# CITY OF JEFFERSON, GEORGIA

## ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED
## DECEMBER 31, 2009

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## FOR THE YEAR ENDED DECEMBER 31, 2009

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# CITY OF JEFFERSON, GEORGIA
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# FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

# INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members**
**Of City Council**
**City of Jefferson, Georgia**
**Jefferson, 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 Jefferson, Georgia** as of and for the year ended December 31, 2009, which collectively comprise the City of Jefferson, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jefferson, 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 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 Jefferson, Georgia as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison 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 June 25, 2010, on our consideration of the City of Jefferson, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 15 and the schedules of funding progress on page 51 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 Jefferson, Georgia's basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures of special purpose local option sales tax proceeds (as required by the Official Code of Georgia Annotated 48-8-21), 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 fund financial statements and schedules and schedule of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 25, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the basic financial report for the City of Jefferson, Georgia (the City), the City's management is pleased to provide this narrative overview and analysis of the financial activities of the City of Jefferson for the year that ended on December 31, 2009. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements and notes to the financial statements, to enhance their understanding of the activities and financial health of the City of Jefferson.

Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. It should be read in conjunction with the basic financial statements.

## FINANCIAL HIGHLIGHTS

The City of Jefferson, Georgia operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The City's governmental assets exceeded its liabilities by $6,951,550 (total net assets) for the year reported.

- Total net assets of governmental activities are comprised of the following:

  (1) Net assets invested in capital assets, net of related debt, of $3,396,580, include capital assets, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets and any unspent bond proceeds.
  (2) Net assets of $1,775,525 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net assets of $1,779,445 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

- The City's governmental funds reported total ending fund balance of $9,888,677 this year. This compared to the prior year ending fund balance of $9,884,522 showing an increase of $4,155 during the current year.

- At the end of the current year, the unreserved fund balance for the General Fund was $2,817,404, or 54.7% of total General Fund expenditures.

- Overall, the City continues to maintain a good financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: 1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

**Government-wide Financial Statements**

The City's annual report includes two government-wide statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid.

An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities include general government, public safety, public works, culture and recreation, and economic and community development. The business-type activities of the City of Jefferson, Georgia include the Solid Waste Collection and the Water and Sewer Treatment Plants.

The government-wide financial statements are presented on pages 16 & 17 of this report.

**Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather that the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The City reports three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to assist in understanding the differences between these two perspectives.

The City of Jefferson maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds, and Debt Service Fund. Project length budgets are adopted for the capital projects funds. A budgetary comparison schedule has been provided for the General Fund, Debt Service Fund and Special Revenue Funds to demonstrate compliance with the annual appropriated budget.

The basic governmental fund financial statements are presented on pages 18 to 21 of this report.

Individual fund information for nonmajor governmental funds is found in combining statements in a later section of this report.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's proprietary funds are classified as enterprise funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements.

Proprietary fund statements offer short-term and long-term financial information about the two activities the City operates similar to a private business, such as the solid waste collection and water and sewer treatment plants.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste collection and for the water and sewer treatment plant operation, both of which are considered to be major funds of City.

The basic proprietary fund financial statements are presented on pages 22 to 24 of this report.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The City uses an Agency Fund for the collection and remittance of cash appearance bond related activity for the City's municipal court.

The agency fund statement of fiduciary assets and liabilities is presented on page 25 of this report.

**Notes to the Basic Financial Statements**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

The notes to the financial statements begin on page 26 of this report.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's total net assets at year-end are $17,754,184. The following table provides a summary of the City's net assets:

### Summary of Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Current and other assets | $13,312,951 | $ 13,261,453 | $2,370,413 | $ 2,348,395 | $ 15,683,364 | $ 15,609,848 |
| Capital assets (net of depreciation) | 15,676,387 | 14,741,932 | 22,301,620 | 22,737,641 | 37,978,007 | 37,479,573 |
| Total Assets | 28,989,338 | 28,003,385 | 24,672,033 | 25,086,036 | 53,661,371 | 53,089,421 |
| Current and other liabilities | 3,251,246 | 3,221,156 | 524,217 | 598,209 | 3,775,463 | 3,819,365 |
| Long-term liabilities | 18,786,542 | 17,568,907 | 13,345,182 | 13,466,246 | 32,131,724 | 31,035,153 |
| Total Liabilities | 22,037,788 | 20,790,063 | 13,869,399 | 14,064,455 | 35,907,187 | 34,854,518 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 3,396,580 | 3,302,931 | 9,205,135 | 9,314,833 | 12,601,715 | 12,617,764 |
| Restricted | 1,775,525 | 1,842,451 | 4,995 | 1,098,764 | 1,780,520 | 2,941,215 |
| Unrestricted | 1,779,445 | 2,067,940 | 1,592,504 | 607,984 | 3,371,949 | 2,675,924 |
| Total Net Assets | $6,951,550 | $ 7,213,322 | $10,802,634 | $11,021,581 | $17,754,184 | $18,234,903 |

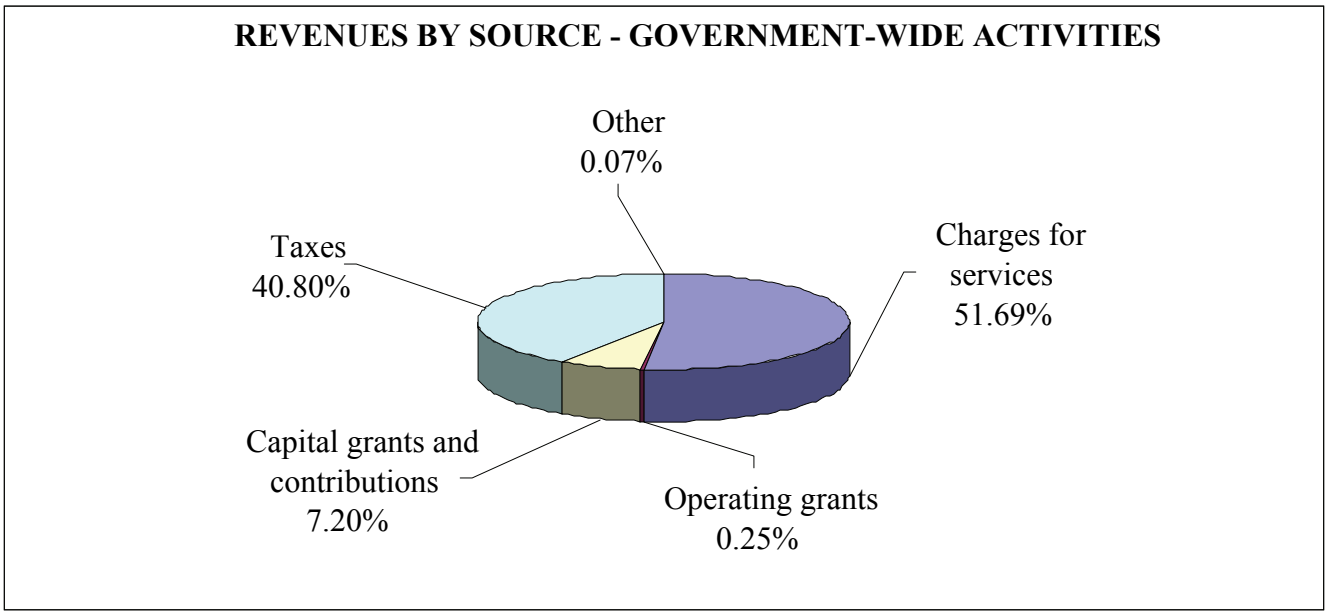
The City reported positive balances in net assets for both governmental and business-type activities. During 2009, net assets decreased $261,772 for governmental activities and a decreased $218,947 for business-type activities. The City's overall financial position decreased during year 2009. This decrease was due to the addition of the OPEB liability of $881,165 for governmental activities and $201,385 for business-type activities.

Note that approximately 54% of the governmental activities' total assets are tied up in capital assets (with 81% of the capital asset cost being depreciable). The City uses these capital assets to provide services to its citizens. Also 90% of the business-type activities assets are tied up in capital assets. Combining governmental activities with business-type activities, the City has invested approximately 71% of its total assets in capital assets, as presented in the Statement of Net Assets. Capital assets used in the business-type activities generate revenue for the Water and Sewer fund.

## Summary of Changes in Net Assets

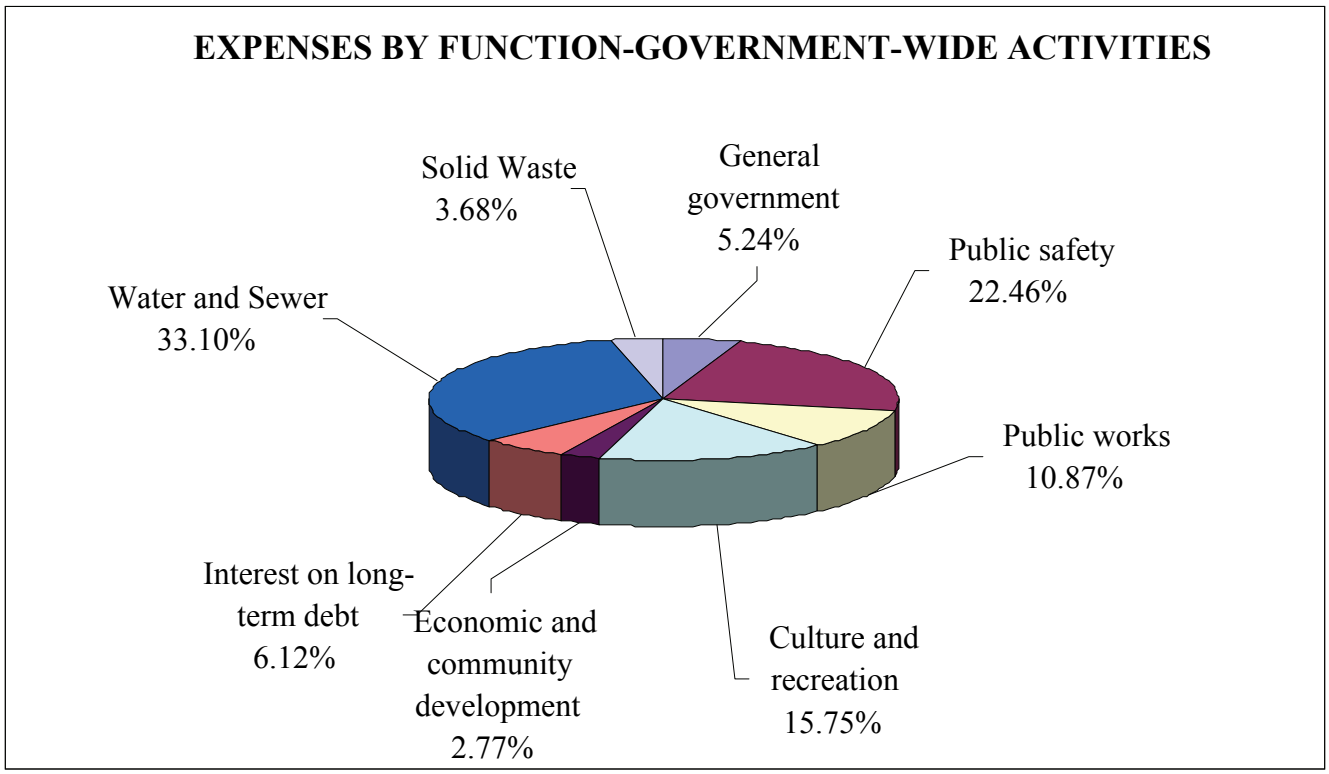
| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | | | |
| Program: | | | | | | |
| Charges for services | $1,753,721 | $1,709,215 | $4,700,596 | $4,272,465 | $6,454,317 | $5,981,680 |
| Operating grants | 31,882 | 16,320 | - | - | 31,882 | 16,320 |
| Capital grants and contributions | 772,910 | 796,481 | 50,000 | 136,376 | 822,910 | 932,857 |
| General: | | | | | | |
| Taxes | 5,093,964 | 5,163,344 | - | - | 5,093,964 | 5,163,344 |
| Other | 8,312 | 175,286 | 20 | 15,798 | 8,332 | 191,084 |
| Total revenues | 7,660,789 | 7,860,646 | 4,750,616 | 4,424,639 | 12,411,405 | 12,285,285 |
| Program Expenses: | | | | | | |
| General government | 676,057 | 523,233 | - | - | 676,057 | 523,233 |
| Public safety | 2,895,309 | 2,240,839 | - | - | 2,895,309 | 2,240,839 |
| Public works | 1,401,740 | 849,438 | - | - | 1,401,740 | 849,438 |
| Culture and recreation | 2,030,792 | 1,863,354 | - | - | 2,030,792 | 1,863,354 |
| Economic and community development | 357,540 | 392,242 | - | - | 357,540 | 392,242 |
| Interest on long-term debt | 788,788 | 797,967 | - | - | 788,788 | 797,967 |
| Water and Sewer | - | - | 4,267,710 | 4,162,427 | 4,267,710 | 4,162,427 |
| Solid Waste | - | - | 474,188 | 462,062 | 474,188 | 462,062 |
| Total expenses | 8,150,226 | 6,667,073 | 4,741,898 | 4,624,489 | 12,892,124 | 11,291,562 |
| Revenues over expenses | (489,437) | 1,193,573 | 8,718 | (199,850) | (480,719) | 993,723 |
| Transfers | 227,665 | (176,627) | (227,665) | 176,627 | - | - |
| Change in net assets | (261,772) | 1,016,946 | (218,947) | (23,223) | (480,719) | 993,723 |
| Beginning net assets | 7,213,322 | 6,196,376 | 11,021,581 | 11,044,804 | 18,234,903 | 17,241,180 |
| Ending net assets | $6,951,550 | $ 7,213,322 | $10,802,634 | $11,021,581 | $17,754,184 | $18,234,903 |

Total government-wide revenues for 2009 were $12,411,405. These revenues consisted of $5,093,964 in taxes, $822,910 in capital grants and contributions, $31,882 in operating grants, $6,454,317 in charges for services, and $8,332 in other revenues. Of this amount, $7,660,789 was in governmental activities and $4,750,616 in business-type activities. The chart below depicts further detail of government-wide revenues.




Note: Graph may not equal 100% due to rounding.

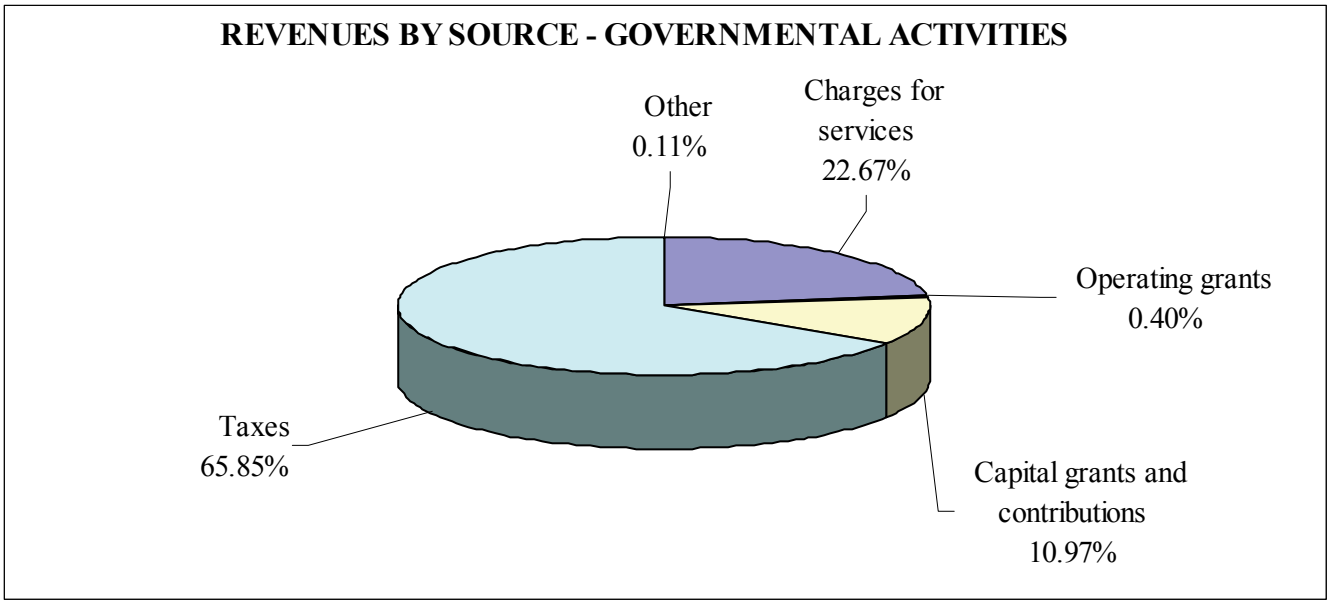
Government-wide expenses were $12,892,124 for 2009, of which $8,150,226 were for governmental activities and $4,741,898 for business-type activities. The chart below depicts further detail of government-wide expenses.




Note: Graph may not equal 100% due to rounding.

**Governmental Activities Revenues**

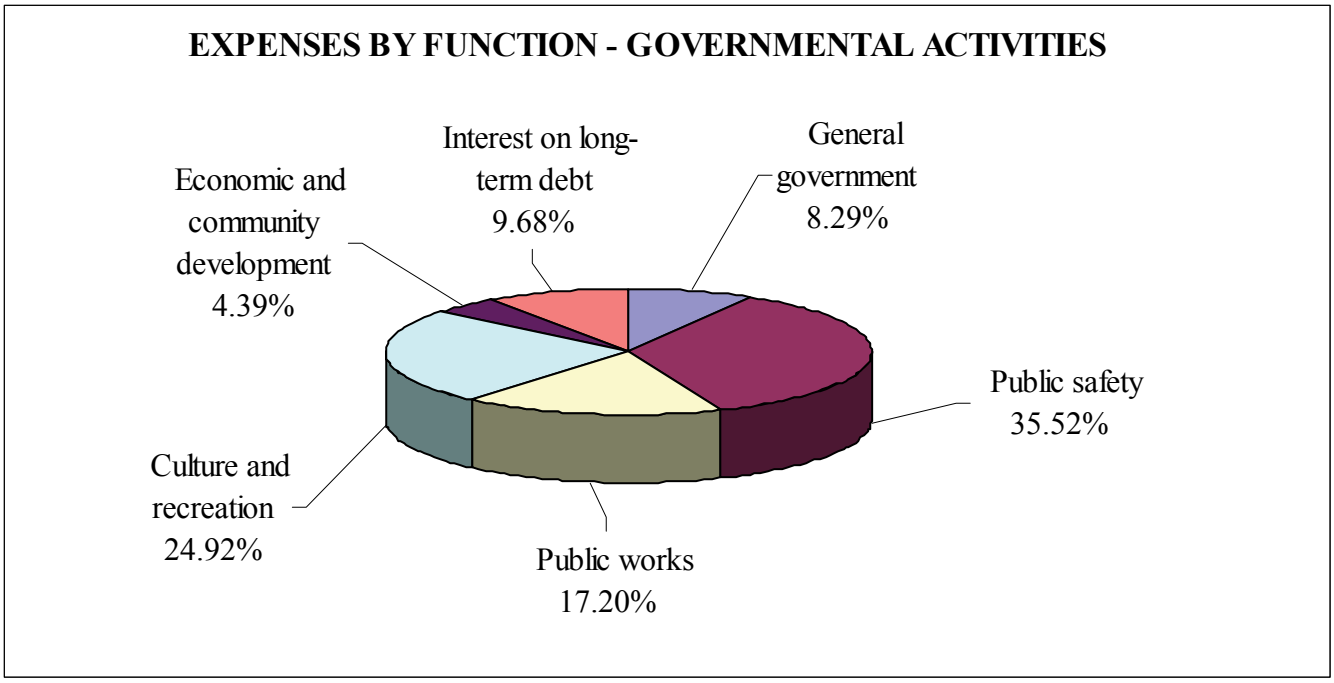
Outside of property taxes, the City's Local Option Sales Tax is one of the General Fund's most significant revenue sources, yielded $152,359 less than in the prior year. The total amount of local option sales tax revenue was $697,416. The City currently shares 1% taxes on all sales within the County. The Local Option Sales Tax (LOST) is a direct offset to property taxes and is renewed every ten years. The capital projects fund accounts for the other sales tax which is a Special Purpose Local Option Sales Tax (SPLOST) authorized by voter referendum. The current SPLOST number four, effective for six years, was approved by the voters on March 15, 2005 with collections starting July 1, 2005. The SPLOST tax is for specific capital projects and debt related to capital projects and constitutes a significant portion of the City's ability to fund capital projects in the areas of water & sewerage, road & bridges, recreation, and public safety. A total of $677,190 was expended during 2009 for these capital projects and debt service payments.




Note: Graph may not equal 100% due to rounding.

**Governmental Activities Expenses**

Expenses in the governmental activities were $8,150,226 up $1,483,154 from 2008. This increase is attributable to the additions of $881,165 for OPEB obligation. Another portion of the increase was due to the relocation of water and sewer lines on John B. Brooks Rd. This project cost $278,742 and was not considered a capital asset. Also repairs done to Lakeshore Drive costing $193,996 were done during the year. Finally, the remaining increase was due to an overall increase in administrative costs throughout the City.




Note: Graph may not equal 100% due to rounding.

**Business-Type Activities**

Business-type activities include the enterprise or proprietary funds which are established to be supported by fee revenues.

**Water and Sewer Fund –** The operating revenues the water and sewer fund were up $411,770 from prior year, while operating expenses increased by $265,229 from 2008. The increase in revenue is mainly due to the lifting of the ban on outside watering. The increase in expenses is primarily attributable in increased overall cost of water treatment supplies and employee benefits.

**Solid Waste Fund –** The operating revenue for Solid Waste Fund were up $16,361 from prior year, while operating expenses increased by $12,126. The revenue in this fund increased due to slight increase in number of customers and the expenditure increase was due to increase in employee benefits cost.

**FUND ANALYSIS**

**Governmental Funds**

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $9,888,677 compared to $9,884,522 at December 31, 2008. The increase relates to the following funds.

The increase is mainly due to the General Fund. During the year departments were asked to cut their budgets by 10% as a result of the declining economy. This resulted in an $761,152 increase in fund balance. There was also a small increase of $1,261 in fund balance for the Debt Service Fund. Also during 2009 the City spent debt proceeds held in escrow, for payment of current and future road projects,

this activity is in the Capital Projects Fund. This resulted in a decrease of $690,309 of fund balance. The Nonmajor Governmental Funds also showed a decrease of $67,949 of fund balance. This decrease was a result of increased expenditures for projects related to SPLOST money and grant money.

Of this year-end total, $2,822,127 is unreserved indicating availability for continuing City service delivery requirements. Legally restricted fund balances (i.e., the reserved fund balances) include $733,739 set aside for debt service payments, $878,010 is for use as stated in the SPLOST referendum, and $5,453,881 for use in capital projects.

**Major Governmental Funds**

**General Fund –** The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance increased by $761,152 or 37%. The ending unreserved fund balance is considered very adequate, representing the equivalent of 54.7% of annual expenditures.

The increase was due to efforts to control operating costs. The intention of this was to continue to put the City in a better financial position.

**Debt Service** – The Debt Service Fund is used to show principal and interest payments made to payoff existing debt. The decrease in fund balance is a result of a prior year balance in a debt service bond account that was used to pay a portion of the current year's payment. This resulted in a decrease of assets in the debt service fund.

**Capital Project** – The Capital Project Fund is used to show payments made toward approved projects for the 2007 Road Bonds. Fund balance in this fund decreased $690,309 because of payments made on approved projects. The only revenue in this fund was interest income of $5,937.

**Proprietary Funds**

Proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The business-type activities analysis discusses the City's two enterprise funds.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's revenue budget was amended downward in 2009 by $54,500 or .79%.

Charges for services was reduced by $100,000 because after finalizing year 2008 it was realized that the Recreation department was not going to meet revenue projections for 2010. A budget was set up due to an increase in library fines and technology fund revenue not originally in the budget.

Property taxes came in over budget by $220,428. This was due to City being conservative when budgeting for property tax collection. Due to the declining economy public officials feared that property tax collection might also see a decrease.

Sales and use taxes came in under budget by $212,389 due to the declining economic market. This number is dependent on sales in area stores; however, the State of Georgia as a whole has seen a decrease in collections.

Franchise fees came in $81,646 over budget. This was the result of additional annexations into the City of Jefferson, Georgia.

The licenses and permits came in significantly under budget, $187,783, due to the change in the economy. This number is driven by the issuance of building permits for new homes and new industry developments. In prior years the City has seen a huge increase in new homes being built and this was significantly affected by the struggling home market felt throughout the nation.

Fines and forfeitures came in under budget by $79,510 due to decrease in traffic violations and other fines collected by the police department.

In total, the City recognized only 97% of the final revenue budget. The General Fund's expenditure budget was increased $34,125 or .57%. In total, the City under spent the final expenditure budget by $889,869 or 14.8%.

Differences between the original budget, the final budget and actual results are shown on pages 21 for the General Fund and 54 to 57 for other governmental funds.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**CAPITAL ASSETS:** The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2009, were $15,580,436 and $22,301,620 respectively. The change in this net investment was an approximate increase for governmental activities and a decrease for business-type activities. See Note 6 for additional information about changes in capital assets during the calendar year and outstanding at the end of the year.

### Capital Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Non-depreciable assets: | | | | | | |
| Land | $ 1,393,495 | $ 1,363,120 | $ 839,450 | $ 839,450 | $ 2,232,945 | $ 2,202,570 |
| Construction in progress | 1,518,733 | 537,868 | 660,492 | 649,314 | 2,179,225 | 1,187,182 |
| Total non-depreciable | $ 2,912,228 | $ 1,900,988 | $ 1,499,942 | $ 1,488,764 | $ 4,412,170 | $ 3,389,752 |
| Depreciable assets: | | | | | | |
| Buildings | 9,935,566 | 9,896,552 | - | - | 9,935,566 | 9,896,552 |
| Water Distribution | - | - | 11,397,326 | 11,251,556 | 11,397,326 | 11,251,556 |
| Sewer Distribution | - | - | 16,161,231 | 16,161,231 | 16,161,231 | 16,161,231 |
| Improvements | 338,884 | 328,680 | 22,432 | 22,432 | 361,316 | 351,112 |
| Machinery and Equipment | 2,881,584 | 2,426,036 | 423,806 | 359,442 | 3,305,390 | 3,785,478 |
| Infrastructure | 2,924,327 | 2,876,063 | - | - | 2,924,327 | 2,876,063 |
| Total depreciable assets | 16,080,361 | 15,527,331 | 28,004,795 | 27,794,661 | 44,085,156 | 44,321,992 |
| Less accumulated depreciation | 3,316,202 | 2,686,387 | 7,203,117 | 6,545,784 | 10,519,319 | 9,232,171 |
| Book value – depreciable assets | 12,764,159 | 12,840,944 | 20,801,678 | 21,248,877 | 33,565,837 | 35,089,821 |
| Percentage depreciated | 21% | 17% | 26% | 24% | 24% | 21% |
| Total book value | $15,676,387 | $14,741,932 | $22,301,620 | $22,737,641 | $37,978,007 | $38,479,573 |

Major capital asset activities in governmental activities in 2009 were:

- Machinery and equipment increased by $455,548 due to the addition of a new fire service truck costing $250,886 and an increase in the police vehicle fleet.

- Additions to construction in progress in the amount of $988,438. These projects include, but are not limited to, the museum renovation, civic center parking lot, downtown streetscape, and John B Brooks paving project.

At December 31, 2009, the depreciable capital assets for governmental activities were 21% depreciated, slightly above the 2008 percentage of 17%. This comparison indicates that the city is replacing its assets at about the same rate as they are depreciating which is a positive indicator.

Major capital asset activities in business type activities in 2008 were:

- Additions to water distribution in the amount of $145,770. These projects include, well site project completion of $103,571, and new gates at the reservoir costing $42,000.

- In classification machinery and equipment there was an increase of $64,364. The majority of this increase was due to the city purchasing a new solar bee to help with the circulation of water in the reservoir, which cost $51,264.

## Long-term Debt

The City's long-term debt increased by approximately $1,200,000 during 2009. Bond principal payments on governmental activities are not scheduled to begin until 2010.

**Long-term Debt**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenue bonds | $ 17,221,782 | $ 17,217,534 | $ 6,315,040 | $ 4,290,000 | $ 23,536,822 | $ 21,555,000 |
| Notes payable | 207,860 | 166,618 | 6,781,445 | 9,132,808 | 6,989,305 | 9,299,427 |
| Capital leases | 304,046 | 41,508 | - | - | 304,046 | 41,508 |
| Net pension obligation | 20,488 | 4,541 | - | - | 20,488 | 4,541 |
| Net OPEB obligation | 881,165 | - | 201,385 | | 1,082,550 | |
| Compensated absences | 151,201 | 138,706 | 47,312 | 43,438 | 198,513 | 182,144 |
| Total | $ 18,786,542 | $ 17,568,907 | $13,345,182 | $13,466,246 | $ 32,131,724 | $ 31,082,620 |

Additional information on the City's debt is contained in Note 8 beginning on page 39.

## ECONOMIC FACTORS

The economies of Jackson County and the City of Jefferson are experiencing moderate growth as the Atlanta market expands northeast up the I-85 corridor. Starting in the 80's, The City of Jefferson has worked hard to develop infrastructure to support commercial and industrial growth. The Mayor and Council work closely with the Jackson County Chamber of Commerce and state-wide developers to bring new commercial and industrial growth to the area.

The community has been successful in attracting many small and medium sized manufacturing companies to the Jefferson area. In the past five years, several new industrial parks have been developed both inside the city limits as well as adjacent to the city. Developers maintain an active available buildings program and many will build-to-suit on sites within their industrial parks.

An active economic development roads project in the county has also opened up several commercial corridors which have begun attracting quality commercial shopping centers as well as hotels and retail centers. Recently John B. Brooks Road has been widened, Hog Mtn. Road is currently being widened and MLK Dr. is in the design phase to be widened. The Downtown Development Authority and Main Street Jefferson are working hard on beautification and redevelopment of the downtown area. Construction is scheduled to begin June 7, 2010 on the Downtown Streetscape Project.

Large Acreage Industrial Parks in Jefferson and the surrounding area include:

1) Walnut Fork Industrial Park
2) McClure Industrial Park
3) Jefferson Mill Business Park
4) Jackson 85 Distribution Park

The Central Jackson Industrial Park serves the needs of smaller acreage businesses and two commercial corridors along the 129 Bypass and Concord Road service the needs of our growing commercial and retail businesses.

In May 2010 a nation electronics firm signed a lease on a nearly 500,000 sq/ft. industrial building on Hog Mtn. Road. The firm will use the building for distribution, a call center and 30,000 sq/ft of electronics retail. Overall, the firm is expecting to hire 400+ new workers.

Top ten employers in Jackson County in 2009 are listed below:

| | |
|---|---|
| • Wayne Farms | 1,350 |
| • Jackson County Board of Education | 825 |
| • Jackson EMC | 650 |
| • Baker & Taylor | 500 |
| • Haverty's | 450 |
| • BJC Medical Center | 411 |
| • Jackson County Government | 400 |
| • Mission Foods | 385 |
| • TenCate Nicolon | 235 |
| • Roper Pump Company | 200 |

The nationwide recession has affected our City as it has the rest of the nation. In an effort to offset this negative economic impact, in the 2010 budget, the City did not allow any additional positions and budgeted for only necessary capital outlay items related to public safety.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Jefferson's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City's Finance Director at 147 Athens Street, Jefferson, GA 30549.

# BASIC FINANCIAL STATEMENTS

# CITY OF JEFFERSON, GEORGIA

## STATEMENT OF NET ASSETS
## DECEMBER 31, 2009

| ASSETS | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| Cash and cash equivalents | $ 4,350,588 | $ 1,452,682 | $ 5,803,270 |
| Receivables, net of allowance for uncollectibles | 2,017,797 | 563,093 | 2,580,890 |
| Due from other governments | 449,344 | 707 | 450,051 |
| Inventory | 920 | 166,235 | 167,155 |
| Restricted cash and cash equivalents | 6,211,498 | 4,995 | 6,216,493 |
| Deferred charges | 282,804 | 182,701 | 465,505 |
| Capital assets, non-depreciable | 2,912,228 | 1,499,942 | 4,412,170 |
| Capital assets, depreciable, net of accumulated depreciation | 12,764,159 | 20,801,678 | 33,565,837 |
| Total assets | 28,989,338 | 24,672,033 | 53,661,371 |
| **LIABILITIES** | | | |
| Accounts and retainage payable | 349,604 | 192,401 | 542,005 |
| Accrued liabilities | 239,546 | 110,672 | 350,218 |
| Unearned revenue | 2,662,096 | - | 2,662,096 |
| Customer deposits payable | - | 221,144 | 221,144 |
| Compensated absences, due within one year | 102,702 | 32,136 | 134,838 |
| Compensated absences, due in more than one year | 48,499 | 15,176 | 63,675 |
| Net pension obligation, due in more than one year | 20,488 | - | 20,488 |
| Net OPEB obligation, due in more than one year | 881,165 | 201,385 | 1,082,550 |
| Bonds payable, due within one year | 310,000 | 580,000 | 890,000 |
| Bonds payable, due in more than one year | 16,911,782 | 5,735,040 | 22,646,822 |
| Capital lease payable, due within one year | 86,695 | - | 86,695 |
| Capital lease payable, due in more than one year | 217,351 | - | 217,351 |
| Notes payable, due within one year | 51,318 | 256,451 | 307,769 |
| Notes payable, due in more than one year | 156,542 | 6,524,994 | 6,681,536 |
| Total liabilities | 22,037,788 | 13,869,399 | 35,907,187 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 3,396,580 | 9,205,135 | 12,601,715 |
| Restricted for: | | | |
| Debt service | 733,739 | 4,995 | 738,734 |
| Capital projects | 878,010 | - | 878,010 |
| Public safety | 151,311 | - | 151,311 |
| Tourism | 12,465 | - | 12,465 |
| Unrestricted | 1,779,445 | 1,592,504 | 3,371,949 |
| Total net assets | $ 6,951,550 | $ 10,802,634 | $ 17,754,184 |

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

# CITY OF JEFFERSON, GEORGIA

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2009

| 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 | $ 676,057 | $ 188,570 | $ 22,048 | $ - | $ (465,439) | $ - | $ (465,439) |
| Public safety | 2,895,309 | 807,437 | 1,867 | 8,088 | (2,077,917) | - | (2,077,917) |
| Public works | 1,401,740 | - | - | 494,659 | (907,081) | - | (907,081) |
| Culture and recreation | 2,030,792 | 585,843 | 7,967 | 270,163 | (1,166,819) | - | (1,166,819) |
| Economic and community development | 357,540 | 171,871 | - | - | (185,669) | - | (185,669) |
| Interest on long-term debt | 788,788 | - | - | - | (788,788) | - | (788,788) |
| Total governmental activities | 8,150,226 | 1,753,721 | 31,882 | 772,910 | (5,591,713) | - | (5,591,713) |
| Business-type activities: | | | | | | | |
| Water and Sewer | 4,267,710 | 4,184,239 | - | 50,000 | - | (33,471) | (33,471) |
| Solid waste | 474,188 | 516,357 | - | - | - | 42,169 | 42,169 |
| Total business-type activities | 4,741,898 | 4,700,596 | - | 50,000 | - | 8,698 | 8,698 |
| Total primary government | $ 12,892,124 | $ 6,454,317 | $ 31,882 | $ 822,910 | (5,591,713) | 8,698 | (5,583,015) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 2,956,693 | - | 2,956,693 |
| Sales taxes | | | | | 904,996 | - | 904,996 |
| Franchise taxes | | | | | 991,646 | - | 991,646 |
| Hotel/Motel occupancy tax | | | | | 24,316 | - | 24,316 |
| Business taxes | | | | | 216,313 | - | 216,313 |
| Unrestricted investment earnings | | | | | 8,312 | 20 | 8,332 |
| Transfers | | | | | 227,665 | (227,665) | - |
| Total general revenues and transfers | | | | | 5,329,941 | (227,645) | 5,102,296 |
| Change in net assets | | | | | (261,772) | (218,947) | (480,719) |
| Net assets, beginning of year | | | | | 7,213,322 | 11,021,581 | 18,234,903 |
| Net assets, end of year | | | | | $ 6,951,550 | $ 10,802,634 | $ 17,754,184 |

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

# CITY OF JEFFERSON, GEORGIA

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## DECEMBER 31, 2009

| ASSETS | Major Governmental Funds: General | Major Governmental Funds: Debt Service | Major Governmental Funds: Capital Projects | Nonmajor Governmental Funds | Totals Governmental Funds |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 3,420,979 | $ - | $ - | $ 929,609 | $ 4,350,588 |
| Taxes receivable, net | 901,227 | - | - | 4,067 | 905,294 |
| Accounts receivable | 1,112,503 | - | - | - | 1,112,503 |
| Intergovernmental receivable | 106,888 | - | - | 342,456 | 449,344 |
| Due from other funds | 126,604 | - | - | 180 | 126,784 |
| Inventory | 920 | - | - | - | 920 |
| Restricted cash | - | 733,739 | 5,453,881 | 23,878 | 6,211,498 |
| Total assets | $ 5,669,121 | $ 733,739 | $ 5,453,881 | $ 1,300,190 | $ 13,156,931 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 71,136 | $ - | $ 95,951 | $ 120,094 | $ 287,181 |
| Accrued salaries | 22,405 | - | - | - | 22,405 |
| Due to other funds | 180 | - | 12,114 | 114,490 | 126,784 |
| Retainage payable | - | - | 50,988 | 11,435 | 62,423 |
| Deferred revenue | 2,757,076 | - | - | 12,385 | 2,769,461 |
| Total liabilities | 2,850,797 | - | 159,053 | 258,404 | 3,268,254 |
| **FUND BALANCES (DEFICIT)** | | | | | |
| Reserved for: | | | | | |
| Inventory | 920 | - | - | - | 920 |
| Debt service | - | 733,739 | - | - | 733,739 |
| Capital projects | - | - | 5,453,881 | 878,010 | 6,331,891 |
| Unreserved, undesignated (deficit), reported in: | | | | | |
| General Fund | 2,817,404 | - | - | - | 2,817,404 |
| Special revenue funds | - | - | - | 163,776 | 163,776 |
| Capital project funds | - | - | (159,053) | - | (159,053) |
| Total fund balances | 2,818,324 | 733,739 | 5,294,828 | 1,041,786 | 9,888,677 |
| Total liabilities and fund balances | $ 5,669,121 | $ 733,739 | $ 5,453,881 | $ 1,300,190 | |

| | |
|---|---|
| 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. | 15,676,387 |
| Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 107,365 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (18,720,879) |
| Net assets of governmental activities | $ 6,951,550 |

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

# CITY OF JEFFERSON, GEORGIA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2009

| | Major Governmental Funds | | | Nonmajor Governmental Funds | Totals Governmental Funds |
|---|---|---|---|---|---|
| | General | Debt Service | Capital Projects | | |
| **Revenues** | | | | | |
| Taxes: | | | | | |
| Property taxes | $ 2,972,681 | $ - | $ - | $ - | $ 2,972,681 |
| Sales taxes | 892,611 | - | - | - | 892,611 |
| Hotel/Motel occupancy taxes | - | - | - | 24,316 | 24,316 |
| Franchise taxes | 991,646 | - | - | - | 991,646 |
| Business taxes | 239,941 | - | - | - | 239,941 |
| Licenses and permits | 297,320 | - | - | - | 297,320 |
| Intergovernmental | 15,975 | - | - | 689,809 | 705,784 |
| Fines and forfeitures | 415,990 | - | - | 231,385 | 647,375 |
| Charges for services | 717,581 | - | - | - | 717,581 |
| Investment earnings | 589 | 1,261 | 5,937 | 525 | 8,312 |
| Contributions and donations | 8,679 | - | - | 9,475 | 18,154 |
| Other revenues | 91,445 | - | - | - | 91,445 |
| Total revenues | 6,644,458 | 1,261 | 5,937 | 955,510 | 7,607,166 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General government | 502,177 | - | - | 10,704 | 512,881 |
| Public safety | 2,135,788 | - | - | 183,513 | 2,319,301 |
| Public works | 680,909 | - | - | 70,365 | 751,274 |
| Culture and recreation | 1,551,294 | - | - | 314,809 | 1,866,103 |
| Economic and community development | 281,655 | - | - | 10,000 | 291,655 |
| Capital outlay | - | - | 1,114,364 | 531,386 | 1,645,750 |
| Debt service: | | | | | |
| Principal | - | 222,700 | - | - | 222,700 |
| Interest | - | 757,645 | - | - | 757,645 |
| Total expenditures | 5,151,823 | 980,345 | 1,114,364 | 1,120,777 | 8,367,309 |
| Excess (deficiency) of revenues over (under) expenditures | 1,492,635 | (979,084) | (1,108,427) | (165,267) | (760,143) |
| **Other financing sources (uses):** | | | | | |
| Proceeds from sale of capital assets | 10,153 | - | - | - | 10,153 |
| Capital leases and notes payable incurred | - | - | 369,386 | 157,094 | 526,480 |
| Transfers in | 299,346 | 980,345 | 48,732 | 100,618 | 1,429,041 |
| Transfers out | (1,040,982) | - | - | (160,394) | (1,201,376) |
| Total other financing sources (uses) | (731,483) | 980,345 | 418,118 | 97,318 | 764,298 |
| Net change in fund balances | 761,152 | 1,261 | (690,309) | (67,949) | 4,155 |
| **Fund balances, beginning of year** | 2,057,172 | 732,478 | 5,985,137 | 1,109,735 | 9,884,522 |
| **Fund balances, end of year** | $ 2,818,324 | $ 733,739 | $ 5,294,828 | $ 1,041,786 | $ 9,888,677 |

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

# CITY OF JEFFERSON, GEORGIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2009

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

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 4,155 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | | 943,167 |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales and contributions) is to decrease net assets. | | (8,712) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 44,148 |
| 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | (303,780) |
| 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. | | (940,750) |
| **Change in net assets - governmental activities** | $ | (261,772) |

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

# CITY OF JEFFERSON, GEORGIA

## GENERAL FUND
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
## FOR THE YEAR ENDED DECEMBER 31, 2009

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **Revenues:** | | | | |
| Property taxes | $ 2,745,253 | $ 2,752,253 | $ 2,972,681 | $ 220,428 |
| Sales taxes | 1,105,000 | 1,105,000 | 892,611 | (212,389) |
| Franchise taxes | 910,000 | 910,000 | 991,646 | 81,646 |
| Business taxes | 240,000 | 240,000 | 239,941 | (59) |
| Licenses and permits | 492,103 | 485,103 | 297,320 | (187,783) |
| Intergovernmental | 47,073 | 47,073 | 15,975 | (31,098) |
| Fines and forfeitures | 450,000 | 495,500 | 415,990 | (79,510) |
| Charges for services | 819,637 | 719,637 | 717,581 | (2,056) |
| Investment earnings | 12,000 | 12,000 | 589 | (11,411) |
| Contributions and donations | - | - | 8,679 | 8,679 |
| Other revenues | 82,000 | 82,000 | 91,445 | 9,445 |
| Total revenues | 6,903,066 | 6,848,566 | 6,644,458 | (204,108) |
| **Expenditures:** | | | | |
| **Current:** | | | | |
| **General government** | 490,231 | 581,631 | 502,177 | 79,454 |
| **Public safety:** | | | | |
| Police | 1,899,906 | 1,925,406 | 1,691,908 | 233,498 |
| Fire | 500,179 | 500,179 | 443,880 | 56,299 |
| Total public safety | 2,400,085 | 2,425,585 | 2,135,788 | 289,797 |
| **Public works** | 878,428 | 878,428 | 680,909 | 197,519 |
| **Culture and recreation:** | | | | |
| Recreation | 303,050 | 303,050 | 234,042 | 69,008 |
| Parks | 1,232,914 | 1,132,914 | 1,107,133 | 25,781 |
| Libraries | 190,306 | 231,531 | 206,561 | 24,970 |
| Payments to other agencies | 32,350 | 8,350 | 3,558 | 4,792 |
| Total culture and recreation | 1,758,620 | 1,675,845 | 1,551,294 | 124,551 |
| **Economic and Community Development** | 480,203 | 480,203 | 281,655 | 198,548 |
| Total expenditures | 6,007,567 | 6,041,692 | 5,151,823 | 889,869 |
| Excess of revenues over expenditures | 895,499 | 806,874 | 1,492,635 | 685,761 |
| **Other financing sources (uses):** | | | | |
| Proceeds from sale of capital assets | 5,000 | 5,000 | 10,153 | 5,153 |
| Transfers in | 25,200 | 116,600 | 299,346 | 182,746 |
| Transfers out | (991,063) | (1,128,062) | (1,040,982) | 87,080 |
| Total other financing sources (uses) | (960,863) | (1,006,462) | (731,483) | 274,979 |
| Net change in fund balances | (65,364) | (199,588) | 761,152 | 960,740 |
| **Fund balances, beginning of year** | 2,057,172 | 2,057,172 | 2,057,172 | - |
| **Fund balances, end of year** | $ 1,991,808 | $ 1,857,584 | $ 2,818,324 | $ 960,740 |

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

# CITY OF JEFFERSON, GEORGIA

## STATEMENT OF NET ASSETS
## PROPRIETARY FUNDS
## DECEMBER 31, 2009

| ASSETS | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water and Sewer Fund | Solid Waste Fund | Totals |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | $ 1,360,783 | $ 91,899 | $ 1,452,682 |
| Accounts receivable, net | 483,372 | 79,721 | 563,093 |
| Intergovernmental receivable | 707 | - | 707 |
| Inventory | 166,235 | - | 166,235 |
| Restricted cash | 4,995 | - | 4,995 |
| Total current assets | 2,016,092 | 171,620 | 2,187,712 |
| **NONCURRENT ASSETS** | | | |
| Deferred charges | 182,701 | - | 182,701 |
| Capital assets: | | | |
| Nondepreciable | 1,499,942 | - | 1,499,942 |
| Depreciable assets, net of accumulated depreciation | 20,801,678 | - | 20,801,678 |
| Total noncurrent assets | 22,484,321 | - | 22,484,321 |
| Total assets | 24,500,413 | 171,620 | 24,672,033 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | 92,229 | 36,880 | 129,109 |
| Accrued salaries | 4,242 | 248 | 4,490 |
| Retainage payable | 63,292 | - | 63,292 |
| Accrued interest | 106,182 | - | 106,182 |
| Compensated absences payable, current | 32,004 | 132 | 32,136 |
| Customer deposits payable | 221,144 | - | 221,144 |
| Notes payable, current | 256,451 | - | 256,451 |
| Bonds payable, current | 580,000 | - | 580,000 |
| Total current liabilities | 1,355,544 | 37,260 | 1,392,804 |
| **NONCURRENT LIABILITIES** | | | |
| Compensated absences payable | 15,114 | 62 | 15,176 |
| OPEB obligation | 201,385 | - | 201,385 |
| Notes payable | 6,524,994 | - | 6,524,994 |
| Bonds payable | 5,735,040 | - | 5,735,040 |
| Total noncurrent liabilities | 12,476,533 | 62 | 12,476,595 |
| Total liabilities | 13,832,077 | 37,322 | 13,869,399 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 9,205,135 | - | 9,205,135 |
| Restricted for debt service | 4,995 | - | 4,995 |
| Unrestricted | 1,458,206 | 134,298 | 1,592,504 |
| Total net assets | $ 10,668,336 | $ 134,298 | $ 10,802,634 |

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

# CITY OF JEFFERSON, GEORGIA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
## PROPRIETARY FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2009

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| **OPERATING REVENUES** | **Water and Sewer Fund** | **Solid Waste Fund** | **Totals** |
| Charges for services: | | | |
| Water charges | $ 2,719,666 | $ - | $ 2,719,666 |
| Sewer charges | 1,383,981 | - | 1,383,981 |
| Refuse collection charges | - | 516,357 | 516,357 |
| Miscellaneous revenue | 80,592 | - | 80,592 |
| Total operating revenues | 4,184,239 | 516,357 | 4,700,596 |
| **OPERATING EXPENSES** | | | |
| Personal services and benefits | 958,689 | 32,435 | 991,124 |
| Purchased and contracted services | 1,402,243 | 440,751 | 1,842,994 |
| Supplies | 809,286 | 1,002 | 810,288 |
| Depreciation and amortization | 671,921 | - | 671,921 |
| Total operating expenses | 3,842,139 | 474,188 | 4,316,327 |
| Operating income | 342,100 | 42,169 | 384,269 |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| Investment earnings | 20 | - | 20 |
| Interest expense | (425,571) | - | (425,571) |
| Intergovernmental revenue | 50,000 | - | 50,000 |
| Total non-operating revenues (expenses) | (375,551) | - | (375,551) |
| Income (loss) before transfers | (33,451) | 42,169 | 8,718 |
| Transfers in | 57,091 | - | 57,091 |
| Transfers out | (283,357) | (1,399) | (284,756) |
| | (226,266) | (1,399) | (227,665) |
| Change in net assets | (259,717) | 40,770 | (218,947) |
| **NET ASSETS, beginning of year** | 10,928,053 | 93,528 | 11,021,581 |
| **NET ASSETS, end of year** | $ 10,668,336 | $ 134,298 | $ 10,802,634 |

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

# CITY OF JEFFERSON, GEORGIA

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2009

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water and Sewer Fund | Solid Waste Fund | Total |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers and users | $ 4,166,646 | $ 511,434 | $ 4,678,080 |
| Payments to vendors | (2,224,698) | (439,862) | (2,664,560) |
| Payments to or on behalf of employees | (766,051) | (37,259) | (803,310) |
| Net cash provided by operating activities | 1,175,897 | 34,313 | 1,210,210 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | | |
| Transfers from other funds | 57,091 | - | 57,091 |
| Transfers to other funds | (283,357) | (1,399) | (284,756) |
| Received payment on advance to other fund | 195,716 | - | 195,716 |
| Net cash used in non-capital financing activities | (30,550) | (1,399) | (31,949) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Cash received for capital purchases | 50,000 | - | 50,000 |
| Principal payments on notes payable | (3,044,890) | - | (3,044,890) |
| Defeasance of bonds | (4,386,607) | - | (4,386,607) |
| Proceeds from long-term borrowings | 7,145,014 | - | 7,145,014 |
| Bond closing costs | (188,168) | - | (188,168) |
| Interest paid | (437,490) | - | (437,490) |
| Purchases of capital assets | (221,312) | - | (221,312) |
| Net cash used in capital and related financing activities | (1,083,453) | - | (1,083,453) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | 20 | - | 20 |
| Net cash provided by investing activities | 20 | - | 20 |
| Net increase in cash and cash equivalents | 61,914 | 32,914 | 94,828 |
| **Cash and cash equivalents, beginning of year** | 1,303,864 | 58,985 | 1,362,849 |
| **Cash and cash equivalents, end of year** | $ 1,365,778 | $ 91,899 | $ 1,457,677 |
| **Reconciliation to the statement of net assets** | | | |
| Cash and cash equivalents | $ 1,360,783 | $ 91,899 | $ 1,452,682 |
| Restricted cash | 4,995 | - | 4,995 |
| Total | $ 1,365,778 | $ 91,899 | $ 1,457,677 |
| **Reconciliation of operating income to net cash provided by operating activities:** | | | |
| Operating income | $ 342,100 | $ 42,169 | $ 384,269 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 671,921 | - | 671,921 |
| Change in assets and liabilities: | | | |
| Increase in accounts and intergovernmental receivables | (17,593) | (4,923) | (22,516) |
| Decrease in inventory | 33,350 | - | 33,350 |
| Increase (decrease) in accounts payable | (107,174) | 1,891 | (105,283) |
| Decrease in accrued salaries | (16,303) | (1,142) | (17,445) |
| Increase in retainage payable | 53,826 | - | 53,826 |
| Increase (decrease) in compensated absences | 7,556 | (3,682) | 3,874 |
| Increase in OPEB obligation | 201,385 | - | 201,385 |
| Increase in customer deposits payable | 6,829 | - | 6,829 |
| Net cash provided by operating activities | $ 1,175,897 | $ 34,313 | $ 1,210,210 |

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

# CITY OF JEFFERSON, GEORGIA

## STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
## AGENCY FUND
## DECEMBER 31, 2009

| ASSETS | Agency Fund |
|---|---|
| Cash | $ 11,500 |
| Total assets | $ 11,500 |
| **LIABILITIES** | |
| Due to other agencies | $ 11,500 |
| Total liabilities | $ 11,500 |

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

## Note 1. Summary of Significant Accounting Policies

### A. Reporting Entity

The City of Jefferson (the "City") was incorporated in 1806 under a Mayor-Council form of government. The City provides such services as police protection, fire and rescue services, parks and recreation amenities, planning and zoning, municipal court services, public works, water and sewer services, sanitation services, and general and administrative services.

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States of America 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 accounting policies of the City are described below.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended component units, although also legally separate entities, are in substance, part of the City's operations, and data from these units are combined with the data of the City of Jefferson.

The Public Building Authority of the City of Jefferson was established as a legally separate entity on April 16, 1999. The five (5) members of the Public Building Authority are appointed by the Mayor and City Council and they may also be removed by the Mayor and City Council. Although it is legally separate from the City, the Public Building Authority is reported as if it were a part of the primary government because its sole purpose is to provide a means to issue revenue bonds for development within the City.

## 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 non-fiduciary activities of the primary government and its component unit. (For the most part, the effect of interfund activity has been removed from these 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 normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable. The statement of net assets will include 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 segments 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 properly included among program revenues are reported instead as general revenues.

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

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It is used to account for resources traditionally associated with the City, which are not required legally or by sound financial management to be accounted for in a different fund.

The ***Debt Service Fund*** accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest associated with general government functions.

The ***Capital Projects Fund*** accounts for the acquisition and construction of capital expenditures, other than those accounted for in specific funds, which are not financed by the proprietary funds.

The City aggregates other nonmajor governmental funds in a single column in the fund financial statements.

## Note 1. Summary of Significant Accounting Policies (Continued)

### B. Government-wide and Fund Financial Statements (Continued)

The City reports the following major enterprise funds:

The ***Water and Sewer Fund*** accounts for the operation of the water and sewerage system including all revenues from sources applicable to the system's operations and all expenses of the operation.

The ***Solid Waste Fund*** accounts for the activities associated with the collection of residential and commercial garbage. Activity is rendered on a user charge basis.

Additionally, the City reports the following fund types:

The ***Agency Fund*** is used to account for assets held by the City's Municipal Court until they can be disbursed to other parties.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and *the accrual basis* of accounting, as are the proprietary and fiduciary 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 in the year for which they are levied. Other taxes are recognized predominately when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

## Note 1. Summary of Significant Accounting Policies (Continued)

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

Property taxes, sales taxes, franchise taxes, hotel/motel occupancy taxes, business taxes, licenses, intergovernmental revenue, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. 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.

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

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.

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 government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 government's enterprise fund are charges to customers for goods and services. 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.

## Note 1. Summary of Significant Accounting Policies (Continued)

### D. Budgets

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds, except the capital projects funds, which adopt project-length budgets. All appropriations lapse at 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. Deposits

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 State of Georgia local government investment pool; (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. 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.

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### F. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the 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."

### G. Inventory

Inventories are valued at lower of cost or market 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.

## Note 1. Summary of Significant Accounting Policies (Continued)

### H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items in both government-wide and fund financial statements.

### I. Restricted Assets

Proceeds of the 1998 Water and Sewer Revenue Bond Issue are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is limited by applicable bond covenants. In addition, monies held in the Confiscated Assets Fund as federal confiscations are restricted until released to the appropriate authority.

### J. 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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Exceptions, include software which has a capitalization threshold of $20,000 and infrastructure which varies from $25,000-$100,000, depending on the nature of the infrastructure: roads, bridges/culverts and parking lots- $100,000; storm drains, sidewalks, bike paths/greenway trails- $50,000; traffic signals- $60,000; water/sewer lines- $25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation. As allowed under GASB Statement No. 34, the City did not capitalize any infrastructure purchased or donated prior to the implementation of GASB Statement No. 34.

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

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

| Asset | Years |
|---|---|
| Buildings and building improvements | 10-60 |
| Machinery, equipment, and vehicles | 5-20 |
| Water and sewer treatment facilities | 60 |
| Infrastructure | 15-50 |

Estimated useful lives are adjusted by category according to asset longevity to ensure classes of asset are not fully depreciated and still in use.

## Note 1. Summary of Significant Accounting Policies (Continued)

### K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The maximum vacation accrual is limited to 30 days. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### L. Long-term Obligations

In the government-wide financial statements and the proprietary fund 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### M. Fund Equity and 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. Net assets in the statement of net assets are distinguished between amounts invested in capital assets (net of any related debt, if any), amounts that are restricted for use by third parties or outside requirements, and amounts that are unrestricted.

For purposes of calculating net assets invested in capital assets, net of related debt, for the Governmental Activities, the amount of $3,396,580 as shown in the financial statements was determined by taking capital assets ($15,676,387) less total outstanding debt of $17,733,688 (which includes capital leases payable, notes payable, and bonds payable) plus unspent bond proceeds of $5,453,881 as reported as restricted cash held as fiscal agent as reported for the Capital Projects Fund.

## Note 1. Summary of Significant Accounting Policies (Continued)

## N. 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.

## Note 2. Reconciliation of Government-wide 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 $18,720,879 difference are as follows:

| | |
|---|---|
| Bonds payable | $ (17,265,000) |
| Less: Deferred charges for issuance costs | 282,804 |
| Less: Unamortized discount | 43,218 |
| Capital lease payable | (304,046) |
| Notes payable | (207,860) |
| Accrued interest payable | (217,141) |
| Compensated absences | (151,201) |
| Net pension obligation | (20,488) |
| Net OPEB obligation | (881,165) |
| Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities* | $ (18,720,879) |

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance 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 *change 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 estimated useful lives and reported as depreciation expense." The details of this $943,167 difference are as follows:

## Note 2. Reconciliation of Government-wide and Fund Financial Statements (Continued)

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities (Continued)**

| | | |
|---|---|---|
| Capital outlay | $ | 1,654,753 |
| Depreciation expense | | (711,586) |
| Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *change in net assets of governmental activities* | $ | 943,167 |

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales and contributions) is to decrease net assets." The details of this $8,712 difference are as follows:

| | | |
|---|---|---|
| Net book value of assets sold | $ | (18,187) |
| Capital contributions | | 9,475 |
| Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *change in net assets of governmental activities* | $ | (8,712) |

Another element of that reconciliation states 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $303,780 difference are as follows:

| | | |
|---|---|---|
| Principal repayments: | | |
| Capital lease | $ | 106,848 |
| Notes payable | | 115,852 |
| Issuance of capital lease | | (369,386) |
| Issuance of notes payable | | (157,094) |
| Net adjustment to decrease *net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities* | $ | (303,780) |

## Note 2. Reconciliation of Government-wide and Fund Financial Statements (Continued)

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities (Continued)**

Another element of that reconciliation states that "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." The details of this $940,750 difference are as follows:

| | | |
|---|---|---|
| Compensated absences | $ | (12,495) |
| Amortization of issuance costs | | (26,301) |
| Amortization of discount | | (4,248) |
| Accrued interest | | (594) |
| Net pension obligation | | (15,947) |
| Net OPEB obligation | | (881,165) |
| Net adjustment to decrease *net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities* | $ | (940,750) |

## Note 3. Stewardship, Compliance, and Accountability

**A. Budgetary Information**

The appropriated budget is prepared by fund, department, and function. Public hearings are conducted to obtain taxpayer comments. Prior to December 31, each year the budget is legally enacted by passage of an ordinance. The government's department heads may make transfers of appropriations within departmental accounts of a specific fund. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund.

**B. Budgetary Excesses**

The Multi-Grant Fund had an excess of actual expenditures over budget in the amounts of $23,909 and $8,365 for the culture and recreation and public works departments, respectively, which resulted from higher than expected project costs.

## Note 4. Deposits

Custodial risk, that is the risk associated with uninsured deposits, uninsured securities, or securities not registered in the government's name, is managed in accordance with the government's policy through a safekeeping agreement with an external party. State Statutes and City policy require all deposits and investments (other than federal or state instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. All deposits as of December 31, 2009 were properly collateralized.

## Note 5. Receivables

The City receives property tax assessments from Jackson County, Georgia. Property taxes are levied on property values assessed as of January 1. Tax bills were levied on all real and personal property and mailed to taxpayers as of October 1. The due date for these taxes was December 20th, and after that date, both penalty and interest are accrued until the taxes are collected. The taxes are subject to lien after March 20th. Property taxes are recorded as receivables and deferred revenues when assessed. Taxes levied in one year are for the subsequent year. Accordingly, the 2008 Property Tax Digest was recognized as revenues and the 2009 Property Tax Digest was recorded as deferred revenues.

Receivables as of year end for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Water and Sewer | Solid Waste | Nonmajor Funds |
|---|---|---|---|---|
| Receivables: | | | | |
| Taxes | $ 943,011 | $ - | $ - | $ 4,067 |
| Accounts | 1,138,056 | 641,104 | 106,295 | - |
| Intergovernmental | 106,888 | 707 | - | 342,456 |
| Less allowance for uncollectibles | (67,337) | (157,732) | (26,574) | - |
| Net total receivables | $ 2,120,618 | $ 484,079 | $ 79,721 | $ 346,523 |

## Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 1,363,120 | $ 30,375 | $ - | $ - | $ 1,393,495 |
| Construction in progress | 537,868 | 988,438 | - | (7,573) | 1,518,733 |
| Total assets, not being depreciated | 1,900,988 | 1,018,813 | - | (7,573) | 2,912,228 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 9,896,552 | 39,014 | - | - | 9,935,566 |
| Improvements | 328,680 | 2,631 | - | 7,573 | 338,884 |
| Machinery and equipment | 2,426,036 | 555,506 | (99,958) | - | 2,881,584 |
| Infrastructure | 2,876,063 | 48,264 | - | - | 2,924,327 |
| Total assets, being depreciated | 15,527,331 | 645,415 | (99,958) | 7,573 | 16,080,361 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (1,200,211) | (331,038) | - | - | (1,531,249) |
| Improvements | (62,935) | (16,012) | - | - | (78,947) |
| Machinery and equipment | (1,229,630) | (264,964) | 81,771 | - | (1,412,823) |
| Infrastructure | (193,611) | (99,572) | - | - | (293,183) |
| Total accumulated depreciation | (2,686,387) | (711,586) | 81,771 | - | (3,316,202) |
| Total assets, being depreciated, net | 12,840,944 | (66,171) | (18,187) | 7,573 | 12,764,159 |
| Governmental activities capital assets, net | $ 14,741,932 | $ 952,642 | $ (18,187) | $ - | $ 15,676,387 |
| **Business-type activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 839,450 | $ | $ - | $ - | $ 839,450 |
| Construction in progress | 649,314 | 107,649 | - | (96,471) | 660,492 |
| Total assets, not being depreciated | 1,488,764 | 107,649 | - | (96,471) | 1,499,942 |
| Capital assets, being depreciated: | | | | | |
| Water distribution | 11,251,556 | 49,299 | - | 96,471 | 11,397,326 |
| Sewer distribution | 16,161,231 | - | - | - | 16,161,231 |
| Improvements | 22,432 | - | - | - | 22,432 |
| Machinery and equipment | 359,442 | 64,364 | - | - | 423,806 |
| Total assets, being depreciated | 27,794,661 | 113,663 | - | 96,471 | 28,004,795 |
| Less accumulated depreciation for: | | | | | |
| Water distribution | (3,099,704) | (228,019) | - | - | (3,327,723) |
| Sewer distribution | (3,188,130) | (404,031) | - | - | (3,592,161) |
| Improvements | (2,929) | (748) | - | - | (3,677) |
| Machinery and equipment | (255,021) | (24,535) | - | - | (279,556) |
| Total accumulated depreciation | (6,545,784) | (657,333) | - | - | (7,203,117) |
| Total assets, being depreciated, net | 21,248,877 | (543,670) | - | 96,471 | 20,801,678 |
| Business-type activities capital assets, net | $ 22,737,641 | $ (436,021) | $ - | $ - | $ 22,301,620 |

## Note 6. Capital Assets (Continued)

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

| | | |
|---|---|---|
| **Governmental activities:** | | |
| General government | $ | 56,383 |
| Police | | 106,572 |
| Fire | | 147,822 |
| Public works | | 128,794 |
| Recreation | | 267,013 |
| Economic and community development | | 5,002 |
| Total depreciation expense - governmental activities | $ | 711,586 |
| **Business-type activities:** | | |
| Water and sewer | $ | 657,333 |
| Total depreciation expense - business-type activities | $ | 657,333 |

### Construction Commitments

In addition to the liabilities enumerated in the balance sheet at December 31, 2009, the City has contractual commitments on uncompleted construction contracts of approximately $3,359,421 for various projects including improvements to Hog Mountain Road, improvements to John B Brooks Road, a wastewater transfer facility and reservoir enhancements.

## Note 7. Inter-fund Receivables, Payables, and Transfers

The composition of inter-fund balances as of December 31, 2009, is as follows:

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General fund | Nonmajor governmental funds | $ 114,490 |
| General fund | Capital projects fund | 12,114 |
| Nonmajor governmental funds | General fund | 180 |
| Total | | $ 126,784 |

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system, inter-fund goods and services are provided or reimbursable expenditures occur, and payments between funds are made.

## Note 7. Inter-fund Receivables, Payables, and Transfers (Continued)

Inter-fund transfers for the year ended December 31, 2009:

| | Transfers Out | | | | |
|---|---|---|---|---|---|
| **Transfers in** | General Fund | Water & Sewer Fund | Solid Waste Fund | Nonmajor governmental funds | Total |
| General Fund | $ - | $ 283,357 | $ 1,399 | $ 14,590 | $ 299,346 |
| Debt Service Fund | 891,632 | - | - | 88,713 | 980,345 |
| Capital Projects Fund | 48,732 | - | - | - | 48,732 |
| Water & Sewer Fund | - | - | - | 57,091 | 57,091 |
| Nonmajor governmental funds | 100,618 | - | - | - | 100,618 |
| **Total** | $ 1,040,982 | $ 283,357 | $ 1,399 | $ 160,394 | $ 1,486,132 |

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due, 2) move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

## Note 8. Long-term Debt

Long-term liability activity for the year ended December 31, 2009, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds | $ 17,265,000 | $ - | $ - | $ 17,265,000 | $ 310,000 |
| Less issuance discount | (47,466) | - | 4,248 | (43,218) | - |
| Net bonds payable | 17,217,534 | - | 4,248 | 17,221,782 | 310,000 |
| Notes payable | 166,618 | 157,094 | (115,852) | 207,860 | 51,318 |
| Capital lease | 41,508 | 369,386 | (106,848) | 304,046 | 86,695 |
| Net pension obligation | 4,541 | 131,528 | (115,581) | 20,488 | - |
| Net OPEB obligation | - | 881,165 | - | 881,165 | - |
| Compensated absences | 138,706 | 110,988 | (98,493) | 151,201 | 102,702 |
| Governmental activity Long-term liabilities | $ 17,568,907 | $ 1,650,161 | $ (432,526) | $ 18,786,542 | $ 550,715 |

## Note 8. Long-term Debt (Continued)

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Business-type activities:** | | | | | |
| Revenue bonds | $ 4,290,000 | $ 6,375,000 | $ (4,290,000) | $ 6,375,000 | $ 580,000 |
| Plus premium | - | 76,487 | (2,222) | 74,265 | - |
| Less deferred gain on defeasance | - | (136,919) | 2,694 | (134,225) | - |
| Net bonds payable | 4,290,000 | 6,314,568 | (4,289,528) | 6,315,040 | 580,000 |
| Notes payable | 9,132,808 | 693,527 | (3,044,890) | 6,781,445 | 256,451 |
| OPEB obligation | - | 201,385 | - | 201,385 | - |
| Compensated absences | 43,438 | 41,685 | (37,811) | 47,312 | 32,136 |
| Business-type activity Long-term liabilities | $ 13,466,246 | $ 7,251,165 | $ (7,372,229) | $ 13,345,182 | $ 868,587 |

For governmental activities, compensated absences and the net pension and OPEB obligations are predominately liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the Water and Sewer Fund and the Solid Waste Fund and the OPEB obligation is liquidated by the Water and Sewer Fund.

### Revenue Bonds

#### Governmental Activities

During 2007, the City issued 2007B series revenue bonds to provide funds for the construction of major road projects. The bonds were issued on August 1, 2007 for $7,985,000 with interest rates ranging from 3.75% to 4.75%.

The 2007A&B refunding revenue bonds in the amount of $8,620,000 and $660,000, respectively, were issued by the City of Jefferson Public Building Authority to refund a portion of the City of Jefferson' Public Building Authority 2002 and 2005 notes and the 2004 general obligation Park and Recreation Facilities bond series and the City of Jefferson Public Building Authority Fire Station Project Series 1999. The Series 2007 Bonds are special limited obligations of the City of Jefferson Public Building Authority secured by and payable solely from a first lien on and pledge of the Trust Estate.

The net proceeds of the refunding revenue bond issuance were irrevocably deposited in escrow with Regions Bank, as escrow agent. The escrow obligations will bear interest and will be scheduled to mature at times sufficient to pay the principal and interest on the refunding Fire Station project bonds until January 2019, the earliest date of redemption. At December 31, 2009, the amount of the defeased bonds outstanding is $1,485,000.

The refunding bonds, maturing in April 2030, have interest rates that range from 3.6% to 5.0%. The amount of refunding revenue bonds outstanding at December 31, 2009 is $8,620,000 and $660,000, respectively.

## Note 8. Long-term Debt (Continued)

### Business-type Activities

On May 14, 2009, the City issued Refunding Revenue Bonds (Water and Sewer Facilities Project) in the amount of $6,375,000 for the purpose of refunding $3,935,000 of the Series 1998 Water and Sewer Revenue Bonds outstanding and $2,751,473 in outstanding loans to the Georgia Environmental Facilities Authority. Interest payments on the bonds began July 15, 2009 with the first principal payment being due January 15, 2010. The net present value cash-flow savings resulting from this transaction was determined to be $398,927. The difference between the cash flows required to service the old debt (refunded debt) and cash flows required to service the new debt (refunding debt) and complete the refunding was determined to be $971,649. The outstanding balance of these revenue bonds at December 31, 2009 is $6,375,000.

Annual debt service requirements to maturity for revenue bonds are as follows:

| Year Ending December 31, | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2010 | $ 310,000 | $ 743,289 | $ 580,000 | $ 117,380 |
| 2011 | 620,000 | 724,794 | 590,000 | 163,740 |
| 2012 | 645,000 | 697,914 | 610,000 | 151,940 |
| 2013 | 675,000 | 668,929 | 615,000 | 139,740 |
| 2014 | 700,000 | 640,579 | 635,000 | 124,365 |
| 2015-2019 | 3,995,000 | 2,722,364 | 2,920,000 | 337,200 |
| 2020-2024 | 4,905,000 | 1,798,907 | 425,000 | 45,080 |
| 2025-2029 | 4,740,000 | 637,442 | - | - |
| 2030 | 675,000 | 14,513 | - | - |
| Total | $ 17,265,000 | $ 8,648,731 | $ 6,375,000 | $ 1,079,445 |

## Notes Payable

### Governmental Activities

In 2008, the City entered an agreement with a financial institution for the purchase of four police cars for a total of $118,314. Quarterly principal and interest payments of $10,488 are due the first of each quarter for twelve quarters. The maturity date of the note is January 1, 2011.

In 2009, the City incurred debt to the Georgia Environmental Facilities Authority (GEFA) in the amount of $10,900 for the closing costs related to the construction of the civic center parking lot. Monthly principal payments in the amount of $908 are due beginning January 1, 2010 through December 1, 2010. There is no interest requirement as this debt relates only to the closing costs of the loan.

## Note 8. Long-term Debt (Continued)

On July 21, 2009, the GEFA Board awarded the City of Jefferson a $545,000 loan with 60% principal forgiveness. The proceeds of the loan will be used for the Civic Center Parking Lot (Green) project. When the balance of the loan has been received and the City has paid all of the construction interest assessed during the construction phase, GEFA will issue an amortization schedule for the loan in the amount of $218,000 plus interest and the remaining balance ($327,000) will be forgiven. To date, the City has requested $146,194 from GEFA for reimbursement of expenditures for the proposed project.

**Business-type Activities**

The City has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects.

These notes, including their original balances, are as follows at December 31, 2009:

| Project | Interest Rate | Term | Due Date | Original Balance |
|---|---|---|---|---|
| Clearwell | 3.00% | 20 years | 2021 | $ 1,062,408 |
| Central City II | 4.20% | 20 years | 2027 | 5,751,913 |
| | | | | $ 6,814,321 |

The debt service requirements to maturity on the City's notes payable are as follows:

| Year Ending December 31, | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2010 | $ 51,318 | $ 1,376 | $ 256,451 | $ 242,373 |
| 2011 | 10,348 | 100 | 266,786 | 232,038 |
| 2012 | - | - | 277,544 | 221,280 |
| 2013 | - | - | 288,742 | 210,082 |
| 2014 | - | - | 300,399 | 198,425 |
| 2015-2019 | - | - | 1,694,280 | 799,839 |
| 2020-2024 | - | - | 1,837,390 | 436,984 |
| 2025-2027 | - | - | 1,166,326 | 74,933 |
| Total | $ 61,666 | $ 1,476 | $ 6,087,918 | $ 2,415,954 |

In addition to the GEFA notes listed above for governmental activities and business-type activities, the City has another note with an outstanding balance of $146,194 and $693,527, respectively, which are not in the repayment phase as of December 31, 2009, therefore is not included in the above table.

## Note 8. Long-term Debt (Continued)

### Capital Leases

The City has entered into two lease agreements as lessee for financing the acquisition of police vehicles and a fire truck, which are used in governmental activities. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. The vehicle lease has an original amount of $118,500, matures February 1, 2012, bears an interest rate of 3.65% and requires quarterly payments of principal and interest in the amount of $10,390. The fire truck lease has an original amount of $250,886, matures March 15, 2014, bears and interest rate of 3.27%, and requires quarterly principal and interest payments of $13,576. At December 31, 2009, the outstanding balances on these leases are $89,385 and $214,660, respectively, and the cost of the assets acquired under capital lease is $369,386.

The debt service requirements to maturity on the City's capital leases are as follows:

| Year Ending December 31, | |
|---|---|
| 2010 | $ 95,866 |
| 2011 | 95,866 |
| 2012 | 64,695 |
| 2013 | 54,305 |
| 2014 | 13,576 |
| | 324,308 |
| Less: interest | (20,262) |
| Total | $ 304,046 |

### Conduit Debt

In 2000 and 2004, the City issued General Obligation Refunding Bonds in the amount of $9,175,000 and $9,490,000, respectively, to provide financial assistance to the City of Jefferson Schools for the acquisition and construction of school facilities deemed to be of public interest, and to refund prior bonds outstanding. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of those bonds outstanding as of December 31, 2009, is $17,650,000.

## Note 9. Pension Plan

**Plan Description**

The City, as authorized by the City Council, has established a non-contributory defined benefit pension plan (The City of Jefferson Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through 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. City Council has the governing authority to establish and amend from time to time, the contribution rates of the employer and its plan members. 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 City Council, employees working a minimum of thirty hours per week are eligible for participation after one year of continuous service. Employees are entitled to 50% vested benefits after five years of service, 60% after six years, 70% after seven years, 80% after eight years, 90% after nine years, and 100% after ten years of credited service.

At October 1, 2009, the date of the most recent actuarial valuation, there were 107 participants consisting of the following:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 24 |
| Terminated vested participants not yet receiving benefits | 17 |
| Active vested employees | 34 |
| Active nonvested employees | 32 |
| Total | 107 |

## Note 9. Pension Plan (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 or greater than the recommended contribution described below. For 2009, the actuarially determined contribution rate was 8.19% of covered payroll.

**Annual Pension Cost**

For 2009, the City's recommended contribution was $131,164 and actual contribution totaled $115,581. The recommended contribution was determined as part of the October 1, 2009 and September 1, 2008 actuarial valuations using the projected unit credit actuarial cost method. Actuarial assumptions include an 8.0% rate of return on investments and projected salary increases of 5.5% (5.0% due to inflation and .5% due to merit or seniority increases). The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision 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 City's actuarially required contribution, pension cost, and increase in net pension obligation for the year ended December 31, 2009, were computed as follows:

| | | |
|---|---|---|
| Actuarially required contribution | $ | 131,164 |
| Interest | | 364 |
| Annual pension cost | | 131,528 |
| Actual contributions made | | (115,581) |
| Increase in net pension obligation | | 15,947 |
| Net pension obligation, December 31, 2008 | | 4,541 |
| Net pension obligation, December 31, 2009 | $ | 20,488 |

The information presented below is based on the annual actuarial valuation as of October 1, 2009. Additional funding progress history is presented in the required supplementary section.

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded (Overfunded) Acctuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 10/1/2009 | $ 1,997,836 | $ 2,427,680 | $ 429,844 | 82.29 % | $ 2,171,971 | 19.79 % |

## Note 9. Pension Plan (Continued)

**Annual Pension Cost (Continued)**

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

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 are based on the substantive plan in effect as of October 1, 2009.

The assumptions used in the October 1, 2009 actuarial valuation are as follows:

| **Actuarial Assumptions:** | |
|---|---|
| Actuarial Cost Method | Projected Unit Credit |
| Actuarial Asset Valuation Method | Sum of actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Assumed Rate of Return on Investments | 8.0% |
| Projected Salary Increases | 5.5% |
| Cost-of-living Adjustment | 0.0% |
| Amortization Method | Closed level dollar for remaining unfunded liability. |
| Remaining Amortization Period | Remaining amortization period varies for the bases. |

The chart below shows the annual pension cost for the current year and prior two years along with the percentage actually contributed by the City.

| Fiscal Year Ended December 31, | Annual Pension Cost (APC) | Actual Pension Contribution | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|---|
| 2009 | $ 131,528 | $ 115,581 | 87.9 % | $ 20,488 |
| 2008 | 120,146 | 120,771 | 100.5 | 4,541 |
| 2007 | 116,268 | 114,541 | 98.5 | 5,166 |

## Note 10. Other Post-employment Benefits

**Plan Description**

The City of Jefferson Post-Retirement Health Plan (the "OPEB Plan") is a single-employer defined benefit post-retirement health care and dental plan, or other post employment benefit (OPEB) plan. The City has not elected to advance fund the plan, but rather maintains the plan on a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds.

**Benefits**

Eligible retirees and former employees are offered the same health, prescription drug, and dental coverage as active employees. The City pays 100% of the retiree premium for the PPO or POS health insurance plan and 100% of the premium for the dental plan. Retirees cannot add spouse or dependents to the City's insurance plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year for the PPO plan and $0 for the POS plan. There is a lifetime maximum of $5,000,000 for the PPO plan and unlimited lifetime maximum for the POS plan.

**Eligibility**

Employees are eligible for Other Post-Employment Benefits provided that the employee retires from active employment and satisfies one of the following:

1. Attainment of age 62 and the completion of 15 years of service; or
2. Completion of 30 years of continuous service

**City Contributions**

The City contribution is determined by the actuary as necessary to keep the Plan in compliance with the funding requirements of the State of Georgia.

The annual required contribution for the current year was determined as part of the January 1, 2009, actuarial valuation. The actuarial assumptions included:

| | |
|---|---|
| Actuarial Cost Method | Projected Unit Credit |
| Actuarial Asset Valuation Method | Not applicable |
| Assumed Rate of Return on Investments | 3.0% |
| Healthcare Cost Trend Rate – PPO and POS Plans | 8.0% |
| Healthcare Cost Trend Rate – Dental Plan | 5.5% |
| Ultimate Healthcare Cost Trend Rate – PPO and POS Plans | 5.0% |
| Ultimate Healthcare Cost Trend Rate – Dental Plan | 5.5% |
| Year of Ultimate Trend Rate | 2019 |
| Amortization Method | Level dollar, closed |
| Remaining Amortization Period | 30 years |

## Note 10. Other Post-employment Benefits (Continued)

**City Contributions (Continued)**

The following is a schedule of funding progress using the projected unit credit cost method. As of the most recent valuation date, January 1, 2009, the funded status of the Plan was as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c ) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|---|---|---|---|---|---|---|
| 1/1/2009 | $ - | $ 5,868,938 | $ 5,868,938 | 0.0% | N/A | N/A |

N/A – Not available

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 are based on the substantive plan in effect as of January 1, 2009.

**Annual OPEB Cost**

The City's actuarially determined contribution, OPEB cost and increase in net OPEB obligation for the year ended December 31, 2009, is as follows:

| | |
|---|---|
| Annual required contribution | $ 1,108,145 |
| Interest on net OPEB obligation | - |
| Adjustments to annual required contribution | - |
| Annual OPEB cost | 1,108,145 |
| Contributions made | 25,595 |
| Increase in net OPEB obligation | 1,082,550 |
| Net OPEB obligation, beginning of year | - |
| Net OPEB obligation, end of year | $ 1,082,550 |

## Note 10. Other Post-employment Benefits (Continued)

**Annual OPEB Cost (Continued)**

The recommended contribution was determined as part of the January 1, 2009 actuarial valuation. The chart below shows the annual pension cost for the current year, along with the percentage actually contributed by the City.

**Schedule of Employer Costs and Contributions**

| Fiscal Year Ended | Annual OPEB Cost | Employer Contribution | Percentage of ARC Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| December 31, 2009 | $ 1,108,145 | $ 25,595 | 2% | $ 1,082,550 |

## Note 11. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in the twelve county northeast Georgia area, is a member of the Northeast Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During the current year ended December 31, 2009, the City paid $4,494 in such dues. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of a RDC. RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RDC. Separate financial statements may be obtained from RDC, 305 Research Drive, Georgia 30605.

## Note 12. Related Organizations

The Jefferson Housing Authority (the “Authority”) is an independent non-profit corporation. The City’s council is responsible for appointing the board members of the Jefferson Housing Authority. However, the City has no further accountability for the Authority. The Authority issues its own financial statements and the separate statements may be obtained from the Jefferson Housing Authority, 29 Jefferson Terrace, Jefferson, Georgia 30549.

## Note 13. Risk Management

The City is exposed to various risks of losses related to: torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The 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.

## Note 13. Risk Management (Continued)

A 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 worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three (3) years have not exceeded insurance coverage.

## Note 14. Contingent Liabilities

**Litigation:**
The City is involved in pending lawsuits in the normal course of the City's business. 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 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.

## Note 15. Hotel/Motel Occupancy Tax

The City imposes a hotel/motel tax on lodging facilities within the City. The tax is assessed at 5%. Revenues were $24,316 for the year ended December 31, 2009. Of this amount 60%, or $14,590, was transferred to the General Fund in accordance with O.C.G.A. 48-13-51. The remaining 40%, or $9,726, was used to promote tourism.

# REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF JEFFERSON, GEORGIA

## REQUIRED SUPPLEMENTARY INFORMATION
## RETIREMENT PLAN AND OPEB
## SCHEDULES OF FUNDING PROGRESS
## FOR THE YEAR ENDED DECEMBER 31, 2009

**Schedule of Funding Progress - Pension**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|---|---|---|---|---|---|---|
| 10/1/2009 | $ 1,997,836 | $ 2,427,680 | $ 429,844 | 82.29 % | $ 2,171,971 | 19.79 % |
| 9/1/2008 | 2,183,629 | 2,306,609 | 122,980 | 94.67 | 1,714,158 | 7.17 |
| 9/1/2007 | 2,072,470 | 2,220,395 | 147,925 | 93.34 | 1,885,524 | 7.85 |

Note: See assumptions used for the Schedule of Funding Progress in Note 9 to the financial statements.

**Schedule of Funding Progress - Postemployment Benefits**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|---|---|---|---|---|---|---|
| 1/1/2009 | $ - | $ 5,868,938 | $ 5,868,938 | - % | $ N/A | N/A % |

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

# NONMAJOR GOVERNMENTAL FUNDS

## Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Hotel/Motel Fund** – This fund is used to account for the occupancy tax collected by the City from area hotels and motels, and distributed based upon state statute.

**Confiscated Assets Fund –** This fund accounts for the use of confiscated drug money by the City's Police Department.

**Mulit-Grant Fund** – This fund is used to account for the funds received from external sources as they relate to grants awarded to the City. Matching funds, which are the City's responsibility, are also recorded within this fund.

## Capital Projects Fund

Capital Projects Funds are used to account for the acquisition and construction of major items, such as buildings, infrastructure, parks, streets, and other major capital facilities.

**SPLOST Fund** – This fund accounts for the acquisition and construction of capital expenditures provided by a one-cent special local option sales tax approved by voters.

# CITY OF JEFFERSON, GEORGIA

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS
## DECEMBER 31, 2009

| | Special Revenue Funds | | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | **Hotel/ Motel** | **Confiscated Assets** | **Multi-Grant** | **SPLOST** | |
| Cash and cash equivalents | $ 10,838 | $ 151,692 | $ - | $ 767,079 | $ 929,609 |
| Taxes receivable | 4,067 | - | - | - | 4,067 |
| Due from other funds | - | 76 | - | 104 | 180 |
| Intergovernmental receivable | - | - | 219,244 | 123,212 | 342,456 |
| Restricted cash | - | 23,878 | - | - | 23,878 |
| Total assets | $ 14,905 | $ 175,646 | $ 219,244 | $ 890,395 | $ 1,300,190 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| **LIABILITIES** | | | | | |
| Accounts payable | $ - | $ 23,953 | $ 96,141 | $ - | $ 120,094 |
| Retainage payable | - | - | 11,435 | - | 11,435 |
| Deferred revenue | - | - | - | 12,385 | 12,385 |
| Due to other funds | 2,440 | 382 | 111,668 | - | 114,490 |
| Total liabilities | 2,440 | 24,335 | 219,244 | 12,385 | 258,404 |
| **FUND BALANCES** | | | | | |
| Reserved for: | | | | | |
| Capital projects | - | - | - | 878,010 | 878,010 |
| Unreserved, undesignated | 12,465 | 151,311 | - | - | 163,776 |
| Total fund balances | 12,465 | 151,311 | - | 878,010 | 1,041,786 |
| Total liabilities and fund balances | $ 14,905 | $ 175,646 | $ 219,244 | $ 890,395 | $ 1,300,190 |

# CITY OF JEFFERSON, GEORGIA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2009

| | Special Revenue Funds | | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| | Hotel/ Motel | Confiscated Assets | Multi-Grant | SPLOST | |
| **Revenues:** | | | | | |
| Hotel/Motel taxes | $ 24,316 | $ - | $ - | $ - | $ 24,316 |
| Forfeiture income | - | 231,385 | - | - | 231,385 |
| Intergovernmental | - | - | 130,796 | 559,013 | 689,809 |
| Contributions and donations | - | - | 9,475 | - | 9,475 |
| Investment earnings | - | 59 | - | 466 | 525 |
| Total revenues | 24,316 | 231,444 | 140,271 | 559,479 | 955,510 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| General government | - | - | 10,704 | - | 10,704 |
| Public safety | - | 181,646 | 1,867 | - | 183,513 |
| Public works | - | - | 70,365 | - | 70,365 |
| Culture and recreation | - | - | 314,809 | - | 314,809 |
| Economic and community development | 10,000 | - | - | - | 10,000 |
| Capital outlay | - | - | - | 531,386 | 531,386 |
| Total expenditures | 10,000 | 181,646 | 397,745 | 531,386 | 1,120,777 |
| Excess (deficiency) of revenues over (under) expenditures | 14,316 | 49,798 | (257,474) | 28,093 | (165,267) |
| **Other financing sources (uses):** | | | | | |
| Transfers in | - | - | 100,618 | - | 100,618 |
| Transfers out | (14,590) | - | - | (145,804) | (160,394) |
| Notes payable incurred | - | - | 157,094 | - | 157,094 |
| Total other financing sources (uses) | (14,590) | - | 257,712 | (145,804) | 97,318 |
| Net change in fund balances | (274) | 49,798 | 238 | (117,711) | (67,949) |
| **Fund balances (deficit), beginning of year** | 12,739 | 101,513 | (238) | 995,721 | 1,109,735 |
| **Fund balances, end of year** | $ 12,465 | $ 151,311 | $ - | $ 878,010 | $ 1,041,786 |

# CITY OF JEFFERSON, GEORGIA
## HOTEL/MOTEL FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2009

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **Revenues:** | | | | |
| Hotel/Motel taxes | $ 42,000 | $ 42,000 | $ 24,316 | $ (17,684) |
| Total revenues | 42,000 | 42,000 | 24,316 | (17,684) |
| **Expenditures:** | | | | |
| Current: | | | | |
| Economic and community development | 16,800 | 16,800 | 10,000 | 6,800 |
| Total expenditures | 16,800 | 16,800 | 10,000 | 6,800 |
| **Other financing uses:** | | | | |
| Transfers out | (25,200) | (25,200) | (14,590) | 10,610 |
| Total other financing uses | (25,200) | (25,200) | (14,590) | 10,610 |
| Net changes in fund balances | - | - | (274) | (274) |
| **Fund balances, beginning of year** | 12,739 | 12,739 | 12,739 | - |
| **Fund balances, end of year** | $ 12,739 | $ 12,739 | $ 12,465 | $ (274) |

# CITY OF JEFFERSON, GEORGIA
## CONFISCATED ASSETS FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2009

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **Revenues:** | | | | |
| Forfeiture income | $ 236,000 | $ 236,000 | $ 231,385 | $ (4,615) |
| Investment earnings | 100 | 100 | 59 | (41) |
| Total revenues | 236,100 | 236,100 | 231,444 | (4,656) |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public safety | 236,100 | 236,100 | 181,646 | 54,454 |
| Total expenditures | 236,100 | 236,100 | 181,646 | 54,454 |
| Net changes in fund balances | - | - | 49,798 | 49,798 |
| **Fund balances, beginning of year** | 101,513 | 101,513 | 101,513 | - |
| **Fund balances, end of year** | $ 101,513 | $ 101,513 | $ 151,311 | $ 49,798 |

# CITY OF JEFFERSON, GEORGIA
## MULTI-GRANT FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2009

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **Revenues:** | | | | |
| Intergovernmental | $ 228,550 | $ 228,550 | $ 130,796 | $ (97,754) |
| Contributions and donations | - | - | 9,475 | 9,475 |
| Total revenues | 228,550 | 228,550 | 140,271 | (88,279) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 10,750 | 10,750 | 10,704 | 46 |
| Public safety | 1,900 | 1,900 | 1,867 | 33 |
| Public works | 62,000 | 62,000 | 70,365 | (8,365) |
| Culture and recreation | 290,900 | 290,900 | 314,809 | (23,909) |
| Total expenditures | 365,550 | 365,550 | 397,745 | (32,195) |
| Excess (deficiency) of revenues over (under) expenditures | (137,000) | (137,000) | (257,474) | (120,474) |
| **Other financing sources (uses):** | | | | |
| Transfers in | 137,000 | 137,000 | 100,618 | (36,382) |
| Issuance of debt | - | - | 157,094 | 157,094 |
| Total other financing sources (uses) | 137,000 | 137,000 | 257,712 | 120,712 |
| Net changes in fund balances | - | - | 238 | 238 |
| **Fund balances (deficit), beginning of year** | (238) | (238) | (238) | - |
| **Fund balances (deficit), end of year** | $ (238) | $ (238) | $ - | $ 238 |

# CITY OF JEFFERSON, GEORGIA
## DEBT SERVICE FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2009

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **Revenues:** | | | | |
| Investment earnings | $ - | $ - | $ 1,261 | $ 1,261 |
| Total revenues | - | - | 1,261 | 1,261 |
| **Expenditures:** | | | | |
| Debt service: | | | | |
| Principal | 248,050 | 248,050 | 222,700 | 25,350 |
| Interest | 767,551 | 767,551 | 757,645 | 9,906 |
| Total expenditures | 1,015,601 | 1,015,601 | 980,345 | 35,256 |
| Deficiency of revenues under expenditures | (1,015,601) | (1,015,601) | (979,084) | 36,517 |
| **Other financing sources:** | | | | |
| Transfers in | 1,015,601 | 1,015,601 | 980,345 | (35,256) |
| Total other financing sources | 1,015,601 | 1,015,601 | 980,345 | (35,256) |
| Net change in fund balances | - | - | 1,261 | 1,261 |
| **Fund balances, beginning of year** | 732,478 | 732,478 | 732,478 | - |
| **Fund balances, end of year** | $ 732,478 | $ 732,478 | $ 733,739 | $ 1,261 |

# CITY OF JEFFERSON, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE YEAR ENDED DECEMBER 31, 2009

| | Original Estimated Cost | Current Estimated Cost | Prior Years Cumulative Expenditures | Current Year Expenditures | Total Cumulative Expenditures |
|---|---|---|---|---|---|
| Roads, streets, bridges, and storm water management facilities | $ 1,426,221 | $ 1,426,221 | $ 369,334 | $ 193,996 | $ 563,330 |
| Cultural, historical and recreation facilities | 740,894 | 740,894 | 358,994 | 146,451 | 505,445 |
| Public safety facilities | 55,567 | 55,567 | 22,500 | - | 22,500 |
| Water and sewer facilities | 1,481,788 | 1,481,788 | 745,832 | 336,743 | 1,082,575 |
| Total | $ 3,704,470 | $ 3,704,470 | $ 1,496,660 | $ 677,190 | $ 2,173,850 |

Reconciliation of the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds to the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds:

| | |
|---|---|
| Capital Outlay | $ 531,386 |
| Transfer Out (see note below) | 145,804 |
| Total | $ 677,190 |

Note: The transfer out from the SPLOST Fund to the Debt Service Fund was made to pay part of the debt service payments on the Park and Recreation Facilities Bonds.

# AGENCY FUND

Agency funds are used to account for assets held by the City as an agent for individuals.

**Municipal Court Fund** – To account for the collection and disbursement of funds by the Municipal Court.

# CITY OF JEFFERSON, GEORGIA

## MUNICIPAL COURT AGENCY FUND
## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
## FOR THE YEAR ENDED DECEMBER 31, 2009

| | December 31, 2008 | Additions | Deductions | December 31, 2009 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash | $ - | $ 129,729 | $ 118,229 | $ 11,500 |
| Total assets | $ - | $ 129,729 | $ 118,229 | $ 11,500 |
| **LIABILITIES** | | | | |
| Due to other agencies | $ - | $ 129,729 | $ 118,229 | $ 11,500 |
| Total liabilities | $ - | $ 129,729 | $ 118,229 | $ 11,500 |

# COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**Honorable Mayor and Members**
**Of City Council**
**City of Jefferson, Georgia**
**Jefferson, 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 Jefferson, Georgia (the "City") as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2010. 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 the 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.

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 2009-1 through 2009-3 to be material weaknesses.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City of Jefferson, Georgia in a separate letter dated June 25, 2010.

The City of Jefferson, Georgia'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 of Jefferson Georgia's responses and, accordingly, we express no opinion on them.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 25, 2010

# CITY OF JEFFERSON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED DECEMBER 31, 2009

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### SECTION I
### SUMMARY OF AUDIT RESULTS

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | _X_ yes ____ no |
| Significant deficiencies identified not considered to be material weaknesses? | ___ yes __X__ none reported |
| Noncompliance material to financial statements noted? | ____ yes _X__ no |

***Federal Awards***

There was not an audit of major federal award programs as of December 31, 2009 due to the total amount expended being less than $500,000.

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES

**2009-1 Expenditure/Expense Recognition**

***Criteria:*** Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows and should be recognized and calculated in accordance with generally accepted accounting principles.

***Condition***: Internal controls were not sufficient to timely detect certain misstatements in the reporting of the City's expenditures and related liabilities in the Capital Projects Fund and in reporting capital assets (construction in progress) in Governmental Activities.

***Context/Cause:*** During our testing of expenditures, an audit adjustment was required to correct current year amounts. The nature of this adjustment is as follows:

- The Capital Projects Fund required an adjustment of approximately $96,000 for additional expenditures and related liabilities recognized at the fund level while an adjustment at the government-wide level was required to properly recognize a capital asset (construction in progress) and to reduce the capital outlay amount related to this capital asset.

***Effects:*** An audit adjustment totaling approximately $96,000 was needed to correctly report expenditures and the related liabilities at the fund level and to properly record a capital asset at the government-wide level for governmental activities.

## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2009-1 Expenditure/Expense Recognition (Continued)**

***Recommendation:*** We recommend the City carefully review all expenditures and related balance sheet accounts to ensure all necessary transactions are reported in the proper period, in the proper fund, and in accordance with generally accepted accounting principles.

***Auditee's Response:*** We concur with the finding. We will take necessary steps in the future to ensure that expenditures and related balance sheet accounts are properly and timely recorded in the proper period.

**2009-2 Segregation of Duties - Repeat**

***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:*** Appropriate segregation of duties was not noted within the following areas of the City: cash receipting, recording and reconciliation process; revenue and receivable recording; accounts payable and expense/expenditure recording; personnel and payroll recording; grant recording; inventory and capital asset maintenance; and debt and debt service expenditures.

***Context/Cause:*** Although the small size of the City's staff limits the separation of duties, it is important that incompatible duties be assigned to different individuals and/or compensating controls implemented. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction.

***Effects:*** Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

***Recommendation:*** We recommend the City segregate duties and/or implement compensating controls in the key areas noted above.

***Auditee's Response:*** We will review our operations to determine the most efficient and effective solution to properly segregate duties.

## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2009-3 Timely Recording of Inter-fund Transaction in the General Fund and Multi-Grant Fund**

***Criteria:*** Procedures should be in place to ensure all inter-fund transactions are properly recorded, in a timely manner, throughout the year and as part of the year-end closing procedures.

***Condition:*** The City did not timely record inter-fund transactions between the General Fund and the Multi-Grant Fund.

***Context/Cause:*** The omission of the entries was an oversight by the City's management. We addressed the initial fund balance deficit in the Multi-Grant Fund with the City's management and they were able to determine the adjustments necessary to properly eliminate the initial fund balance deficit in the Multi-Grant Fund.

***Effects:*** Audit adjustments were required to increase the due to the other funds and to increase transfers out to other funds in the General Fund and to increase due from other funds and to increase transfers in from other funds in the Multi-Grant Fund in the amount of approximately $94,371.

***Recommendation:*** We recommend the City carefully review its inter-fund transactions throughout the year and as part of its year-end closing procedures to ensure activity is properly recorded and reflected in the City's financial statements.

***Auditee's Response:*** We concur with the finding. We will carefully review all inter-fund transaction throughout the year and at year-end to ensure amounts are properly and timely recorded.

# CITY OF JEFFERSON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED DECEMBER 31, 2009

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### SECTION III
### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

### SECTION IV
### PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There was not an audit of major federal award programs as of the prior year (December 31, 2008) due to the total amount expended being less than $500,000; therefore, none related to Federal awards.