CITY OF JEFFERSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2010

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010

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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, 2010, 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, 2010, 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 8, 2011, 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 of the City of Jefferson, Georgia. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements of the City of Jefferson, Georgia. 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 8, 2011

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, 2010. 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 $7,448,186 (total net assets) for the calendar 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 $4,718,336, 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 $1,715,605 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net assets of $1,014,245 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 $7,906,285 this year. This compared to the prior year ending fund balance of $9,888,677 showing a decrease of $1,982,392 during the current year.

- At the end of the current calendar year, the unreserved fund balance for the General Fund was $3,512,224, or 66.7% of total General Fund expenditures.

- Overall, the City continues to maintain a strong 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 and 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 than 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 of Jefferson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. 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 calendar year-end are $18,327,293. The following table provides a summary of the City's net assets:

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$11,332,128	$ 13,312,951	$2,749,572	$ 2,370,413	$ 14,081,700	$ 15,683,364
Capital assets (net of depreciation)	18,728,979	15,676,387	21,726,936	22,301,620	40,455,915	37,978,007
Total Assets	30,061,107	28,989,338	24,476,508	24,672,033	54,537,615	53,661,371
Current and other liabilities	3,320,674	3,251,246	810,134	524,217	4,130,808	3,775,463
Long-term liabilities	19,292,247	18,786,542	12,787,267	13,345,182	32,079,514	32,131,724
Total Liabilities	22,612,921	22,037,788	13,597,401	13,869,399	36,210,322	35,907,187
Net Assets:						
Invested in capital assets, net of related debt	4,718,336	3,396,580	9,385,955	9,205,135	14,104,291	12,601,715
Restricted	1,715,605	1,775,525	4,998	4,995	1,720,603	1,780,520
Unrestricted	1,014,245	1,779,445	1,488,154	1,592,504	2,502,399	3,371,949
Total Net Assets	$7,448,186	$ 6,951,550	$10,879,107	$10,802,634	$18,327,293	$17,754,184

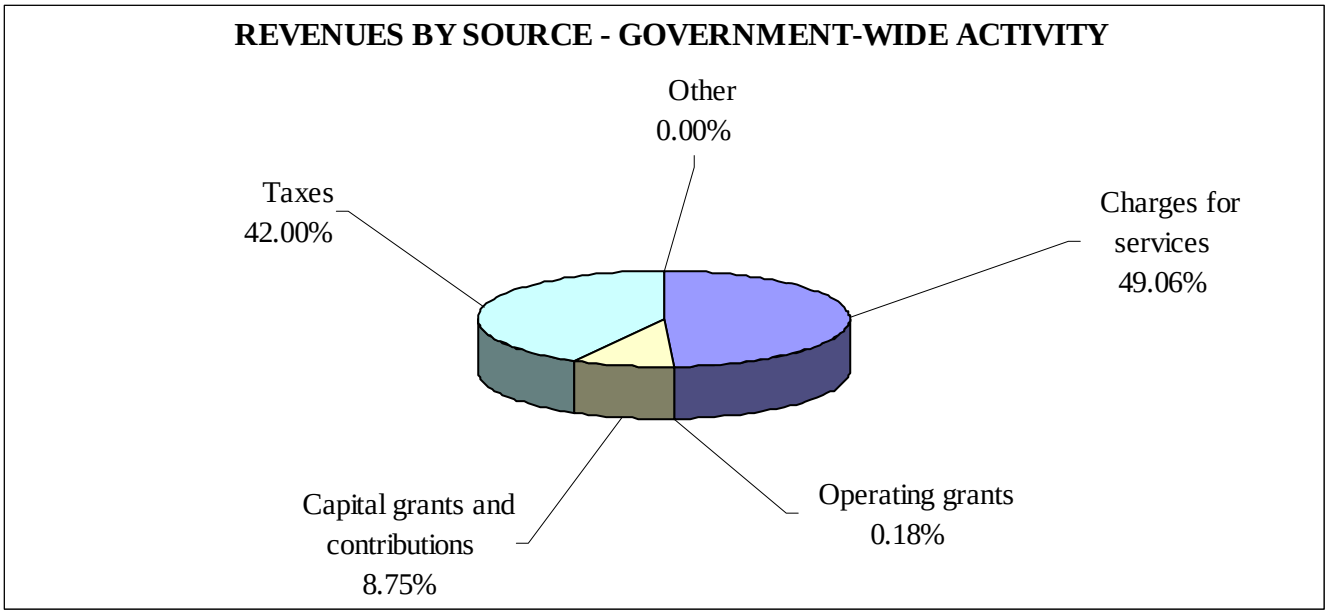
The City reported positive balances in net assets for both governmental and business-type activities. During 2010, net assets increased $496,636 for governmental activities and increased $76,473 for business-type activities. The City's overall financial position increased during calendar year 2010.

Note that approximately 62% of the governmental activities' total assets are tied up in capital assets (with 68% of the capital asset cost being depreciable). The City uses these capital assets to provide services to its citizens. Also, 89% of the business-type activities assets are tied up in capital assets. Combining governmental activities with business-type activities, the City has invested approximately 74% 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

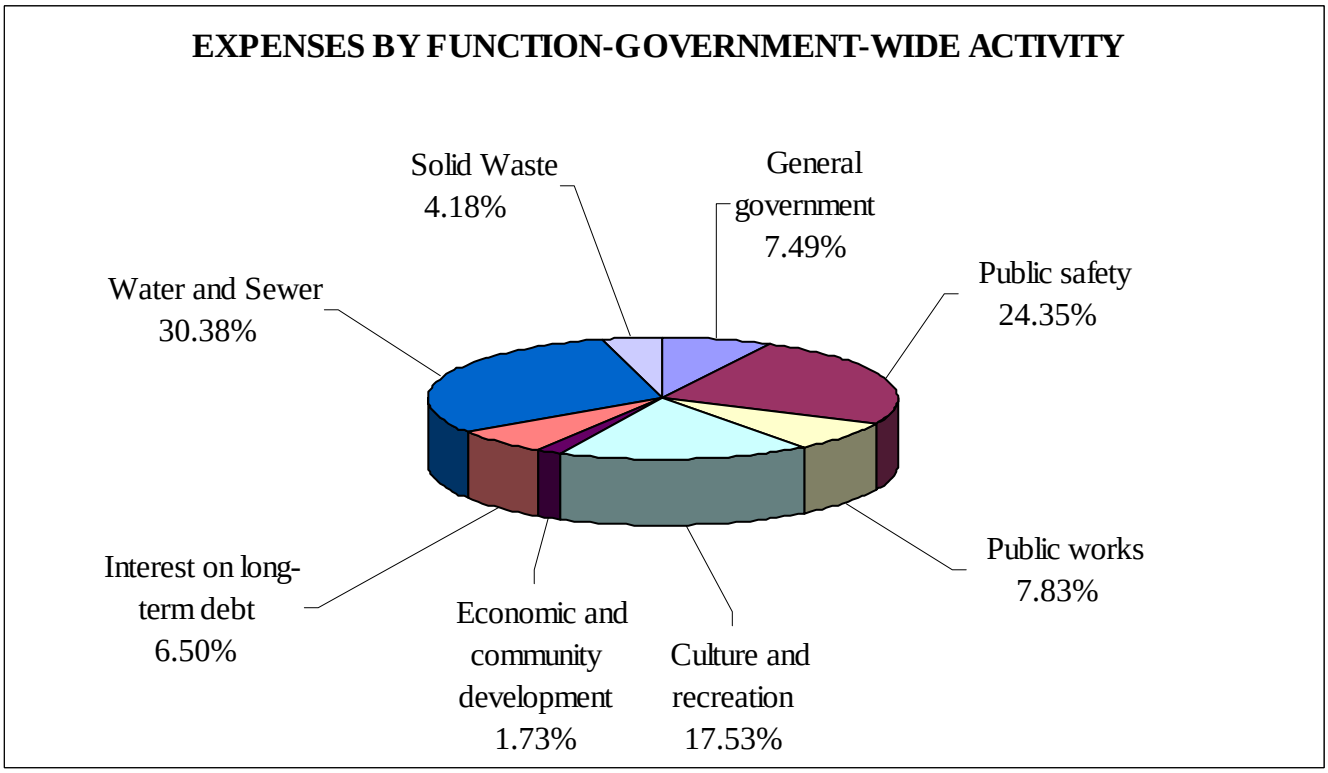
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program:						
Charges for services	$1,491,401	$1,753,721	$4,672,818	$4,700,596	$6,164,219	$6,454,317
Operating grants	22,605	31,882	-	-	22,605	31,882
Capital grants and contributions	1,099,132	772,910	-	50,000	1,099,132	822,910
General:						
Taxes	5,277,183	5,093,964	-	-	5,277,183	5,093,964
Other	412	8,312	21	20	433	8,332
Total revenues	7,890,733	7,660,789	4,672,839	4,750,616	12,563,572	12,411,405
Program Expenses:						
General government	898,568	676,057	-	-	898,568	676,057
Public safety	2,919,648	2,895,309	-	-	2,919,648	2,895,309
Public works	939,343	1,401,740	-	-	939,343	1,401,740
Culture and recreation	2,101,937	2,030,792	-	-	2,101,937	2,030,792
Economic and community development	208,002	357,540	-	-	208,002	357,540
Interest on long-term debt	779,116	788,788	-	-	779,116	788,788
Water and Sewer	-	-	3,642,743	4,267,710	3,642,743	4,267,710
Solid Waste	-	-	501,106	474,188	501,106	474,188
Total expenses	7,846,614	8,150,226	4,143,849	4,741,898	11,990,463	12,892,124
Revenues over (under) expenses	44,119	(489,437)	528,990	8,718	573,109	(480,719)
Transfers	452,517	227,665	(452,517)	(227,665)	-	-
Change in net assets	496,636	(261,772)	76,473	(218,947)	573,109	(480,719)
Beginning net assets	6,951,550	7,213,322	10,802,634	11,021,581	17,754,184	18,234,903
Ending net assets	$7,448,186	$ 6,951,550	$10,879,107	$10,802,634	$18,327,293	$17,754,184

Total government-wide revenues for 2010 were $12,563,572. These revenues consisted of $5,277,183 in taxes, $1,099,132 in capital grants and contributions, $22,605 in operating grants, $6,164,219 in charges for services, and $433 in other revenues. Of this amount, $7,890,733 was in governmental activities and $4,672,839 in business-type activities. The following chart depicts further detail of government-wide revenues.



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

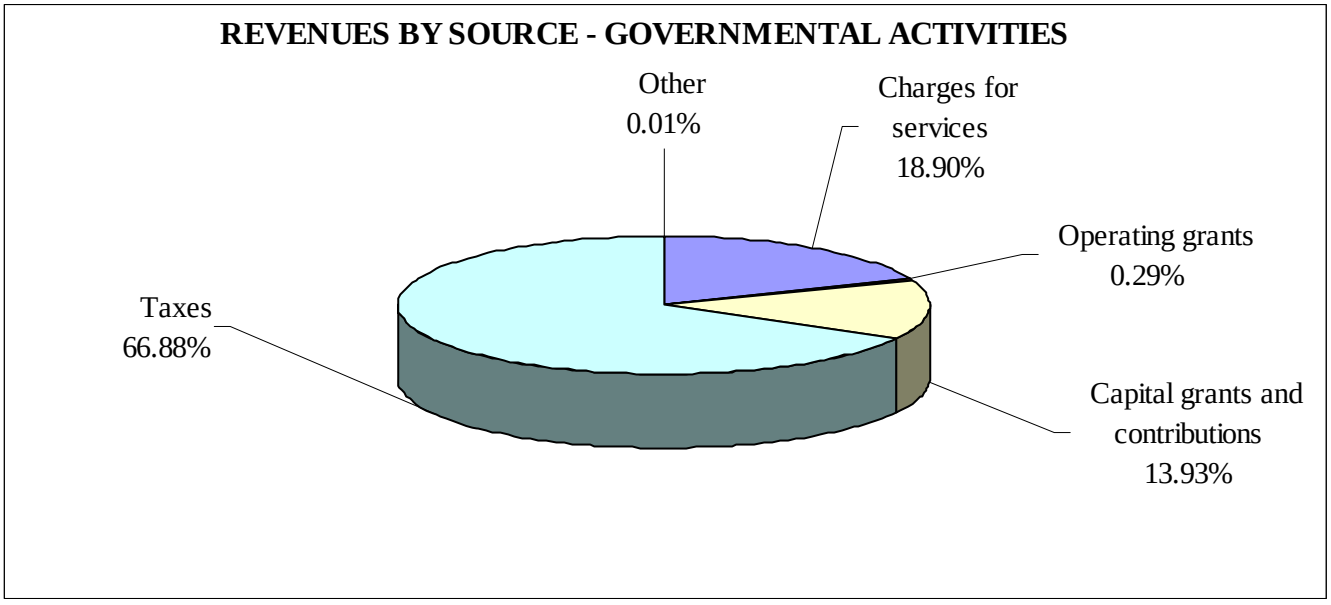
Government-wide expenses were $11,990,463 for 2010, of which $7,846,614 were for governmental activities and $4,143,849 for business-type activities. The chart below depicts further detail of government-wide expenses.



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

Governmental Activity Revenues

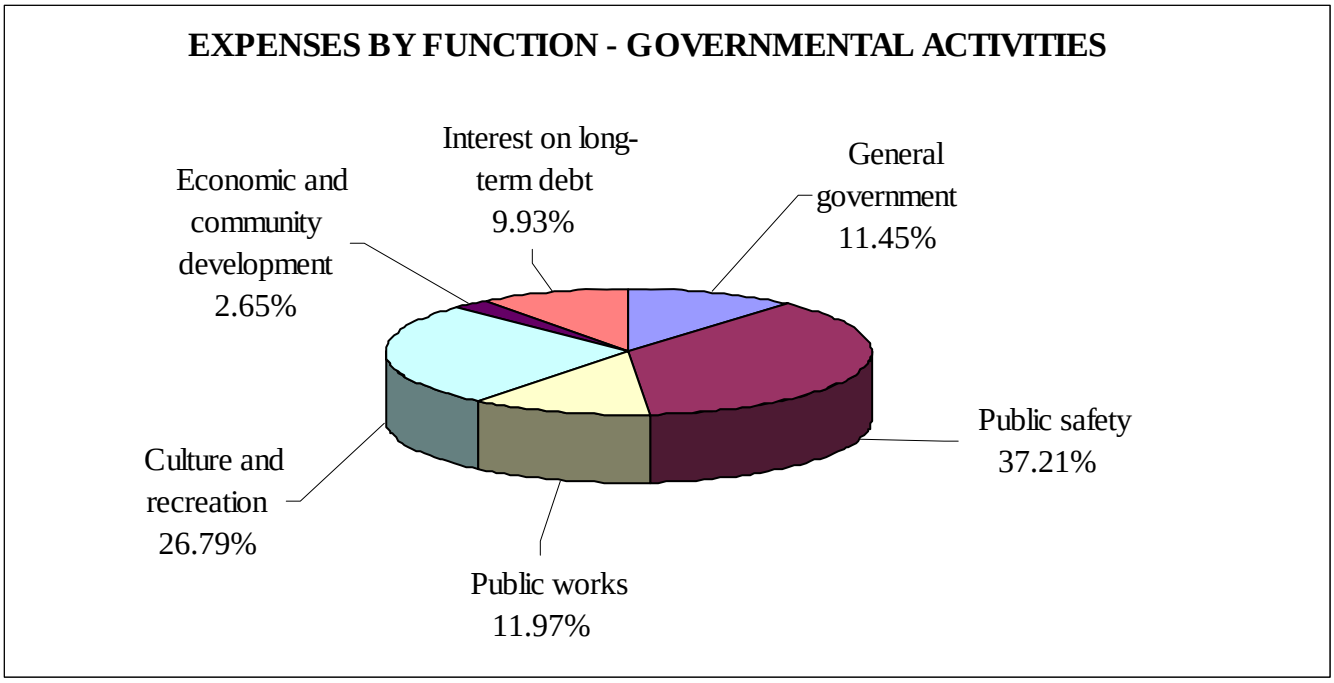
The City's Local Option Sales Tax, one of the general fund's most significant revenue sources, yielded $83,873 more than in the prior year. The total amount of local option sales tax revenue was $969,311. The City currently shares 1% taxes on all sales within the County. The Local Option Sales Tax (LOST) 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 $614,433 was expended during 2010 for these capital projects and related debt.



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

Governmental Activity Expenses

Expenses in the governmental activities were $7,846,614 down $303,612 from 2009. This decrease is due to a decrease in non capital road repairs and a decrease in economic development functions.



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 of the water and sewer fund were down $43,106 from prior year, and operating expenses also decreased by $628,934 from 2009. The decrease in revenue is mainly due to losing a larger industrial customer to privatization of water supply. The decrease in expenses is primarily attributable to the decrease in large noncapital projects during 2010.

Solid Waste Fund – The operating revenues for the solid waste fund were up $15,328 from prior year, while operating expenses increased by $26,918. The revenue in this fund increased due to a slight increase in number of customers and a small price increase, and the expense increase was due to an increase in employee benefits cost and operational costs.

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 $7,906,285 compared to $9,888,677 at December 31, 2009. The decrease relates to the following funds.

The decrease is mainly due to the Capital Projects Fund, which decreased by $2,683,414. During the year, the City worked on two very large road construction projects. These projects were completed by spending bond proceeds that are currently being held by a fiscal agent. There was also a decrease of $54,300 in fund balance for the Debt Service Fund due to a decrease in restricted cash that was used towards paying the bond payment in 2010. Nonmajor Governmental Funds also saw a slight decrease of $5,620. However, fund balance in the General Fund increased by $760,942.

Of this year-end total, $3,336,761 is unreserved indicating availability for continuing City service delivery requirements. Legally restricted fund balances (i.e., the reserved fund balances) include $679,439 set aside for debt service, $2,786,877 is bond proceeds set aside for approved road projects, $11,654 is restricted for tourism, $129,178 is restricted for public safety activity, and $895,334 is for use as stated in the SPLOST referendum.

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 $760,942 or 27%. The ending unreserved fund balance is considered very adequate, representing the equivalent of 66.7% 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 and prepare for future increase in principal portion of bond payments.

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 $2,683,414 because of payments made on approved projects. There was no revenue source in this fund.

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 upwards in 2010 by $95,241 or 1.5%.

Property Taxes were increased by $20,345. Fines and forfeitures increased by $14,000 due to collections for technology fees coming in better than projected. Other revenue increased by $60,396 due to insurance claims on assets that were replaced using the proceeds from the insurance company.

Property taxes came in over budget by $201,549. This was due to the 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 taxes came in over budget by $179,311 due to budget projections being based on the decline in the economy. This number is dependent on sales in area stores; however; the State as a whole did see an increase in collections.

Franchise fees came in $33,925 over budget. This was the result of increased usage of power and when that increases, our franchise fees increase.

The licenses and permits came in slightly under budget, $46,056, due to the decrease in planning and permit fees collected. This number is driven by the issuance of building permits for new homes and new industry developments.

Fines and forfeitures came in under budget by $151,845 due to an increase in traffic violations and other fines collected being dismissed by the Municipal Court Judge.

In total, the City recognized 103% of the final revenue budget. The General Fund's expenditure budget was increased $71,061 or 1.26%. In total, the City under spent the final expenditure budget by $447,600 or 7.84%.

Differences between the original budget, the final budget, and actual results are shown on pages 21 and starting on page 54.

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, 2010, were $18,728,979 and $21,726,936, 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	
	2010	2009	2010	2009	2010	2009
Non-depreciable assets:						
Land	$ 1,393,495	$ 1,393,495	$ 839,450	$ 839,450	$ 2,232,945	$ 2,232,945
Construction in progress	4,548,944	1,518,733	751,266	660,492	5,300,210	2,179,225
Total non-depreciable	$ 5,942,439	$ 2,912,228	$ 1,590,716	$ 1,499,942	$ 7,533,155	$ 4,412,170
Depreciable assets:						
Buildings	10,136,107	9,935,566	-	-	10,136,107	9,935,566
Water Distribution	-	-	11,397,326	11,397,326	11,397,326	11,397,326
Sewer Distribution	-	-	16,161,231	16,161,231	16,161,231	16,161,231
Improvements	338,884	338,884	22,432	22,432	361,316	361,316
Machinery and Equipment	2,869,128	2,881,584	423,806	423,806	3,292,934	3,305,390
Infrastructure	3,368,123	2,924,327	-	-	3,368,123	2,924,327
Total depreciable assets	16,712,242	16,080,361	28,004,795	28,004,795	44,717,037	44,085,156
Less accumulated depreciation	3,925,702	3,316,202	7,868,575	7,203,117	11,794,277	10,519,319
Book value – depreciable assets	12,786,540	12,764,159	20,136,220	20,801,678	32,922,760	33,565,837
Percentage depreciated	24%	21%	28%	26%	26%	24%
Total book value	$18,728,979	$15,676,387	$21,726,936	$22,301,620	$40,455,915	$37,978,007

Major capital asset activities in governmental type activities in 2010 were:

- Machinery and equipment increased by $147,559 due to the addition of two new police cars with a total cost of $66,939, the purchase of a new police reporting software costing $70,620, and purchase of a thermal imagining camera for the fire department, costing $10,000.

- Infrastructure increased by $303,698 due to rebuilding and resurfacing Old Swimming Pool Road.

- Additions to construction in progress in the amount of $3,370,850 were noted for the current year. These projects include, but are not limited to, civic center parking lot, downtown streetscape, and John B Brooks and Hog Mountain Road paving projects.

At December 31, 2010, the depreciable capital assets for governmental activities were 24% depreciated, slightly above the 2009 percentage of 21%. 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 2010 were:

- Additions to construction in progress in the amount of $123,692. The projects include, but are not limited to Parks Creeks Reservoir, I-85 Sewer Project, and High Rate Water Filter Replacement.

Long-term Debt

The City's long-term debt decreased by approximately $52,209 during 2010. Bond principal payments on governmental activities began in 2010.

Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds	$ 16,916,030	$ 17,221,782	$ 5,745,278	$ 6,315,040	$ 22,661,308	$ 23,536,822
Notes payable	218,908	207,860	6,595,703	6,781,445	6,814,611	6,989,305
Capital leases	245,996	304,046	-	-	245,996	304,046
Net pension obligation	27,270	20,488	-	-	27,270	20,488
Net OPEB obligation	1,742,019	881,165	398,334	201,385	2,140,353	1,082,550
Compensated absences	142,024	151,201	47,953	47,312	189,977	198,513
Total	$ 19,292,247	$ 18,786,542	$12,787,268	$13,345,182	$ 32,079,515	$ 32,131,724

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 continue to experience 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. Currently, multiple new commercial projects are under construction.

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. In addition, additional acreage has been added to existing industrial parks. Currently, the supply of speculative buildings has been exhausted, however, developers maintain 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 has widened and MLK Dr. is in the right of way acquisition 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 be completed in June, 2011 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, Systemax/TigerDirect.com signed a lease on a nearly 500,000 square foot 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 will employ 450.

Top ten employers in Jackson County in 2010 are listed below:

• Wayne Farms	1,150
• Jackson County Board of Education	825
• Northridge Medical Center/Hospital	585
• Gruma Corp.	485
• Systemax Inc.	450
• Baker & Taylor, Inc.	400
• Kubota	400
• Jackson County Government	400
• TD Automotive Compressor GA, Inc.	300
• TenCate Nicolon	300

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, 2010

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 4,807,033	$ 1,873,582	$ 6,680,615
Investments	12,631	-	12,631
Receivables, net of allowance for uncollectibles	2,362,762	572,238	2,935,000
Due from other governments	322,999	811	323,810
Prepaid items	70,191	-	70,191
Inventory	1,101	146,437	147,538
Restricted cash and cash equivalents	3,498,909	4,998	3,503,907
Deferred charges	256,502	151,506	408,008
Capital assets, non-depreciable	5,942,439	1,590,716	7,533,155
Capital assets, depreciable, net of accumulated depreciation	12,786,540	20,136,220	32,922,760
Total assets	30,061,107	24,476,508	54,537,615
LIABILITIES			
Accounts and retainage payable	363,838	117,352	481,190
Accrued liabilities	242,034	129,126	371,160
Unearned revenue	2,714,802	350,000	3,064,802
Customer deposits payable	-	213,656	213,656
Compensated absences, due within one year	113,599	38,355	151,954
Compensated absences, due in more than one year	28,425	9,597	38,022
Net pension obligation, due in more than one year	27,270	-	27,270
Net OPEB obligation, due in more than one year	1,742,019	398,334	2,140,353
Bonds payable, due within one year	620,000	590,000	1,210,000
Bonds payable, due in more than one year	16,296,030	5,155,278	21,451,308
Capital lease payable, due within one year	100,849	-	100,849
Capital lease payable, due in more than one year	145,147	-	145,147
Notes payable, due within one year	908	266,786	267,694
Notes payable, due in more than one year	218,000	6,328,917	6,546,917
Total liabilities	22,612,921	13,597,401	36,210,322
NET ASSETS			
Invested in capital assets, net of related debt	4,718,336	9,385,955	14,104,291
Restricted for:			
Debt service	679,439	4,998	684,437
Capital projects	895,334	-	895,334
Public safety	124,928	-	124,928
Tourism	11,654	-	11,654
Unrestricted	1,018,495	1,488,154	2,506,649
Total net assets	$ 7,448,186	$ 10,879,107	$ 18,327,293

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 898,568	$ 203,841	$ 18,218	$ -	$ (676,509)	$ -	$ (676,509)
Public safety	2,919,648	533,992	-	36,271	(2,349,385)	-	(2,349,385)
Public works	939,343	-	-	533,824	(405,519)	-	(405,519)
Culture and recreation	2,101,937	654,172	4,387	466,282	(977,096)	-	(977,096)
Economic and community development	208,002	99,396	-	62,755	(45,851)	-	(45,851)
Interest on long-term debt	779,116	-	-	-	(779,116)	-	(779,116)
Total governmental activities	7,846,614	1,491,401	22,605	1,099,132	(5,233,476)	-	(5,233,476)
Business-type activities:							
Water and Sewer	3,642,743	4,141,133	-	-	-	498,390	498,390
Solid waste	501,106	531,685	-	-	-	30,579	30,579
Total business-type activities	4,143,849	4,672,818	-	-	-	528,969	528,969
Total primary government	$ 11,990,463	$ 6,164,219	$ 22,605	$ 1,099,132	$ (5,233,476)	$ 528,969	$ (4,704,507)
General revenues:							
Property taxes					2,965,504	-	2,965,504
Sales taxes					979,374	-	979,374
Franchise taxes					1,083,925	-	1,083,925
Hotel/Motel occupancy tax					22,973	-	22,973
Business taxes					225,407	-	225,407
Unrestricted investment earnings					412	21	433
Transfers					452,517	(452,517)	-
Total general revenues and transfers					5,730,112	(452,496)	5,277,616
Change in net assets					496,636	76,473	573,109
Net assets, beginning of year					6,951,550	10,802,634	17,754,184
Net assets, end of year					$ 7,448,186	$ 10,879,107	$ 18,327,293

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

CITY OF JEFFERSON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Major Governmental Funds			Nonmajor Governmental Funds	Totals Governmental Funds
ASSETS	**General**	**Debt Service**	**Capital Projects**		
Cash and cash equivalents	$ 3,832,645	$ -	$ -	$ 974,388	$ 4,807,033
Investments	12,631	-	-	-	12,631
Taxes receivable, net	1,190,552	-	-	1,636	1,192,188
Accounts receivable	1,170,574	-	-	-	1,170,574
Intergovernmental receivable	106,786	-	-	216,213	322,999
Due from other funds	71,220	-	-	-	71,220
Prepaid items	65,941	-	-	4,250	70,191
Inventory	1,101	-	-	-	1,101
Restricted cash	-	679,439	2,786,877	32,593	3,498,909
Total assets	$ 6,451,450	$ 679,439	$ 2,786,877	$ 1,229,080	$ 11,146,846
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 89,129	$ -	$ 1,141	$ 118,450	$ 208,720
Accrued salaries	28,095	-	-	-	28,095
Due to other funds	-	-	32,693	38,527	71,220
Retainage payable	-	-	141,629	13,489	155,118
Deferred revenue	2,754,960	-	-	22,448	2,777,408
Total liabilities	2,872,184	-	175,463	192,914	3,240,561
FUND BALANCES (DEFICIT)					
Reserved for:					
Inventory	1,101	-	-	-	1,101
Prepaid Items	65,941	-	-	4,250	70,191
Debt service	-	679,439	-	-	679,439
Tourism	-	-	-	11,654	11,654
Public safety	-	-	-	124,928	124,928
Capital projects	-	-	2,786,877	895,334	3,682,211
Unreserved, undesignated (deficit), reported in:					
General Fund	3,512,224	-	-	-	3,512,224
Capital project funds	-	-	(175,463)	-	(175,463)
Total fund balances	3,579,266	679,439	2,611,414	1,036,166	7,906,285
Total liabilities and fund balances	$ 6,451,450	$ 679,439	$ 2,786,877	$ 1,229,080	

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.	18,728,979
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	62,606
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(19,249,684)
Net assets of governmental activities	$ 7,448,186

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, 2010

	Major Governmental Funds			Nonmajor Governmental Funds	Totals Governmental Funds
	General	Debt Service	Capital Projects		
Revenues					
Taxes:					
Property taxes	$ 2,948,947	$ -	$ -	$ -	$ 2,948,947
Sales taxes	969,311	-	-	-	969,311
Hotel/Motel occupancy taxes	-	-	-	22,973	22,973
Franchise taxes	1,083,925	-	-	-	1,083,925
Business taxes	225,407	-	-	-	225,407
Licenses and permits	219,444	-	-	-	219,444
Intergovernmental	20,439	-	-	1,170,072	1,190,511
Fines and forfeitures	380,155	-	-	43,819	423,974
Charges for services	682,717	-	-	-	682,717
Investment earnings	317	2	-	532	851
Contributions and donations	2,166	-	-	-	2,166
Other revenues	165,266	-	-	-	165,266
Total revenues	6,698,094	2	-	1,237,396	7,935,492
Expenditures					
Current:					
General government	501,525	-	-	64,811	566,336
Public safety	2,195,651	-	-	134,592	2,330,243
Public works	719,784	-	-	202,878	922,662
Culture and recreation	1,646,073	-	-	419,161	2,065,234
Economic and community development	200,741	-	-	10,000	210,741
Capital outlay	-	-	2,853,411	338,618	3,192,029
Debt service:					
Principal	-	463,053	-	-	463,053
Interest	-	751,768	-	-	751,768
Total expenditures	5,263,774	1,214,821	2,853,411	1,170,060	10,502,066
Excess (deficiency) of revenues over (under) expenditures	1,434,320	(1,214,819)	(2,853,411)	67,336	(2,566,574)
Other financing sources (uses):					
Proceeds from sale of capital assets	4,801	-	-	20,813	25,614
Capital leases	-	-	34,245	-	34,245
Notes payable issued	-	-	-	71,806	71,806
Transfers in	445,813	1,160,519	135,752	124,024	1,866,108
Transfers out	(1,123,992)	-	-	(289,599)	(1,413,591)
Total other financing sources (uses)	(673,378)	1,160,519	169,997	(72,956)	584,182
Net change in fund balances	760,942	(54,300)	(2,683,414)	(5,620)	(1,982,392)
Fund balances, beginning of year	2,818,324	733,739	5,294,828	1,041,786	9,888,677
Fund balances, end of year	$ 3,579,266	$ 679,439	$ 2,611,414	$ 1,036,166	$ 7,906,285

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, 2010

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

Net change in fund balances - total governmental funds	$	(1,982,392)
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.		3,093,694
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and contributions) is to decrease net assets.		(41,102)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(44,759)
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.		357,002
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.		(885,807)
Change in net assets - governmental activities	$	496,636

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 BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 2,727,053	$ 2,747,398	$ 2,948,947	$ 201,549
Sales taxes	790,000	790,000	969,311	179,311
Franchise taxes	1,050,000	1,050,000	1,083,925	33,925
Business taxes	244,000	244,000	225,407	(18,593)
Licenses and permits	265,500	265,500	219,444	(46,056)
Intergovernmental	24,080	24,080	20,439	(3,641)
Fines and forfeitures	518,000	532,000	380,155	(151,845)
Charges for services	697,000	697,000	682,717	(14,283)
Investment earnings	-	-	317	317
Contributions and donations	-	500	2,166	1,666
Other revenues	90,200	150,596	165,266	14,670
Total revenues	6,405,833	6,501,074	6,698,094	197,020
Expenditures:				
Current:				
General government	480,527	565,527	501,525	64,002
Public safety:				
Police	1,802,611	1,829,686	1,702,940	126,746
Fire	490,915	528,828	492,711	36,117
Total public safety	2,293,526	2,358,514	2,195,651	162,863
Public works	819,907	732,552	719,784	12,768
Culture and recreation:				
Recreation	293,611	295,511	249,531	45,980
Parks	1,182,815	1,183,593	1,161,947	21,646
Libraries	221,267	232,017	228,963	3,054
Payments to other agencies	6,350	6,350	5,632	718
Total culture and recreation	1,704,043	1,717,471	1,646,073	71,398
Economic and Community Development	342,310	337,310	200,741	136,569
Total expenditures	5,640,313	5,711,374	5,263,774	447,600
Excess of revenues over expenditures	765,520	789,700	1,434,320	644,620
Other financing sources (uses):				
Proceeds from sale of capital assets	7,500	7,500	4,801	(2,699)
Transfers in	15,000	100,000	445,813	345,813
Transfers out	(1,025,272)	(1,162,452)	(1,123,992)	38,460
Total other financing sources (uses)	(1,002,772)	(1,054,952)	(673,378)	381,574
Net change in fund balances	(237,252)	(265,252)	760,942	1,026,194
Fund balances, beginning of year	2,818,324	2,818,324	2,818,324	-
Fund balances, end of year	$ 2,581,072	$ 2,553,072	$ 3,579,266	$ 1,026,194

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

ASSETS	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	$ 1,751,313	$ 122,269	$ 1,873,582
Accounts receivable, net	489,713	82,525	572,238
Intergovernmental receivable	811	-	811
Inventory	146,437	-	146,437
Restricted cash	4,998	-	4,998
Total current assets	2,393,272	204,794	2,598,066
NONCURRENT ASSETS			
Deferred charges	151,506	-	151,506
Capital assets:			
Nondepreciable	1,590,716	-	1,590,716
Depreciable assets, net of accumulated depreciation	20,136,220	-	20,136,220
Total noncurrent assets	21,878,442	-	21,878,442
Total assets	24,271,714	204,794	24,476,508
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	78,387	38,965	117,352
Accrued salaries	6,497	397	6,894
Accrued interest	122,232	-	122,232
Unearned revenue	350,000	-	350,000
Compensated absences payable, current	37,911	444	38,355
Customer deposits payable	213,656	-	213,656
Notes payable, current	266,786	-	266,786
Bonds payable, current	590,000	-	590,000
Total current liabilities	1,665,469	39,806	1,705,275
NONCURRENT LIABILITIES			
Compensated absences payable	9,486	111	9,597
Net OPEB obligation	398,334	-	398,334
Notes payable	6,328,917	-	6,328,917
Bonds payable	5,155,278	-	5,155,278
Total noncurrent liabilities	11,892,015	111	11,892,126
Total liabilities	13,557,484	39,917	13,597,401
NET ASSETS			
Invested in capital assets, net of related debt	9,385,955	-	9,385,955
Restricted for debt service	4,998	-	4,998
Unrestricted	1,323,277	164,877	1,488,154
Total net assets	$ 10,714,230	$ 164,877	$ 10,879,107

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, 2010

	Business-type Activities - Enterprise Funds		
OPERATING REVENUES	**Water and Sewer Fund**	**Solid Waste Fund**	**Totals**
Charges for services:			
Water charges	$ 2,866,137	$ -	$ 2,866,137
Sewer charges	1,203,415	-	1,203,415
Refuse collection charges	-	531,685	531,685
Miscellaneous revenue	71,581	-	71,581
Total operating revenues	4,141,133	531,685	4,672,818
OPERATING EXPENSES			
Personal services and benefits	1,005,078	45,902	1,050,980
Purchased and contracted services	895,599	454,633	1,350,232
Supplies	605,637	571	606,208
Depreciation and amortization	706,891	-	706,891
Total operating expenses	3,213,205	501,106	3,714,311
Operating income	927,928	30,579	958,507
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	21	-	21
Interest expense	(429,538)	-	(429,538)
Total non-operating revenues (expenses)	(429,517)	-	(429,517)
Income before transfers	498,411	30,579	528,990
Transfers in	77,602	-	77,602
Transfers out	(530,119)	-	(530,119)
	(452,517)	-	(452,517)
Change in net assets	45,894	30,579	76,473
NET ASSETS, beginning of year	10,668,336	134,298	10,802,634
NET ASSETS, end of year	$ 10,714,230	$ 164,877	$ 10,879,107

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, 2010

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 4,484,688	$ 528,881	$ 5,013,569
Payments to vendors	(1,566,060)	(453,119)	(2,019,179)
Payments to or on behalf of employees	(805,595)	(45,392)	(850,987)
Net cash provided by operating activities	2,113,033	30,370	2,143,403
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	77,602	-	77,602
Transfers to other funds	(530,119)	-	(530,119)
Net cash used in non-capital financing activities	(452,517)	-	(452,517)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on notes and bonds payable	(836,451)	-	(836,451)
Proceeds from long-term borrowings	70,709	-	70,709
Interest paid	(413,488)	-	(413,488)
Purchases of capital assets	(123,692)	-	(123,692)
Disposal of capital assets	32,918	-	32,918
Net cash used in capital and related financing activities	(1,270,004)	-	(1,270,004)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	21	-	21
Net cash provided by investing activities	21	-	21
Net increase in cash and cash equivalents	390,533	30,370	420,903
Cash and cash equivalents, beginning of year	1,365,778	91,899	1,457,677
Cash and cash equivalents, end of year	$ 1,756,311	$ 122,269	$ 1,878,580
Reconciliation to the statement of net assets			
Cash and cash equivalents	$ 1,751,313	$ 122,269	$ 1,873,582
Restricted cash	4,998	-	4,998
Total	$ 1,756,311	$ 122,269	$ 1,878,580
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 927,928	$ 30,579	$ 958,507
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	706,891	-	706,891
Change in assets and liabilities:			
Increase in accounts and intergovernmental receivables	(6,445)	(2,804)	(9,249)
Decrease in inventory	19,798	-	19,798
Increase (decrease) in accounts payable	(13,842)	2,085	(11,757)
Increase in accrued salaries	2,255	149	2,404
Decrease in retainage payable	(63,292)	-	(63,292)
Increase in unearned revenue	350,000	-	350,000
Increase in compensated absences	279	361	640
Increase in Net OPEB obligation	196,949	-	196,949
Decrease in customer deposits payable	(7,488)	-	(7,488)
Net cash provided by operating activities	$ 2,113,033	$ 30,370	$ 2,143,403

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, 2010

	Agency Fund
ASSETS	
Cash	$ 11,163
Total assets	$ 11,163
LIABILITIES	
Due to other agencies	$ 11,163
Total liabilities	$ 11,163

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:

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

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 City'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, 2010, are recorded as prepaid items in both government-wide and fund financial statements.

I. Restricted Assets

Proceeds of the Series 2007B Road 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 $4,718,336 as shown in the financial statements was determined by taking capital assets ($18,728,979) less total outstanding debt of $17,380,934 (which includes capital leases payable, notes payable, and bonds payable) plus unspent bond proceeds of $3,370,291 reported as restricted cash held as fiscal agent and reported in the Capital Projects Fund and the Debt Service 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 $19,246,684 difference are as follows:

Bonds payable	$	(16,955,000)
Less: Deferred charges for issuance costs (to be amortized as interest expense)		256,502
Less: Unamortized discount (to be amortized as interest expense)		38,970
Capital lease payable		(245,996)
Notes payable		(218,908)
Accrued interest payable		(213,939)
Compensated absences		(142,024)
Net pension obligation		(27,270)
Net OPEB obligation		(1,742,019)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(19,249,684)

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 $3,093,694 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	$	3,822,107
Depreciation expense		(728,413)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *change in net assets of governmental activities*	$	3,093,694

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 $357,002 difference are as follows:

Principal repayments:		
General obligation debt	$	310,000
Capital lease		92,295
Notes payable		60,758
Issuance of capital lease		(34,245)
Issuance of notes payable		(71,806)
Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities*	$	357,002

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 $885,807 difference are as follows:

Compensated absences	$	9,177
Amortization of issuance costs		(26,302)
Amortization of discount		(4,248)
Accrued interest		3,202
Net pension obligation		(6,782)
Net OPEB obligation		(860,854)
Net adjustment to decrease *net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities*	$	(885,807)

Note 3. Stewardship, Compliance, and Accountability

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.

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, 2010 were properly collateralized.

As of December 31, 2010, the City had $12,631 invested in certificates of deposit as noted in the following table:

Investment	Maturities	Fair Value
Certificate of Deposit # 1	May 17, 2011	$ 6,245
Certificate of Deposit # 2	May 8, 2011	6,386
Total		$ 12,631

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 21. 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 2009 Property Tax Digest was recognized as revenues and the 2010 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	$ 1,204,815	$ -	$ -	$ 1,636
Accounts	1,222,304	651,239	110,033	-
Intergovernmental	106,786	811	-	216,213
Less allowance for uncollectibles	(65,993)	(161,526)	(27,508)	-
Net total receivables	$ 2,467,912	$ 490,524	$ 82,525	$ 217,849

Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,393,495	$ -	$ -	$ -	$ 1,393,495
Construction in progress	1,518,733	3,370,850	-	(340,639)	4,548,944
Total assets, not being depreciated	2,912,228	3,370,850	-	(340,639)	5,942,439
Capital assets, being depreciated:					
Buildings	9,935,566	-	-	200,541	10,136,107
Improvements	338,884	-	-	-	338,884
Machinery and equipment	2,881,584	147,559	(160,015)	-	2,869,128
Infrastructure	2,924,327	303,698	-	140,098	3,368,123
Total assets, being depreciated	16,080,361	451,257	(160,015)	340,639	16,712,242
Less accumulated depreciation for:					
Buildings	(1,531,249)	(341,286)	-	-	(1,872,535)
Improvements	(78,947)	(16,139)	-	-	(95,086)
Machinery and equipment	(1,412,823)	(263,794)	118,913	-	(1,557,704)
Infrastructure	(293,183)	(107,194)	-	-	(400,377)
Total accumulated depreciation	(3,316,202)	(728,413)	118,913	-	(3,925,702)
Total assets, being depreciated, net	12,764,159	(277,156)	(41,102)	340,639	12,786,540
Governmental activities capital assets, net	$ 15,676,387	$ 3,093,694	$ (41,102)	$ -	$ 18,728,979
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 839,450	$	$ -	$ -	$ 839,450
Construction in progress	660,492	123,692	(32,918)	-	751,266
Total assets, not being depreciated	1,499,942	123,692	(32,918)	-	1,590,716
Capital assets, being depreciated:					
Water distribution	11,397,326	-	-	-	11,397,326
Sewer distribution	16,161,231	-	-	-	16,161,231
Improvements	22,432	-	-	-	22,432
Machinery and equipment	423,806	-	-	-	423,806
Total assets, being depreciated	28,004,795	-	-	-	28,004,795
Less accumulated depreciation for:					
Water distribution	(3,327,723)	(228,020)	-	-	(3,555,743)
Sewer distribution	(3,592,161)	(404,030)	-	-	(3,996,191)
Improvements	(3,677)	(748)	-	-	(4,425)
Machinery and equipment	(279,556)	(32,660)	-	-	(312,216)
Total accumulated depreciation	(7,203,117)	(665,458)	-	-	(7,868,575)
Total assets, being depreciated, net	20,801,678	(665,458)	-	-	20,136,220
Business-type activities capital assets, net	$ 22,301,620	$ (541,766)	$ (32,918)	$ -	$ 21,726,936

Note 6. Capital Assets (Continued)

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

Governmental activities:		
General government	$	52,551
Police		121,930
Fire		149,835
Public works		114,824
Recreation		284,272
Economic and community development		5,001
Total depreciation expense - governmental activities	$	728,413
Business-type activities:		
Water and sewer	$	665,458
Total depreciation expense - business-type activities	$	665,458

Construction Commitments

In addition to the liabilities enumerated in the balance sheet at December 31, 2010, the City has contractual commitments on uncompleted construction contracts of approximately $713,182 for various projects including streetscape enhancements, improvements to 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, 2010, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	
General fund	Nonmajor governmental funds	$	38,527
General fund	Capital projects fund		32,693
Total		$	71,220

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, 2010:

	Transfers Out				
Transfers in	General Fund	Water & Sewer Fund	Solid Waste Fund	Nonmajor governmental funds	Total
General Fund	$ -	$ 432,030	$ -	$ 13,783	$ 445,813
Debt Service Fund	962,305	-	-	198,214	1,160,519
Capital Projects Fund	37,663	98,089	-	-	135,752
Water & Sewer Fund	-	-	-	77,602	77,602
Nonmajor governmental funds	124,024	-	-	-	124,024
Total	$ 1,123,992	$ 530,119	$ -	$ 289,599	$ 1,943,710

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, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Revenue bonds	$ 17,265,000	$ -	$ (310,000)	$ 16,955,000	$ 620,000
Less issuance discount	(43,218)	-	4,248	(38,970)	-
Net bonds payable	17,221,782	-	(305,752)	16,916,030	620,000
Notes payable	207,860	71,806	(60,758)	218,908	908
Capital lease	304,046	34,245	(92,295)	245,996	100,849
Net pension obligation	20,488	179,502	(172,720)	27,270	-
Net OPEB obligation	881,165	860,854	-	1,742,019	-
Compensated absences	151,201	101,946	(111,123)	142,024	113,599
Governmental activity Long-term liabilities	$ 18,786,542	$ 1,248,353	$ (742,648)	$ 19,292,247	$ 835,356

Note 8. Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 6,375,000	$ -	$ (580,000)	$ 5,795,000	$ 590,000
Plus premium	74,265	-	(12,680)	61,585	-
Less deferred gain on defeasance	(134,225)	-	22,918	(111,307)	-
Net bonds payable	6,315,040	-	(569,762)	5,745,278	590,000
Notes payable	6,781,445	70,709	(256,451)	6,595,703	266,786
Net OPEB obligation	201,385	196,949	-	398,334	-
Compensated absences	47,312	35,981	(35,341)	47,952	38,355
Business-type activity Long-term liabilities	$ 13,345,182	$ 303,639	$ (861,554)	$ 12,787,267	$ 895,141

For governmental activities, compensated absences and the Net pension and Net 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 Net 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 amount of the 2007B Series revenue bonds outstanding at December 31, 2010 is $7,675,000.

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 which includes (i) funds held by the Trustee pursuant to the Indenture, (ii) an Intergovernmental Contract, dated as of August 1, 2007, between the Authority and Jackson County, Georgia, pursuant to which the County will agree to make payments to the Authority in amounts sufficient to enable the Authority to pay the principal of, premium, and interest of the Series 2007 Bonds when due and to levy an annual ad valorem tax on all taxable property located within the County.

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, 2010, the amount of the defeased bonds outstanding is $1,370,000.

Note 8. Long-term Debt (Continued)

Governmental Activities (Continued)

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, 2010 is $8,620,000 and $660,000, respectively.

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. The outstanding balance of these revenue bonds at December 31, 2010 is $5,795,000.

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
2011	$ 620,000	$ 724,794	$ 590,000	$ 157,840
2012	645,000	697,914	610,000	145,840
2013	675,000	668,929	615,000	132,053
2014	700,000	640,579	635,000	116,427
2015	735,000	609,854	655,000	98,665
2016-2020	4,160,000	2,551,950	2,385,000	206,475
2021-2025	5,115,000	1,585,289	305,000	22,895
2026-2030	4,305,000	426,132	-	-
Total	$ 16,955,000	$ 7,905,441	$ 5,795,000	$ 880,195

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. The last monthly principal payment in the amount of $908 is due March 31, 2011. 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 the entire $545,000 from GEFA for reimbursement of expenditures for the proposed project. A liability for the loan has been recorded in the government-wide statement of net assets for $218,000. However, the loan is not yet in repayment status and is therefore not included in the debt maturity table below.

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 are as follows at December 31, 2010:

Project	Interest Rate	Term	Due Date	Outstanding Balance
Clearwell	3.00%	20 years	2021	$ 684,117
Central City II	4.20%	20 years	2027	5,147,350
				$ 5,831,467

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
2011	$ 908	$ -	$ 266,786	$ 232,038
2012	-	-	277,544	221,280
2013	-	-	288,742	210,082
2014	-	-	300,399	198,425
2015	-	-	312,533	186,290
2016-2020	-	-	1,762,842	731,277
2021-2025	-	-	1,872,945	363,645
2026-2027	-	-	749,676	30,543
Total	$ 908	$ -	$ 5,831,467	$ 2,173,580

In addition to the GEFA notes listed above for business-type activities, the City has an additional note with an outstanding balance of $764,236, which is not in the repayment phase as of December 31, 2010, and therefore is not included in the above maturity table.

Note 8. Long-term Debt (Continued)

Capital Leases

The City has entered into three 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. A second vehicle lease has an original amount of $34,245, matures May 1, 2013, bears an interest rate of 3.81% and requires quarterly payments of principal and interest in the amount of $3,017. The fire truck lease has an original amount of $250,886, matures March 15, 2014, bears an interest rate of 3.27%, and requires quarterly principal and interest payments of $13,576. At December 31, 2010, the outstanding balances on these leases are $50,560, $28,645, and $166,791, respectively, and the cost of the assets acquired under capital lease is $403,445.

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

Year Ending December 31,		
2011	$	107,933
2012		76,761
2013		60,339
2014		13,576
		258,609
Less: interest		(12,613)
Total	$	245,996

Conduit Debt

In 2004, the City issued General Obligation Refunding Bonds in the amount of $9,490,000 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, 2010 is $9,110,000.

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 vested after five years of credited service. Elected officials are vested immediately.

At July 1, 2010, the date of the most recent actuarial valuation, there were 108 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	22
Terminated vested participants not yet receiving benefits	19
Active vested employees	35
Active nonvested employees	32
Total	108

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 2010, the actuarially determined contribution rate was 6.9% of covered payroll.

Annual Pension Cost

For 2010, the City's recommended contribution was $177,914 and actual contribution totaled $172,720. The recommended contribution was determined as part of the October 1, 2009 actuarial valuations using the projected unit credit actuarial cost method. Actuarial assumptions include an 8% rate of return on investments and projected salary increases of 5.5% (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, 2010, were computed as follows:

Actuarially required contribution	$	177,914
Interest		1,588
Annual pension cost		179,502
Actual contributions made		(172,720)
Increase in net pension obligation		6,782
Net pension obligation, December 31, 2009		20,488
Net pension obligation, December 31, 2010	$	27,270

The information presented below is based on the annual actuarial valuation as of July 1, 2010. 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
7/1/2010	$ 2,332,687	$ 2,551,938	$ 219,251	91.41 %	$ 2,202,288	9.96 %

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 July 1, 2010.

The assumptions used in the July 1, 2010 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 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.5% plus age and service based merit increases
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.

Year Ended December 31,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
2010	$ 179,502	$ 172,720	96.2 %	$ 27,270
2009	131,528	115,581	87.9	20,488
2008	120,146	120,771	100.5	4,541

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 $500 for the POS plan. There is an unlimited lifetime maximum for the PPO plan and 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

* - Most recent actuarial valuation

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, 2010, is as follows:

Annual required contribution	$ 1,108,145
Interest on net OPEB obligation	-
Adjustments to annual required contribution	(21,652)
Annual OPEB cost	1,086,493
Contributions made	(28,690)
Increase in net OPEB obligation	1,057,803
Net OPEB obligation, beginning of year	1,082,550
Net OPEB obligation, end of year	$ 2,140,353

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, 2010	$ 1,086,493	$ 28,690	2.64%	$ 2,140,353

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 Commission (RC) and is required to pay annual dues thereto. During the current year ended December 31, 2010, the City paid $4,494 in such dues. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of a RC. RC 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 RC. Separate financial statements may be obtained from the Northeast Georgia Regional Commission, 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 $22,973 for the year ended December 31, 2010. Of this amount 60%, or $13,784, was transferred to the General Fund in accordance with O.C.G.A. 48-13-51. The remaining 40%, or $9,189, 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, 2010

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)
7/1/2010	$ 2,332,687	$ 2,551,938	$ 219,251	91.41 %	$ 2,202,288	9.96 %
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

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.

* Most recent actuarial valuation date

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, 2010

ASSETS	Special Revenue Funds: Hotel/ Motel	Special Revenue Funds: Confiscated Assets	Special Revenue Funds: Multi-Grant	Capital Projects Fund: SPLOST	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 10,999	$ 124,929	$ -	$ 838,460	$ 974,388
Taxes receivable	1,636	-	-	-	1,636
Intergovernmental receivable	-	-	136,891	79,322	216,213
Prepaid items	-	4,250	-	-	4,250
Restricted cash	-	32,593	-	-	32,593
Total assets	$ 12,635	$ 161,772	$ 136,891	$ 917,782	$ 1,229,080
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ -	$ 32,594	$ 85,856	$ -	$ 118,450
Retainage payable	-	-	13,489	-	13,489
Deferred revenue	-	-	-	22,448	22,448
Due to other funds	981	-	37,546	-	38,527
Total liabilities	981	32,594	136,891	22,448	192,914
FUND BALANCES					
Reserved for:					
Capital projects	-	-	-	895,334	895,334
Tourism	11,654	-	-	-	11,654
Public safety	-	129,178	-	-	129,178
Total fund balances	11,654	129,178	-	895,334	1,036,166
Total liabilities and fund balances	$ 12,635	$ 161,772	$ 136,891	$ 917,782	$ 1,229,080

CITY OF JEFFERSON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Hotel/ Motel	Confiscated Assets	Multi-Grant	SPLOST	
Revenues:					
Hotel/Motel taxes	$ 22,973	$ -	$ -	$ -	$ 22,973
Fines and forfeitures	-	43,819	-	-	43,819
Intergovernmental	-	-	538,754	631,318	1,170,072
Investment earnings	-	93	-	439	532
Total revenues	22,973	43,912	538,754	631,757	1,237,396
Expenditures:					
Current:					
General government	-	-	64,811	-	64,811
Public safety	-	107,683	26,909	-	134,592
Public works	-	-	202,878	-	202,878
Culture and recreation	-	-	419,161	-	419,161
Economic and community development	10,000	-	-	-	10,000
Capital outlay	-	-	-	338,618	338,618
Total expenditures	10,000	107,683	713,759	338,618	1,170,060
Excess (deficiency) of revenues over (under) expenditures	12,973	(63,771)	(175,005)	293,139	67,336
Other financing sources (uses):					
Transfers in	-	20,825	103,199	-	124,024
Transfers out	(13,784)	-	-	(275,815)	(289,599)
Notes payable issued	-	-	71,806	-	71,806
Proceeds from sale of capital assets	-	20,813	-	-	20,813
Total other financing sources (uses)	(13,784)	41,638	175,005	(275,815)	(72,956)
Net change in fund balances	(811)	(22,133)	-	17,324	(5,620)
Fund balances, beginning of year	12,465	151,311	-	878,010	1,041,786
Fund balances, end of year	$ 11,654	$ 129,178	$ -	$ 895,334	$ 1,036,166

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Hotel/Motel taxes	$ 25,000	$ 25,000	$ 22,973	$ (2,027)
Total revenues	25,000	25,000	22,973	(2,027)
Expenditures:				
Current:				
Economic and community development	25,000	10,000	10,000	-
Total expenditures	25,000	10,000	10,000	-
Other financing uses:				
Transfers out	-	(15,000)	(13,784)	1,216
Total other financing uses	-	(15,000)	(13,784)	1,216
Net changes in fund balances	-	-	(811)	(811)
Fund balances, beginning of year	12,465	12,465	12,465	-
Fund balances, end of year	$ 12,465	$ 12,465	$ 11,654	$ (811)

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Forfeiture income	$ 25,000	$ 65,000	$ 43,819	$ (21,181)
Investment earnings	-	-	93	93
Total revenues	25,000	65,000	43,912	(21,088)
Expenditures:				
Current:				
Public safety	25,000	113,500	107,683	5,817
Total expenditures	25,000	113,500	107,683	5,817
Excess (deficiency) of revenues over (under) expenditures	-	(48,500)	(63,771)	(15,271)
Other financing sources:				
Transfers in	-	20,825	20,825	-
Proceeds from sale of capital assets	-	-	20,813	20,813
Total other financing sources (uses)	-	20,825	41,638	20,813
Net changes in fund balances	-	(27,675)	(22,133)	5,542
Fund balances, beginning of year	151,311	151,311	151,311	-
Fund balances, end of year	$ 151,311	$ 123,636	$ 129,178	$ 5,542

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ -	$ 1,988,453	$ 538,754	$ (1,449,699)
Total revenues	-	1,988,453	538,754	(1,449,699)
Expenditures:				
Current:				
General government	-	77,977	64,811	13,166
Public safety	-	26,909	26,909	-
Public works	-	1,637,355	202,878	1,434,477
Culture and recreation	-	421,218	419,161	2,057
Total expenditures	-	2,163,459	713,759	1,449,700
Excess (deficiency) of revenues over (under) expenditures	-	(175,006)	(175,005)	1
Other financing sources:				
Transfers in	-	103,200	103,199	(1)
Notes payable issued	-	71,806	71,806	-
Total other financing sources	-	175,006	175,005	(1)
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	$ -	$ -	$ -	$ -

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Investment earnings	$ -	$ -	$ 2	$ 2
Total revenues	-	-	2	2
Expenditures:				
Debt service:				
Principal	454,862	464,862	463,053	1,809
Interest	750,116	750,116	751,768	(1,652)
Total expenditures	1,204,978	1,214,978	1,214,821	157
Deficiency of revenues under expenditures	(1,204,978)	(1,214,978)	(1,214,819)	159
Other financing sources:				
Transfers in	1,204,978	1,214,978	1,160,519	(54,459)
Total other financing sources	1,204,978	1,214,978	1,160,519	(54,459)
Net change in fund balances	-	-	(54,300)	(54,300)
Fund balances, beginning of year	733,739	733,739	733,739	-
Fund balances, end of year	$ 733,739	$ 733,739	$ 679,439	$ (54,300)

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE YEAR ENDED DECEMBER 31, 2010

	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	$ 563,330	$ 334,120	$ 897,450
Cultural, historical and recreation facilities	740,894	740,894	505,445	198,213	703,658
Public safety facilities	55,567	55,567	22,500	4,498	26,998
Water and sewer facilities	1,481,788	1,481,788	1,082,575	77,602	1,160,177
Total	$ 3,704,470	$ 3,704,470	$ 2,173,850	$ 614,433	$ 2,788,283

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	$ 338,618
Transfer Out (see note below)	275,815
Total	$ 614,433

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. The transfer out from the SPLOST Fund to the Water and Sewer Fund was made to pay part of the Wastewater Transfer/Collection Project and Parks Creek Reservior Project.

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, 2010

	December 31, 2009	Additions	Deductions	December 31, 2010
ASSETS				
Cash	$ 11,500	$ 128,536	$ 128,873	$ 11,163
Total assets	$ 11,500	$ 128,536	$ 128,873	$ 11,163
LIABILITIES				
Due to other agencies	$ 11,500	$ 128,536	$ 128,873	$ 11,163
Total liabilities	$ 11,500	$ 128,536	$ 128,873	$ 11,163

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of 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 questioned costs, 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 questioned costs, as items 2010-1 and 2010-2 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 8, 2011.

The City of Jefferson, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 8, 2011

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Jefferson, Georgia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Jefferson, Georgia's major federal programs for the year ended December 31, 2010. The City of Jefferson, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Jefferson, Georgia's management. Our responsibility is to express an opinion on the City of Jefferson, Georgia's compliance based on our audit.

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

In our opinion, the City of Jefferson, Georgia complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the City of Jefferson, Georgia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Jefferson, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson, Georgia's internal control over compliance.

A *deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possiblity that matererial noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the members of the City of Jefferson, Georgia, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 8, 2011

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Project Number	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Georgia Forestry Commission			
Sustainable Community Project	10.675	09:16	$ 12,575
Making the Shade - Hugh Park	10.675	MTS 09:01	1,506
2010 Urban & Community Forestry Grant	10.675	10:13	3,214
Trees Mean $Green$	10.675	10-DG-11084419-034	45,430
Subtotal			62,725
Passed through the USDA Rural Development			
Museum	10.766	10-780-58600597	6,567
Total U.S. Department of Agriculture			69,292
U.S. DEPARTMENT OF JUSTICE			
Passed through the Bureau of Justice Assistance			
Edward Byrne Memorial Justice Grant	16.738	2009-SB-B9-1300	26,909
Total U.S. Department of Justice			26,909
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the Georgia Department of Transportation			
Downtown Streetscapes Program	20.205	TEE-0008-00(162)	115,524
Total U.S. Department of Transportation			115,524
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			
Passed through the Georgia Environmental Facilities Authority			
ARRA - Cleanwater State Revolving Loan Fund	66.458	CWSRF-09-030	398,806
Total U.S. Department of Environmental Protection Agency			398,806
Total Expenditures of Federal Awards			$ **610,531**

Note: The above schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	___ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	___ yes __X__ none reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	___ yes __X__ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants For Clean Water State Revolving Funds - ARRA

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	___ yes __X__ no

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2010-1 Revenue Recognition

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the current period.

Condition: Internal controls were not sufficient to detect certain misstatements in the reporting of the City's revenues and unearned revenues in the General Fund and in the Water & Sewer Fund.

Context/Cause: During our testing of revenues, audit adjustments were required to correct current year amounts. The nature of these adjustments is as follows:

- The Water & Sewer Fund required an adjustment of approximately $350,000 for unearned revenue improperly recognized as revenue in the General Fund.

Effects: Audit adjustments totaling approximately $350,000 were needed to correctly report revenues and unearned revenues at the fund level for the General Fund and Water & Sewer Fund.

Recommendation: We recommend the City carefully review all cash receipts 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 revenues and related balance sheet accounts are properly and timely recorded in the proper period and proper fund.

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (CONTINUED)

2010-2 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.

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

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, 2009) due to the total amount expended being less than $500,000; therefore, no prior year findings related to Federal awards.