properly move capital assets from governmental activities to the Stormwater Fund. In addition, an adjustment to beginning net assets was required for donated capital assets which were donated to the City but not previously recorded:

Net assets September 30, 2009, as previously reported	$ -
Adjustment for change in reporting entity to properly	-
show capital assets in the Stormwater Fund	5,814,891
Adjustment to report donated capital assets	1,253
Net assets September 30, 2009, as restated	$ 5,816,144

Water and Sewer Enterprise Fund: The City has determined that a restatement of beginning net assets of the Water and Sewer Fund is necessary for the following: (1) to adjust accrued interest payable in relation to the revenue bonds which was not recorded in the prior year; (2) to adjust the Fund's unamortized refinancing loss on bonds as a result of the City's method of amortization used in prior years (straight-line method instead of the effective interest method) which was not in accordance with generally accepted accounting principles; (3) adjustment made to write off balances that have been on the City's books for a number of years with no support, activity, or reconciliation; (4) to reclassify grant revenues related to the Water and Sewer Fund that were improperly recorded in the General Fund in prior years; and (5) to adjust capital assets to actual as of September 30, 2009 based on the City performing an inventory of its capital assets.

Net assets September 30, 2009, as previously reported	$ 7,992,699
Adjustment for accrued interest payable	(248,828)
Adjustment for unamortized refinancing loss	(212,685)
Adjustment to write off balances	(66,915)
Adjustment to reclassify grant revenue	48,960
Adjustment to report capital assets	419,240
Net assets September 30, 2009, as restated	$ 7,932,471

Electric Enterprise Fund: The City has determined that a restatement of beginning net assets for the Electric Fund is necessary for the following: (1) To record MEAG investment balances omitted from the City's accounting records in previous years in error; (2) To write-off escrow liability balances which have been on the City's books for a number of years with no support activity or reconciliation; and (3) To adjust capital assets to actual as of September 30, 2009 based on the City performing an inventory of its capital assets. The details of these adjustments are noted on the following page.

NOTE 18. PRIOR PERIOD ADJUSTMENTS (Continued)

Net assets September 30, 2009, as previously reported	$ 7,338,913
Adjustment for MEAG investments	643,030
Adjustment to write off balances	52,581
Adjustment to capital assets	749,191
Net assets September 30, 2009, as restated	$ 8,783,715

Educational Complex Enterprise Fund: The City has determined that a restatement of beginning net assets for the Educational Complex Fund is necessary for the following: (1) to adjust accrued interest payable on outstanding debt at September 30, 2009; (2) to reverse prior year transfers of Hotel/Motel Taxes to the Educational Complex Fund made in error; and (3) to adjust capital assets to actual as of September 30, 2009 based on the City performing an inventory of its capital assets.

Net assets September 30, 2009, as previously reported	$ 1,253,685
Adjustment for accrued interest payable	(58,957)
Adjustment to reverse transfer of the Hotel / Motel Taxes	(188,592)
Adjustment to capital assets	778,614
Net assets September 30, 2009, as restated	$ 1,784,750

Business-type Activities: As a result of the adjustments to the proprietary fund level balances, the beginning net assets of the business-type activities have also been restated from the prior year.

Net assets September 30, 2009, as previously reported	$ 17,263,885
Adjustments to the Stormwater Fund	5,816,144
Adjustments to the Water and Sewer Fund	(60,228)
Adjustments to the Electric Fund	1,444,802
Adjustments to the Educational Complex Fund	531,065
Net assets September 30, 2009, as restated	$ 24,995,668

NOTE 19. SUBSEQUENT EVENT

On March 3, 2011, the City of Fairburn issued $10,415,000 in General Obligation Bonds, Series 2011. The purpose of which is to pay the cost of (a) acquiring, constructing and furnishing a fire station, certain City recreation facilities and downtown renewal projects, (b) constructing and installing certain road rebuilding projects, and (c) other projects of the City as may be determined in accordance with O.C.G.A. 36-824.2 (collectively, the “Projects”). Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2011. These bonds mature on in 2031.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRBURN, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
1/1/10	$ 6,828,413	$ 7,636,085	$ 807,672	89.4%	$ 5,833,192	13.8%
1/1/09	5,088,515	8,071,665	2,983,150	63.0%	5,223,804	57.1%
1/1/08	6,259,245	5,546,221	(713,024)	112.9%	4,725,634	-15.1%
1/1/07	5,748,018	4,676,371	(1,071,647)	122.9%	2,807,404	-38.2%
1/1/06	5,292,756	4,643,194	(649,562)	114.0%	2,519,680	-25.8%
1/1/05	4,961,102	4,424,728	(536,374)	112.1%	2,407,106	-22.3%

Note: See assumptions used for the Schedule of Funding Progress in Note 10 to the financial statements.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF FAIRBURN, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Confiscated Assets Fund – To account for the City's share of excess funds received from confiscated capital and equipment. These monies must be used for police related expenditures.

E-911 Fund – To account for the collection of surcharge fees and the operation of the Emergency 911 system within the City.

Hotel/Motel Tax Fund – To account for the 3% lodging tax levied in the City.

Development Authority Fund – To account for activities surrounding the economic development in and around Downtown Fairburn.

PERMANENT FUND

Cemetery Fund – To account for monies provided, in trust, for the maintenance of the City's Cemetery.

CITY OF FAIRBURN, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Special Revenue Funds				Permanent Fund	Total
ASSETS	Confiscated Assets Fund	E-911 Fund	Hotel/Motel Tax Fund	Development Authority Fund	Cemetery Fund	Nonmajor Governmental Funds
Cash and cash equivalents	$ 211,494	$ 3,579	$ 296,186	$ 953	$ -	$ 512,212
Investments	-	-	-	-	85,000	85,000
Taxes receivable	-	-	25,362	-	-	25,362
Accounts receivable	-	5,812	-	-	-	5,812
Other receivables	-	-	-	-	197	197
Total assets	$ 211,494	$ 9,391	$ 321,548	$ 953	$ 85,197	$ 628,583
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 2,325	$ -	$ -	$ -	$ -	$ 2,325
Accrued liabilities	-	2,243	-	-	-	2,243
Advances from other funds	-	-	-	-	9,435	9,435
Total liabilities	2,325	2,243	-	-	9,435	14,003
FUND BALANCES						
Unreserved	209,169	7,148	321,548	953	75,762	614,580
Total liabilities and fund balances	$ 211,494	$ 9,391	$ 321,548	$ 953	$ 85,197	$ 628,583

CITY OF FAIRBURN, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds				Permanent Fund	Total
	Confiscated Assets Fund	E-911 Fund	Hotel/Motel Tax Fund	Development Authority Fund	Cemetery Fund	Nonmajor Governmental Funds
REVENUES						
Taxes	$ -	$ -	$ 86,369	$ -	$ -	$ 86,369
Charges for services	-	102,448	-	-	-	102,448
Fines and forfeitures	41,114	-	-	-	-	41,114
Interest	426	10,383	-	-	2,849	13,658
Miscellaneous	-	-	-	953	-	953
Total revenues	41,540	112,831	86,369	953	2,849	244,542
EXPENDITURES						
Current						
Public safety	98,721	494,747	-	-	-	593,468
Culture and recreation	-	-	-	-	7,090	7,090
Planning and development	-	-	-	53,513	-	53,513
Debt service						
Principal retirements	-	25,003	-	-	-	25,003
Interest	-	544	-	-	-	544
Total expenditures	98,721	520,294	-	53,513	7,090	679,618
Excess (deficiency) of revenues over (under) expenditures	(57,181)	(407,463)	86,369	(52,560)	(4,241)	(435,076)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	410,000	-	53,513	-	463,513
Total other financing sources (uses)	-	410,000	-	53,513	-	463,513
Net change in fund balances	(57,181)	2,537	86,369	953	(4,241)	28,437
FUND BALANCES, beginning of year, as restated	266,350	4,611	235,179	-	80,003	586,143
FUND BALANCES, end of year	$ 209,169	$ 7,148	$ 321,548	$ 953	$ 75,762	$ 614,580

CITY OF FAIRBURN, GEORGIA
CONFISCATED ASSETS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines & forfeitures	$ 20,000	$ 34,750	$ 41,114	$ 6,364
Interest	5,250	5,250	426	(4,824)
Total revenues	25,250	40,000	41,540	1,540
EXPENDITURES				
Public safety	-	62,129	98,721	(36,592)
Net change in fund balances	25,250	(22,129)	(57,181)	(35,052)
FUND BALANCES, beginning of year, restated	266,350	266,350	266,350	-
FUND BALANCES, end of year	$ 291,600	$ 244,221	$ 209,169	$ (35,052)

CITY OF FAIRBURN, GEORGIA
E-911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 110,000	$ 93,910	$ 102,448	$ 8,538
Interest	20,000	20,000	10,383	(9,617)
Total revenues	130,000	113,910	112,831	(1,079)
EXPENDITURES				
Current:				
Public safety	485,954	473,204	494,747	(21,543)
Debt service				
Principal	32,613	25,027	25,003	24
Interest	1,433	520	544	(24)
Total expenditures	520,000	498,751	520,294	(21,543)
Deficiency of revenues under expenditures	(390,000)	(384,841)	(407,463)	(22,622)
OTHER FINANCING SOURCES				
Transfers in	-	410,000	410,000	-
Net change in fund balances	(390,000)	25,159	2,537	(22,622)
FUND BALANCES, beginning of year, restated	4,611	4,611	4,611	-
FUND BALANCES (DEFICITS), end of year	$ (385,389)	$ 29,770	$ 7,148	$ (22,622)

CITY OF FAIRBURN, GEORGIA
HOTEL/MOTEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 110,000	$ 94,454	$ 86,369	$ (8,085)
Total revenues	110,000	94,454	86,369	(8,085)
Net change in fund balances	110,000	94,454	86,369	(8,085)
FUND BALANCES, beginning of year, restated	235,179	235,179	235,179	-
FUND BALANCES, end of year	$ 345,179	$ 329,633	$ 321,548	$ (8,085)

STATISTICAL SECTION

This part of the City of Fairburn's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Page

Financial Trends **58**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **63**

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity **67**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information **72**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information **75**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

CITY OF FAIRBURN, GEORGIA

NET ASSETS BY COMPONENT
LAST SEVEN YEARS
(accrual basis of accounting)

	2010	2009	2008	2007	2006	2005	2004
Governmental activities							
Invested in capital assets, net of related debt	**$ 14,043,159**	$ 20,438,499	$ 19,629,347	$ 20,213,262	$ 17,532,641	$ 17,305,906	$ 17,940,787
Restricted	**613,627**	80,003	136,223	127,299	127,299	-	-
Unrestricted	**(169,035)**	(209,590)	(176,511)	286,922	137,417	1,187,909	1,242,927
Total governmental activities net assets	**$ 14,487,751**	$ 20,308,912	$ 19,589,059	$ 20,627,483	$ 17,797,357	$ 18,493,815	$ 19,183,714
Business-type activities							
Invested in capital assets, net of related debt	**$ 18,041,508**	$ 9,311,194	$ 8,271,525	$ 8,102,036	$ 8,429,576	$ 7,383,343	$ 2,903,275
Restricted	**65,200**	480,215	3,169,261	521,835	3,175,590	3,047,898	5,059,990
Unrestricted	**5,437,409**	7,472,476	8,926,965	10,791,732	9,680,088	7,123,433	3,988,854
Total business-type activities net assets	**$ 23,544,117**	$ 17,263,885	$ 20,367,751	$ 19,415,603	$ 21,285,254	$ 17,554,674	$ 11,952,119
Primary government							
Invested in capital assets, net of related debt	**$ 32,084,667**	$ 29,749,693	$ 27,900,872	$ 28,315,298	$ 25,962,217	$ 24,689,249	$ 20,844,062
Restricted	**678,827**	560,218	3,305,484	649,134	3,302,889	3,047,898	5,059,990
Unrestricted	**5,268,374**	7,262,886	8,750,454	11,078,654	9,817,505	8,311,342	5,231,781
Total primary government net assets	**$ 38,031,868**	$ 37,572,797	$ 39,956,810	$ 40,043,086	$ 39,082,611	$ 36,048,489	$ 31,135,833

Note: The 2009 column has not been restated for prior period adjustments made and discussed in footnote 18 to the footnotes of the financial statements.

CITY OF FAIRBURN, GEORGIA

CHANGES IN NET ASSETS
LAST SEVEN YEARS
(accrual basis of accounting)

	2010	2009	2008 (1)	2007	2006 (1)	2005	2004
Expenses							
Governmental activities:							
General government	**$ 2,022,054**	$ 1,917,381	$ 2,391,830	$ 2,332,672	$ 2,158,655	$ 1,269,561	$ 1,552,885
Judicial	**262,792**	279,684	289,188	255,194	196,435	-	-
Public safety	**6,758,087**	6,622,873	6,432,050	5,511,614	4,099,542	2,830,741	2,238,557
Public works	**1,747,445**	2,175,196	1,670,873	1,433,380	1,263,662	1,757,463	1,300,695
Planning and development	**433,145**	584,404	405,233	525,973	717,057	616,633	-
Culture and recreation	**270,198**	80,226	24,180	-	-	64,545	
Other	**-**	59,925	24,066	-	-	-	24,886
Interest on long-term debt	**25,411**	37,401	26,490	28,876	16,718	3,814	-
Total governmental activities expenses	**11,519,132**	11,757,090	11,263,910	10,087,709	8,452,069	6,542,757	5,117,023
Business-type activities:							
Electric	**6,080,267**	5,988,466	5,945,283	5,305,917	5,169,600	3,683,462	3,949,239
Water and Sewer	**4,030,833**	3,879,022	3,434,169	3,139,049	2,609,979	1,414,945	1,515,607
Educational Complex	**685,977**	666,067	110	-	-	-	-
Stormwater	**549,079** (3)	-	-	-	-	-	-
Sanitation	**580,516**	618,527	766,875	689,203	737,006	448,268	824,577
Cable TV	**-**	-	-	654,148 (2)	1,958,708	1,806,071	1,780,601
Telecom	**-**	-	157,999 (2)	185,887	188,531	159,027	-
Total business-type activities expenses	**11,926,672**	11,152,082	10,304,436	9,974,204	10,663,824	7,511,773	8,070,024
Total primary government expenses	**$ 23,445,804**	$ 22,909,172	$ 21,568,346	$ 20,061,913	$ 19,115,893	$ 14,054,530	$ 13,187,047
Program Revenues							
Governmental activities:							
Charges for services	**$ 1,481,525**	$ 1,604,707	$ 1,827,188	$ 2,276,983	$ 2,071,853	$ 1,956,301	$ 1,867,349
Operating grants and contributions	**19,265**	424,049	154,562	95,897	223,606	123,386	111,840
Total governmental activities program revenues	**1,500,790**	2,028,756	1,981,750	2,372,880	2,295,459	2,079,687	1,979,189
Business-type activities:							
Charges for services	**13,751,183**	12,559,295	12,552,333	13,840,371	15,844,099	13,080,048	10,309,484
Capital grants and contributions	**121,040**	-	-	-	-	485,613	-
Total business-type activities program revenues	**13,872,223**	12,559,295	12,552,333	13,840,371	15,844,099	13,565,661	10,309,484
Total primary government program revenues	**$ 15,373,013**	$ 14,588,051	$ 14,534,083	$ 16,213,251	$ 18,139,558	$ 15,645,348	$ 12,288,673

(Continued)

CITY OF FAIRBURN, GEORGIA

CHANGES IN NET ASSETS
LAST SEVEN YEARS
(accrual basis of accounting)

	2010	2009	2008 (1)	2007	2006 (1)	2005	2004
Net (expense)/revenue							
Governmental activities	**$ (10,018,342)**	$ (9,728,334)	$ (9,282,160)	$ (7,714,829)	$ (6,156,610)	$ (4,463,070)	$ (3,137,834)
Business-type activities	**1,945,551**	1,407,213	2,247,897	3,866,167	5,180,275	6,053,888	2,239,460
Total primary government net (expense) revenue	**$ (8,072,791)**	$ (8,321,121)	$ (7,034,263)	$ (3,848,662)	$ (976,335)	$ 1,590,818	$ (898,374)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	**$ 2,853,789**	$ 2,831,173	$ 2,268,758	$ 1,344,682	$ 1,149,246	$ 976,226	$ 891,886
Sales and use taxes	**1,324,124**	1,287,811	1,440,218	1,442,080	1,443,222	1,251,042	1,178,336
Other taxes	**1,741,655**	1,951,473	1,517,717	1,075,173	908,676	841,303	740,048
Miscellaneous revenue	**139,915**	65,260	34,703	-	-	-	45,983
Unrestricted investment earnings	**34,694**	49,027	49,227	79,327	87,406	62,030	30,480
Transfers	**3,689,629**	4,598,580	2,933,113	6,603,693	1,871,602	642,570	588,479
Total governmental activities	**9,783,806**	10,783,324	8,243,736	10,544,955	5,460,152	3,773,171	3,475,212
Business-type activities:							
Unrestricted investment earnings	**27,686**	87,501	416,809	575,362	421,907	191,237	171,331
Rental Income	**-**	-	-	326,613	-	-	-
Loss of Refinancing Revenue Bonds	**-**	-	-	(1,288,562)	-	-	-
Sale of Sewer Contractual Rights	**-**	-	-	492,436	-	-	-
Gain on Sale of Assets	**264,841**	-	-	762,026	-	-	-
Transfers	**(3,689,629)**	(4,598,580)	(2,933,113)	(6,603,693)	(1,871,602)	(642,570)	(588,479)
Total business-type activities	**(3,397,102)**	(4,511,079)	(2,516,304)	(5,735,818)	(1,449,695)	(451,333)	(417,148)
Total primary government	**$ 6,386,704**	$ 6,272,245	$ 5,727,432	$ 4,809,137	$ 4,010,457	$ 3,321,838	$ 3,058,064
Change in Net Assets							
Governmental activities	**$ (234,536)**	$ 1,054,990	$ (1,038,424)	$ 2,830,126	$ (696,458)	$ (689,899)	$ 337,378
Business-type activities	**(1,451,551)**	(3,103,866)	(268,407)	(1,869,651)	3,730,580	5,602,555	1,822,312
Total primary government	**$ (1,686,087)**	$ (2,048,876)	$ (1,306,831)	$ 960,475	$ 3,034,122	$ 4,912,656	$ 2,159,690

Note: The 2009 column has not been restated for prior period adjustments made and discussed in footnote 18 to the footnotes of the financial statements.

(1) The allocation of charges for services to the various functions was changed in 2006 and again in 2008 to more accurately reflect the nature of the City's activities.

(2) During 2007 and 2008, the City eliminated the Cable TV and telecom services, respectively.

(2) During 2010, the City has created the Stormwater Enterprise Fund which was previously recorded in the Water & Sewer Fund

CITY OF FAIRBURN, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SEVEN YEARS
(modified accrual basis of accounting)

	2010	2009	2008	2007	2006	2005	2004
General fund							
Reserved	**$ 19,610**	$ 86,290	$ 157,421	$ 41,364	$ 90,016	$ 95,945	$ 100,972
Unreserved	**72,001**	(406,291)	(411,217)	168,052	16,127	876,408	959,091
Total general fund	**$ 91,611**	$ (320,001)	$ (253,796)	$ 209,416	$ 106,143	$ 972,353	$ 1,060,063
All other governmental funds							
Reserved, Cemetery Fund	**$ 75,762**	$ 8,003	$ 199,089	$ 131,590	$ 127,299	$ 123,137	$ 119,160
Unreserved, reported in:							
Special revenue funds	**538,818**	39,161	136,223	36,764	(613)	72,448	61,636
Total all other governmental funds	**$ 614,580**	$ 47,164	$ 335,312	$ 168,354	$ 126,686	$ 195,585	$ 180,796

Note: The 2009 column has not been restated for prior period adjustments made and discussed in footnote 18 to the footnotes of the financial statements.

CITY OF FAIBURN, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SEVEN YEARS
(modified accrual basis of accounting)

	2010	2009	2008	2007	2006	2005	2004
Revenues							
Taxes	**$ 6,023,874**	$ 6,098,692	$ 5,224,467	$ 3,857,279	$ 3,730,537	$ 3,222,685	$ 2,789,995
Licenses and permits	**480,241**	542,957	741,349	1,119,998	988,998	1,026,028	1,466,992
Intergovernmental	**19,265**	424,049	191,784	95,897	223,606	123,386	111,840
Fines and forfeitures	**398,212**	350,884	383,499	430,046	344,302	245,822	225,634
Charges for services	**600,492**	710,866	704,273	726,939	509,773	510,366	192,930
Interest income	**34,694**	49,027	49,227	79,417	87,406	62,030	30,480
Miscellaneous	**142,495**	-	-	-	-	-	45,983
Total revenues	**7,699,273**	8,176,475	7,294,599	6,309,576	5,884,622	5,190,317	4,863,854
Expenditures							
General government	**1,993,378**	3,166,567	2,749,487	4,059,794	2,248,378	1,370,300	1,663,634
Judicial	**262,792**	279,684	289,188	255,194	196,435	-	-
Public safety	**6,578,133**	7,066,933	6,359,138	6,483,466	5,004,641	2,999,239	2,136,655
Public works	**1,269,111**	1,505,312	1,109,432	1,332,026	634,783	1,163,942	875,964
Planning and development	**433,145**	584,404	405,233	525,973	717,057	616,633	-
Culture and recreation	**209,493**	79,287	24,180	-	64,117	64,545	-
Other	**-**	59,925	24,066	-	-	-	24,886
Debt service							
Principal	**223,196**	296,729	306,564	267,780	195,168	66,984	-
Interest	**25,411**	37,401	26,490	28,876	16,718	3,814	-
Total expenditures	**10,994,659**	13,076,242	11,293,778	12,953,109	9,077,297	6,285,457	4,701,139
Excess of revenues over (under) expenditures	**(3,295,386)**	(4,899,767)	(3,999,179)	(6,643,533)	(3,192,675)	(1,095,140)	162,715
Other financing sources (uses)							
Issuance of debt	**-**	510,000	241,958	184,781	385,964	379,649	-
Initiation of capital lease	**123,000**	-	-	-	-	-	-
Premium on bonds	**-**	-	-	-	-	-	-
Transfers in	**3,743,142**	4,713,867	3,778,243	6,603,693	1,871,602	642,570	588,479
Transfers out	**(53,513)**	(115,287)	(473,305)	-	-	-	-
Total other financing sources (uses)	**3,812,629**	5,108,580	3,546,896	6,788,474	2,257,566	1,022,219	588,479
Net change in fund balances	**$ 517,243**	$ 208,813	$ (452,283)	$ 144,941	$ (935,109)	$ (72,921)	$ 751,194
Debt service as a percentage of noncapital expenditures	**2.35%**	3.12%	3.26%	3.25%	2.79%	1.25%	0.00%

Note: The 2009 column has not been restated for prior period adjustments made and discussed in footnote 18 to the footnotes of the financial statements.

CITY OF FAIRBURN, GEORGIA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST SEVEN YEARS
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Motor Vehicle Tax	Franchise Tax	Insurance Premium Tax	Beer, Wine and Liquor Tax	Hotel Motel Tax	Other Taxes	Total
2004	$ 891,886	$ 1,178,336	$ 113,662	$ 130,891	$ 234,707	$ 192,501	$ 853	$ 67,434	$ 2,810,270
2005	976,226	1,251,042	136,708	134,912	255,048	210,422	848	103,365	3,068,571
2006	1,149,246	1,443,222	137,854	154,693	273,706	238,092	524	103,807	3,501,144
2007	1,344,682	1,442,080	137,477	225,448	286,313	246,653	46,587	132,695	3,861,935
2008	2,266,758	1,440,218	160,970	596,064	298,656	254,959	97,371	109,697	5,224,693
2009	2,831,173	1,287,811	168,930	1,053,234	305,810	259,878	115,287	113,594	6,135,717
2010	**2,853,789**	**1,324,124**	**180,995**	**903,161**	**302,941**	**240,762**	**86,369**	**27,427**	**5,919,568**

CITY OF FAIRBURN, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE - ALL TAXABLE PROPERTY
LAST TEN YEARS
(accrual basis of accounting)

Year	Real Property		Personal Property		Public Utility		Total Property			Ratio of Total Assessed to Total Estimated Actual Value	Percent Increase in Estimated Actual Value Over Prior Year
	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value		Estimated True Value		
2001	62,925,463	157,313,658	18,537,640	46,344,100	4,247,067	4,247,067	85,710,170		207,904,825	40%	3.64%
2002	71,372,239	178,430,598	21,763,580	54,408,950	4,069,514	4,069,514	97,205,333		236,909,062	40%	13.41%
2003	99,465,107	248,662,768	20,062,531	50,156,328	4,079,914	4,079,914	123,607,552		302,899,009	40%	27.16%
2004	121,622,495	304,056,238	22,897,725	57,244,313	4,241,171	4,241,171	148,761,391		365,541,721	40%	20.35%
2005	133,913,043	334,782,608	27,073,913	67,684,783	5,318,261	5,318,261	166,305,217		407,785,651	40%	11.79%
2006	177,425,275	443,563,188	34,421,130	86,052,825	4,561,998	4,561,998	216,408,403		534,178,011	40%	30.13%
2007	226,040,782	565,101,955	36,415,665	91,039,163	5,085,721	5,085,721	267,542,168		661,226,839	40%	23.63%
2008	399,446,200	998,615,500	41,563,500	103,908,750	12,105,700	12,105,700	453,115,400		1,114,629,950	40%	69.36%
2009	472,645,760	1,181,614,400	136,133,597	340,333,993	10,325,819	10,325,819	619,105,176	(1)	1,532,274,212	40%	36.63%
2010	419,532,270	1,048,830,675	144,781,570	361,953,925	13,732,050	34,330,125	578,045,890	(1)	1,445,114,725	40%	-5.69%

Source: City of Fairburn Finance Department

(1) - Assessed values have dropped from 2009 to 2010 due to drops in assessed values due to the current economic housing crisis.

CITY OF FAIRBURN, GEORGIA

PRINCIPAL PROPERTY TAX PAYERS
CURRENT AND TEN YEARS AGO

	2010			2000		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Nestle Purina Petcare Company	$ 13,763,056	1	2.40%	$ -		-
Development Authority of Fulton Co	11,422,464	2	1.99%	-		-
CSX Transportation	10,179,523	3	1.77%	-		-
M.D. Hodges Enterprises	10,028,640	4	1.75%	-		-
Exeter Seventy Three Hundred	9,354,800	5	1.63%	-		-
DCT Southcreek Eagles Landing	9,319,440	6	1.62%	-		-
Excel Logistics	8,791,200	7	1.53%	-		-
Playtex Manufacturing Inc	7,931,072	8	1.38%	-		-
USF Propco II LLC	7,526,426	9	1.31%	-		-
Heidelberg USA	7,152,960	10	1.25%	-		-
Porex Inc	-		-	5,934,200	1	7.18%
South Creek Distributor	-		-	2,282,720	2	2.76%
B&K Marketing	-		-	967,920	3	1.17%
Carolina Builders Co	-		-	827,550	4	1.00%
Fairburn Health Care	-		-	782,460	5	0.95%
Newnan Trading Corp	-		-	637,300	6	0.77%
CCA Electronics	-		-	567,310	7	0.69%
Fairburn Banking	-		-	533,170	8	0.64%
Estex Manufacturing	-		-	497,030	9	0.60%
Strack Family LLC	-		-	416,360	10	0.50%
Others	478,586,805		83.37%	69,254,076		83.74%
Totals	$ 574,056,386		100%	$ 82,700,096		100%

Source: City of Fairburn Finance Department

CITY OF FAIRBURN, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Collections of Current Years Taxes During Year	Percentage of Levy Collected During Year	Collection of Prior Years Taxes During Year	Total Collections	Accumulated Uncollected Taxes	Ratio of Accumulated Uncollected Taxes to Current Year's Levy	Millage Rates	Local Option Sales Tax Collected
2001	$ 370,925	$ 358,230	96.58%	$ 15,449	$ 373,679	$ 2,615	0.70%	4.50	$ 1,066,859
2002	385,696	345,477	89.57%	47,172	392,649	1,831	0.47%	4.50	1,066,859
2003	437,424	400,391	91.53%	55,812	456,203	2,495	0.57%	6.00	994,259
2004	725,054	696,028	96.00%	24,506	720,534	3,329	0.46%	6.00	1,082,707
2005	855,378	836,682	97.81%	30,507	867,189	5,027	0.59%	5.75	1,178,336
2006	956,255	919,386	96.14%	27,830	947,216	3,761	0.39%	5.45	1,251,042
2007	1,141,681	1,097,286	96.11%	34,640	1,131,926	6,800	0.60%	5.00	1,443,222
2008	1,309,390	1,257,805	96.06%	64,389	1,322,194	12,655	0.97%	5.00	1,442,080
2009	2,266,532	2,202,345	97.17%	44,541	2,246,886	34,575	1.53%	5.00	1,449,755
2010	2,966,005	2,814,985	94.91%	-	2,814,985	151,020	5.09%	5.00	1,287,811

Source: City of Fairburn Finance Department

CITY OF FAIRBURN, GEORGIA

RATIO OF OUTSTANDING DEBT BY TYPE
LAST FIVE YEARS

	Governmental Activities	Business-type Activities						
Fiscal Year	Capital Leases	Water & Sewer	Cable TV	Educational Complex	Capital Leases	Total Primary Government	Percent of Personal Income	Per Capita
2006	$ 501,250	$ 14,065,000	$ 2,840,000	$ -	$ 128,024	$ 17,534,274	7.86%	$ 1,725
2007	418,251	13,145,000	-	-	100,002	13,663,253	5.33%	1,278
2008	353,645	12,685,000	-	9,750,202	197,709	22,986,556	8.82%	2,097
2009	566,916	12,135,000	-	9,236,166	173,899	22,111,981	7.12%	1,951
2010	466,720	11,500,000	-	8,702,250	71,199	20,740,169	8.07%	1,830

CITY OF FAIRBURN, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2010

Governmental Unit	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Fairburn (1)	Amount Applicable to City of Fairburn
Fulton County	$ -	1.22%	$ -
Building Authority of Fulton County	39,913,474	1.22%	486,944
College Park Business and Industrial		1.22%	
Development Authority	3,455,000	1.22%	42,151
Fulton-DeKalb Hospital Authority	184,730,000	1.22%	2,253,706
City of Atlanta/Fulton County		1.22%	
Recreation Authority Arena Series 1997	129,555,000	1.22%	1,580,571
Zoo Series 2007	20,235,000	1.22%	246,867
East Point Building Authority	80,337,000	1.22%	980,111
Fulton County School District	164,890,000	2.20%	3,627,580
Total direct and overlapping debt	$ 623,115,474		$ 9,217,930

Source: Assessed value data used to estimate applicable percentages provided by the various Tax Assessors and the Georgia Department of Revenue Property Tax Division.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fairburn, Georgia. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

CITY OF FAIRBURN, GEORGIA

LEGAL DEBT MARGIN
LAST TEN YEARS

Year	Assessed Value	Percent	Debt Limit	Amount Applicable (1)	Legal Debt Margin
2001	85,710,170	10%	8,571,017	-	8,571,017
2002	97,205,333	10%	9,720,533	-	9,720,533
2003	123,607,552	10%	12,360,755	-	12,360,755
2004	148,761,391	10%	14,876,139	-	14,876,139
2005	166,305,217	10%	16,630,522	-	16,630,522
2006	216,408,403	10%	21,640,840	-	21,640,840
2007	268,442,168	10%	26,844,217	-	26,844,217
2008	453,115,400	10%	45,311,540	-	45,311,540
2009	619,105,175	10%	61,910,518	-	61,910,518
2010	578,045,890	10%	57,804,589	-	57,804,589

(1) The City of Fairburn has had no general obligation bonds outstanding during the last ten years.

CITY OF FAIRBURN, GEORGIA

PLEDGED REVENUE BOND COVERAGE - WATER & SEWER FUND & ELECTRIC FUND
COMBINED UTILITY REFUNDING REVENUE BONDS - SERIES 2006
LAST FOUR FISCAL YEARS

Fiscal Year	Operating Revenue	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest (1)	Total	Coverage
2007	$ 12,079,266	$ 6,963,278	$ 5,115,988	$ 355,000	$ 777,934	$ 1,132,934	4.52
2008	11,677,764	7,408,224	4,269,540	460,000	529,644	989,644	4.31
2009	11,616,283	8,051,886	3,564,397	550,000	508,934	1,058,934	3.37
2010	12,170,305	8,163,511	4,006,794	635,000	471,615	1,106,615	3.62

Note: Operating revenue and direct operating expenses includes both Water & Sewer and Electric Operatings

(1) Interest expense does not include interest payments to the South Fulton Municipal Regional Water and Sewer Authority - Joint Governed Organization

(2) Direct operating expenses includes cost of sales and services and general operating expenses and excludes depreciation and amortization expenses

CITY OF FAIRBURN, GEORGIA

PLEDGED REVENUE BOND COVERAGE - EDUCATIONAL COMPLEX FUND
EDUCATIONAL COMPLEX REVENUE BONDS - SERIES 2008
LAST TWO FISCAL YEARS

Fiscal Year	Operating Revenue	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2009	$ 255,948	$ 291,419	$ (35,471)	$ 514,038	$ 368,558	$ 882,596	(0.04)
2010	435,173	79,324	355,849	533,916	345,274	879,190	0.40

(1) Direct operating expenses excludes depreciation and amortization expenses

CITY OF FAIRBURN, GEORGIA

DEMOGRPAHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Income (2)	Median Age (2)	Median Education Level in Years of Formal Schooling (2)	School Enrollment (4)	Unemployment Rate (3)
2001	7,227	$ 136,575,846	$ 18,898	33.3	12	-	3.60
2002	7,843	148,217,014	18,898	33.3	12	-	4.30
2003	8,820	166,680,360	18,898	33.3	12	-	4.80
2004	9,069	171,385,962	18,898	33.3	12	-	4.60
2005	9,318	176,091,564	18,898	33.3	12	-	4.50
2006	10,167	192,135,966	18,898	33.3	12	-	4.40
2007	10,693	202,076,314	18,898	33.3	12	-	4.20
2008	10,961	207,140,978	18,898	33.3	12	-	9.30
2009	11,335	237,490,920	20,952	36.1	12	-	10.01
2010	11,335	256,873,770	22,662	32.1	12	5,971	10.30

(1) Source: City Count; 2010 U.S. Census not available in time for publication of this report

(2) Source: U.S. Census

(3) Source: Georgia Department of Labor

(4) Includes: Creekside High School; Bear Creek Middle School; Campbell Elementary School; Evelyn C. West Elementary School and Landmark Christian School. Information prior to Fiscal Year 2010 is not readily available.

CITY OF FAIRBURN, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND FIVE YEARS PRIOR

	2010		2005	
Employer	Number of Employees	Rank	Number of Employees	Rank
U.S. Food Services	795	1	756	1
Owens Corning	388	2		
Nestle Purina Petcare Co.	310	3		
Strack, Inc.	300	4	300	3
Porex Corporation	256	5	272	4
Excel Logistics	249	6		
Reynolds, Inc.	200	7	750	2
Adesa Atlanta LLC	200	8	180	5
Prism Pointe Technologies	150	9		
Fairburn Healthcare	108	10	98	8
Newnan Trading Company, Inc.			100	6
Estex Manufacturing			100	7
Kingswere Furniture LLC			75	9
Georgia Renaissance Vendors			64	10

CITY OF FAIRBURN, GEORGIA

FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYESS BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS

Function	2006	2007	2008	2009	2010
Administrative	28	27	28	35	26
Police	35	41	35	31	33
Fire	28	41	28	47	44
Streets, Parks and Recreation	11	11	11	13	15
E-911	9	10	9	10	8
Electric	5	7	5	9	8
Water and Sewer	4	4	4	5	4
Cable	2	2	2	-	-
	122	143	122	150	138

CITY OF FAIRBURN, GEORGIA

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Physical Arrests	n/a	n/a	n/a	n/a	n/a	699	700	779	614	514
Traffic Violations	3,064	2,985	2,463	1,866	2,429	3,169	2,810	2,519	1,136	1,725
Fire										
Number of Calls Answered	n/a	n/a	n/a	n/a	n/a	922	1,739	1,707	1,786	1,655
Inspections	n/a	n/a	n/a	n/a	n/a	-	36	510	420	258
Highways and Streets										
Streets Resurfaced (miles)	n/a	0.70	0.57	0.44	0.36	1.00	-	1.00	0.45	0.44
Potholes Repaired	n/a	n/a	n/a	n/a	30	32	38	44	48	79
Sanitation										
Refuse Collected (tons/day)	n/a	n/a	n/a	n/a	n/a	2,772	3,416	3,094	5,806	4,310
Recyclables Collected (tons/day)	n/a	n/a	n/a	n/a	n/a	192	181	135	243	145
Water										
Water Mains (miles)										
Fire Hydrants	n/a	n/a	35.0	50.0	56.0	56.0	90.5	90.5	91.5	91.6
Water Main Breaks	n/a	n/a	n/a	n/a	n/a	12	8	10	6	900
Average Daily Consumption	n/a	n/a	593	649	675	851	875	776	791	12
(thousands of gallons)										835
Wastewater and Sewer										
Stormwater system (miles)	n/a	n/a	3.50	24.00	24.30	24.60	36.00	37.25	37.25	37
Sanitary system (miles)	n/a	n/a	44.50	51.50	61.00	65.00	68.00	69.00	69.00	69
Average Daily Sewage Treatment	**	**	**	**	**	**	**	**	**	**
(thousands of gallons)										
Public Safety										
Fire Stations	1	1	1	1	1	1	2	2	2	2
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	n/a	n/a	n/a	n/a	n/a	27	35	35	40	40
Highways and Streets										
Miles Paved	n/a	n/a	37.2	56.4	72.1	72.1	95.2	96.5	96.5	96.5
Miles Unpaved	n/a	n/a	6.0	6.0	1.0	2.0	2.6	2.6	2.6	3.0
Street Lights	n/a	n/a	613	644	660	660	694	694	695	695
Caution Lights	n/a	n/a	6	1	1	1	4	2	2	1
Electric										
Lines (miles)	n/a	n/a	52	59	61	61	79	79	79	79
Plant Capacity (KVA)	n/a	n/a	12,400	12,400	12,400	12,400	12,400	12,400	12,400	12,400

n/a - Information is not readily available.

* The Fire Department was created on April 1, 2006

** Sewage is treated by the City of Atlanta

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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 Mayor and Members
of the City Council
City of Fairburn, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairburn, Georgia (the "City"), as of and for the fiscal year ended September 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2010-1 through 2010-4, to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2010-6 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-5 and 2010-7.

We noted certain matters that we reported to management of the City in a separate letter dated March 30, 2011**.**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor and Council Members and management and is not intended to be and should not be used by anyone other than these specified parties.



Atlanta, Georgia
March 30, 2011

CITY OF FAIRBURN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:
Material weaknesses identified? __X__ yes _____ no

Significant deficiencies identified? __X__ yes _____ none reported

Noncompliance material to financial statements noted? __X__ yes _____ no

Federal Awards

There was no audit of major federal award programs as of September 30, 2010 due to the City not receiving or expending federal awards over $500,000 during the fiscal year ended September 30, 2010.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010–1 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of the City.

Condition/Cause: Internal controls were not sufficient to detect material misstatements in the City's financial statements for the fiscal year ended September 30, 2010 in reference to the beginning balances for the 2010 financial statements.

Context: During our audit for the fiscal year ended September 30, 2010, several material misstatements were identified which caused the need to restate financial statements balances reported as of and for the fiscal year ended September 30, 2009. The nature and magnitude of these corrections for prior period errors are as follows:

- In the General Fund, restatements were necessary to accurately report deferred tax revenue, remove vacation payables, report accrued liabilities, expenditures, accounts receivable, and taxes receivable not collected within 60 days, and to segregate confiscated assets activity into a separate special revenue fund, and reverse duplicate entries made in the prior year.
- In the E911 Fund, restatements were necessary to remove vacation payable in accordance with the modified accrual basis of accounting.
- In the Hotel/Motel Tax Fund, restatements were necessary to reverse the transfer of taxes made in error to other funds in prior years.
- Confiscated Asset Special Revenue Fund was created in accordance with the Uniform Chart of Accounts for local governments in Georgia.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2010–1 Restatement of Prior Year Balances (Continued)

- For Governmental Activities, the effect of the above mentioned adjustments to governmental funds, except for those adjustments with no effect on beginning net assets, as well as adjustments to accurately report capital assets (change in reporting entity – Stormwater).
- In the Stormwater Fund, a restatement was necessary to report omitted donated capital assets in prior years.
- In the Water and Sewer Fund, restatements were necessary to accurately report accrued interest payable, unamortized refunding loss, write-off unknown balances, reclassify expenses, and adjust capital assets.
- In the Electric Fund, restatements were necessary to accurately report investments, write-off unknown balances, and capital assets.
- In the Educational Complex Fund, restatements were necessary to accurately report accrued interest payable, reverse the effects of prior year transfers from the Hotel/Motel Tax Fund, and adjust capital assets.

Effects/Possible Effects: The above errors created additional audit procedures to be required for several balances of the City as stated in its September 30, 2009 financial statements.

- The General Fund required adjustments of $510,734 (gross increases) and $587,928 (gross decreases).
- The E911 Fund required one adjustment in the amount of $12,037.
- The Hotel/Motel Tax Fund required one adjustment in the amount of $188,592.
- The Confiscated Asset Fund required one adjustment in the amount of $266,350.
- Prior period adjustments to governmental activities net assets were required in the amounts of $383,287 (gross increases) and $155,021 (gross decreases).
- The Stormwater Fund required an adjustment of $1,253.
- The Water and Sewer Fund required adjustments of $468,200 (gross increases) and $528,428 (gross decreases).
- The Electric Fund required adjustments totaling $1,444,802.
- The Educational Complex Fund required adjustments of $778,614 (gross increases) and $247,549 (gross decreases).

Recommendation: We recommend the City carefully review the financial statements and their applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is being properly reported.

Views of Responsible Officials and Planned Correction Action: We concur with the finding. Management proposed the adjustments referred to above and presented them to the auditors for concurrence. We will take necessary steps in the future to ensure that the financial statements are properly reported.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2010-2 Amortization of Deferred Charges

Criteria: The effective interest method is required by Generally Accepted Accounting Principles ("GAAP") for amortizing bond issuance costs.

Condition/Cause: Due to ineffective controls surrounding the valuation of deferred charges related to bond issuance cost, the City had not used an appropriate method to calculate ending deferred charges using the effective interest method.

Context: During our audit, we noted use of the effective interest method to calculate deferred charges, resulted in differences totaling $272,244 between the straight-line method of amortization used by the City.

Effects/Possible Effects: Audit adjustments totaling $272,244 were required to adjust deferred charges at September 30, 2010. The adjustment also required beginning net assets of the Water and Sewer Fund to be restated by approximately $212,685.

Recommendation: We recommend the City strengthen internal controls surrounding the valuation of such accounts.

View of Responsible Officials and Planned Corrective Action: We concur with the finding. We will take necessary steps in the future to ensure proper calculation of deferred charges.

2010-3 Recording of Accounts Receivable

Criteria: All balances receivable by the City shall be recorded in accordance with GAAP when the recognition criteria have been met.

Condition/Cause: Due to ineffective controls surrounding the reporting of accounts receivable, the City had not reported a receivable balance due from the Municipal Electric Authority of Georgia ("MEAG")***.***

Context: During our audit, we noted the City had not recorded the receivable due from MEAG at September 30, 2010.

Effects/Possible Effects: An audit adjustment of $83,736 was recorded to report the City's balance receivable from MEAG.

Recommendation: We recommend the City implement policies and procedures surrounding the financial close-out procedure to ensure that all balance sheet items are reported.

View of Responsible Officials and Planned Corrective Action: We concur with the finding. We will implement policies and procedures to ensure that all balance sheet items are properly reported.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2010-4 Segregation of Duties

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

Condition/Cause: The size of the City's accounting and administrative staff precluded certain internal controls that would be preferred if the office staff were large enough, to provide optimum segregation of duties. Substantial duties relative to the receipt and disbursement process, payroll, and general ledger functions are handled by one individual. The most significant issues noted are as follows:

- Journal entries can be originated and posted by a single individual without approval.
- The human resources manager has sole access to the payroll system and is the only individual authorized to process payroll, without direct supervision.
- Individuals who have access to cash record journal entries and also write off and make adjustments to customer accounts without the need of supervisory approval.

Context: We addressed this matter with City officials who understand that the size of the City's accounting and administrative staff precluded certain internal controls, that would be preferred if the office staff were large enough, to provide optimum segregation of duties.

Effects/Possible Effects: Failure to properly segregate duties between recording, distribution, and reconciliation of accounts may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We understand the staffing limitations which result in these overlapping duties; however, we recommend the City's management implement additional controls that would reduce the risk of fraudulent activity and the risk that such activities go unnoticed by management and the Mayor and City Council. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction.

View of Responsible Officials and Planned Corrective Action: We concur with the finding. We will take necessary steps in the future to ensure that proper controls are implemented to mitigate the risks described above.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2010-5 Compliance with Bond Covenants

Criteria: Bonds issued by the City carry certain covenants which are required by the Bond holders.

Condition/Cause: Due to ineffective controls surrounding the review of bond covenants, the City did not comply with certain Covenants of the Series 2006 Utility Bonds and the 2008 Series Education Complex Bonds.

Context: During our audit, we noted that the City covenanted in the Bond ordinance that

(1) *In reference to the Series 2006* Utility Bonds, a*fter payment of all costs necessary to operate and maintain the System, the net revenue shall be pledged to the payment of the principal of and the interest on, and the redemption premium, if any, on all the Bonds issued hereunder, including any Additional Bonds. Deposits into the sinking fund shall commence with the date of the authentication of the Series 2006 Bonds and from month to month thereafter an amount equal to one-six (1/6) of the interest on the Series 2006 Bonds coming due to the next succeeding April 1 or October 1, as the case may be, and one-twelfth (1/12) of the principal on the Series 2006 Bonds coming due on the next succeeding October 1, such monthly payment to centime from month to month until sufficient funds are on hand in the Sinking Fund to pay all of the outstanding Series 2006 Bonds as same mature or are acquired by mandatory redemption and in the interest which will become due and payable thereon.*

(2) *In reference to the Series 2008 Education Complex Bonds, the City shall direct, and hereby directs, that the revenues, including amounts paid under the Lease Agreement be paid directly to the Sinking Fund Custodian. Moneys deposited into the Sinking Fund shall be applied by the Sinking Fund Custodian to pay the principal of and interest on the Bond when due. If the Sinking Fund Custodian should be a person other than the Development Authority of Fairburn, the Custodian shall give notice of any deficiency in the Sinking Fund to pay amounts due or to become due on the Bond, such notice to be given for receipt on the business day preceding the date established for such payment on the Bond. If for any reason the full amount herein required to be paid for any payment shall not be paid into the Sinking Fund, any deficiency shall be added to and shall become a part of the amount required to be paid into the Sinking Fund on the next payment date. The Sinking Fund herein provided for shall be kept as a trust account for the benefit of the Bondholder separate from other deposits of the Development Authority of Fairburn. Moneys on deposit in the Sinking Fund if not immediately required for payment of the Bond may be invested as directed by the Authorized City Representative in investments maturing no later than the next following payment date. Any such securities shall be held by the Sinking Fund Custodian for the account of the Sinking Fund until maturity or until sold. Upon the occurrence of any Event of Default, all money in any fund or account established by the Bond Resolution shall be deposited in the Sinking Fund and shall be applied to the payment of the Bond.*

Effects/Possible Effects: As a result of our review of the City's compliance with the above mentioned covenants, it was determined the City is not in compliance for the following reason: (1) per review of the City's accounting records, there has been no Sinking Fund established by the City.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2010-5 Compliance with Bond Covenants (Continued)

Recommendation: We recommend the City strengthen internal controls surrounding the review of Bond covenants.

View of Responsible Officials and Planned Corrective Action: We concur with the finding. We have obtained waivers from our trustees for both Series Bonds which waived the requirement to have an established sinking fund. We will take necessary steps in the future to ensure that the City complies with what it covenants in the Bond documents.

2010-6 Account Maintenance

Criteria: Funds held for others should be properly identified by whom the money is owed to in accordance with generally accepted accounting principles.

Condition/Cause: The City could not provide a detail listing of the tax overpayments amounts reported in the General Fund for $77,806.

Context: During our audit of the General Fund's tax overpayment account; there is a liability of $77,806 that the City is not certain to whom this amount is owed.

Effects/Possible Effects: Without a detail listing, the risk of misappropriation of funds is greatly increased as the City does not maintain a record of receipts and disbursements for this escrow account.

Recommendation: We recommend the City's Finance Department research this matter in order to identify who the cash is owed to. We also recommend the City maintain appropriate subsidiary ledgers going forward to support the balances reported in the tax overpayment account.

View of Responsible Officials and Planned Corrective Action: We concur with the finding. We will take necessary steps in the future to ensure that these amounts are properly identified and maintained throughout the year.

2010 - 7 Governmental Fund Budgets

Criteria: State of Georgia law (OCGA 36-81-3) states: a) each unit of local government shall adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund in use by the local government. The annual balanced budget shall be adopted by ordinance or resolution and administered in accordance with this article; and b) a budget ordinance or resolution is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2010 - 7 Governmental Fund Budgets (Continued)

Condition: State law requires local governments to adopt annual appropriated budgets for all governmental funds. We noted during our audit, though the City did adopt budgets for the General Fund and the E-911 Special Revenue Fund, the original adopted budgets increased the fund balance deficit of the General Fund by $2,629,983 and created a fund balance deficit of $385,389 in the E-911 Fund.

Context/Cause: During our inquiry of management about these funds, it was determined the original budgets reflect budgeted deficits which led to the City not being in compliance with State law for adopting annual balanced budgets for the respective funds.

Effects: Lack of annual balanced budgets for the General Fund and E-911 Special Revenue Fund has resulted in a compliance violation with State law. However, the City's amendments to the original budgets of these funds did correct this issue in terms of not causing the fund balances to have a final budgeted deficit.

Recommendation: We recommend the City timely adopt annual balanced budgets for the General Fund and the E-911 Special Revenue Fund as required by law.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. Controls have been put in place for future fiscal periods to ensure appropriations will not exceed resources for any fund. When loading budgets, the staff will ensure total resources equal total appropriations. Additionally, budgets are monitored as part of the month end process to ensure they remain balanced.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable