CITY OF JEFFERSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

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ANNUAL FINANCIAL REPORT
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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, 2011, 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, 2011, 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.

As discussed in Note 1, the City of Jefferson, Georgia implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of January 1, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Funding Progress on pages 3 through 15 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has be subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 6, 2012

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, 2011. 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 $7,716,815 (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 $5,182,442, include capital assets, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets (net of unspent bond proceeds).
  (2) Net assets of $4,322,615 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net assets (deficit) of ($1,788,142) represent the portion not available to maintain the City's continuing obligations to citizens and creditors.

- The City's governmental funds reported total ending fund balance of $8,229,318 this year. This compared to the prior year ending fund balance of $7,906,285 showing an increase of $323,033 during the current year.

- At the end of the current calendar year, the unassigned fund balance for the General Fund was $3,114,930, or 54.3% 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 that the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The City reports three kinds of funds:

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

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

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

The City adopts an annual appropriated budget for its general fund, special revenue funds, and debt service fund. Project length budgets are adopted for the capital projects funds. A budgetary comparison schedule has been provided for the general fund, debt service fund, and special revenue funds to demonstrate compliance with the annual appropriated budget.

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

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

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

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

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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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 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 $19,265,852. The following table provides a summary of the City's net assets:

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	$11,398,133	$ 11,332,128	$2,876,361	$ 2,749,572	$ 14,274,494	$ 14,081,700
Capital assets (net of depreciation)	19,018,356	18,728,979	21,607,439	21,726,936	40,625,795	40,455,915
Total Assets	30,416,489	30,061,107	24,483,800	24,476,508	54,900,289	54,537,615
Current and other liabilities	3,093,411	3,320,674	840,284	810,134	3,933,695	4,130,808
Long-term liabilities	19,606,263	19,292,247	12,094,479	12,787,267	31,700,742	32,079,514
Total Liabilities	22,699,674	22,612,921	12,934,763	13,597,401	35,634,437	36,210,322
Net Assets (Deficit):						
Invested in capital assets, net of related debt	5,182,442	4,718,336	10,096,508	9,385,955	15,278,950	14,104,291
Restricted	4,332,615	1,715,605	5,000	4,998	4,327,615	1,720,603
Unrestricted (deficit)	(1,788,142)	1,014,245	1,447,529	1,488,154	(340,613)	2,502,399
Total Net Assets	$7,716,815	$ 7,448,186	$11,549,037	$10,879,107	$19,265,852	$18,327,293

The City reported positive balances in net assets for both governmental and business-type activities except for unrestricted net assets of its governmental activities. During 2011, net assets increased $268,629 for governmental activities and an increased $669,930 for business-type activities. The City's overall financial position increased during calendar year 2011.

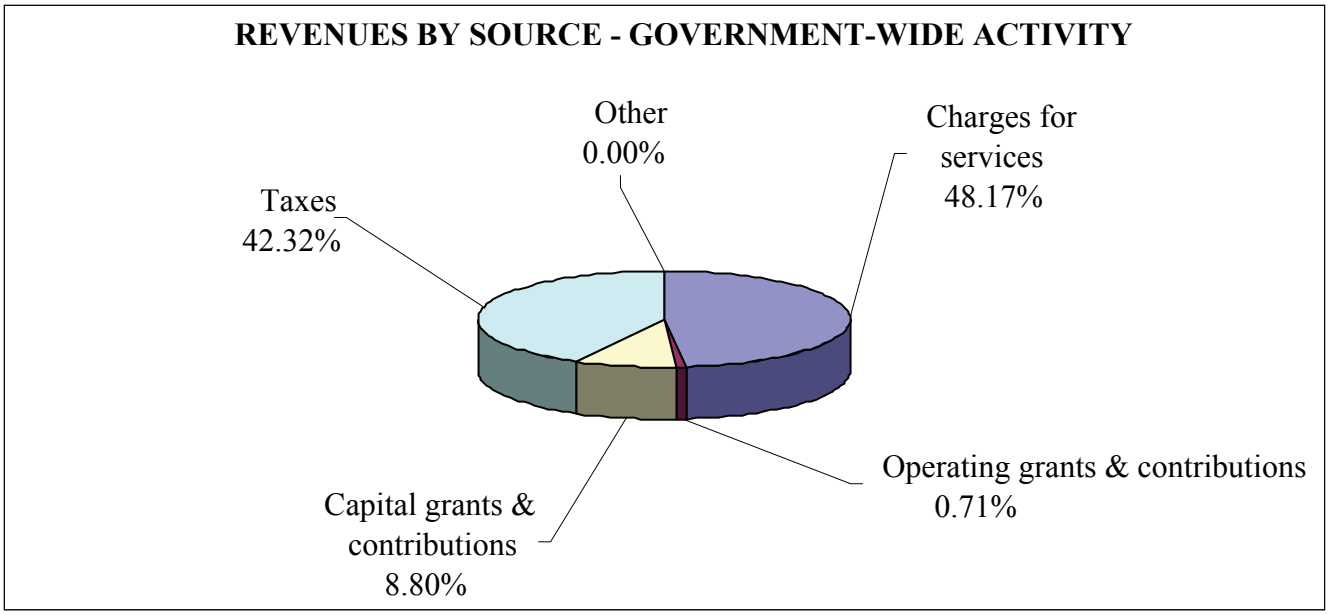
Note that approximately 63% of the governmental activities' total assets are tied up in capital assets (with 91% of the capital asset cost being depreciable). The City uses these capital assets to provide services to its citizens. Also, 88% of the business-type activities assets are tied up in capital 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

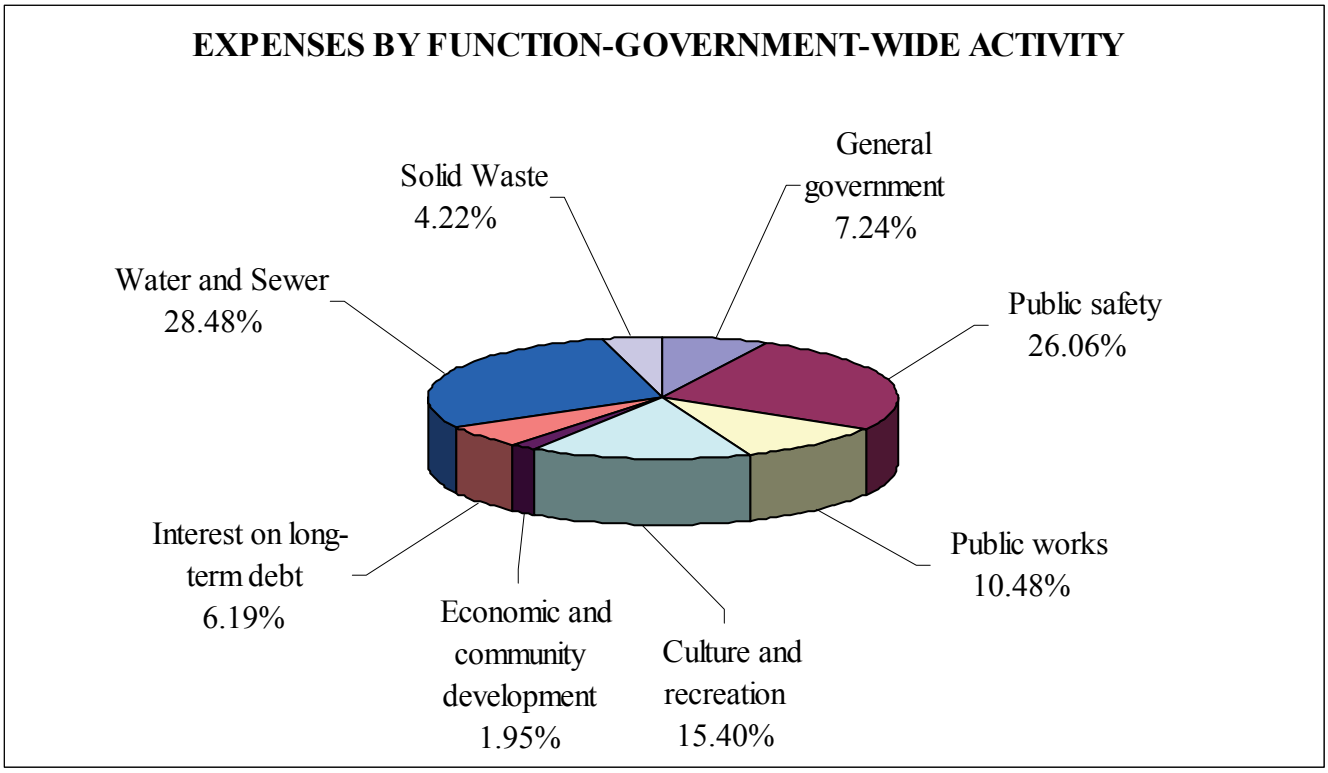
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program:						
Charges for services	$1,744,759	$1,491,401	$4,612,643	$4,672,818	$6,357,402	$6,164,219
Operating grants and contributions	93,042	22,605	-	-	93,042	22,605
Capital grants and contributions	1,095,767	1,099,132	66,219	-	1,161,986	1,099,132
General:						
Taxes	5,584,572	5,277,183	-	-	5,584,572	5,277,183
Other	274	412	19	21	293	433
Total revenues	8,518,414	7,890,733	4,678,881	4,672,839	13,197,295	12,563,572
Program Expenses:						
General government	886,948	898,568	-	-	886,948	898,568
Public safety	3,194,221	2,919,648	-	-	3,194,221	2,919,648
Public works	1,284,859	939,343	-	-	1,284,859	939,343
Culture and recreation	1,888,086	2,101,937	-	-	1,888,086	2,101,937
Economic and community development	238,568	208,002	-	-	238,568	208,002
Interest on long-term debt	758,480	779,116	-	-	758,480	779,116
Water and Sewer	-	-	3,490,695	3,642,743	3,490,695	3,642,743
Solid Waste	-	-	516,879	501,106	516,879	501,106
Total expenses	8,251,162	7,846,614	4,007,574	4,143,849	12,258,736	11,990,463
Revenues over expenses	267,252	44,119	671,307	528,990	938,559	573,109
Transfers	1,377	452,517	(1,377)	(452,517)	-	-
Change in net assets	268,629	496,636	669,930	76,473	938,559	573,109
Beginning net assets	7,448,186	6,951,550	10,879,107	10,802,634	18,327,293	17,754,184
Ending net assets	$7,716,815	$ 7,448,186	$11,549,037	$10,879,107	$19,265,852	$18,327,293

Total government-wide revenues for 2011 were $13,197,295. These revenues consisted of $5,584,572 in taxes, $1,161,986 in capital grants and contributions, $93,042 in operating grants, $6,357,402 in charges for services, and $293 in other revenues. Of this amount, $8,518,414 was in governmental activities and $4,678,881 in business-type activities. The chart below depicts further detail of government-wide revenues.



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

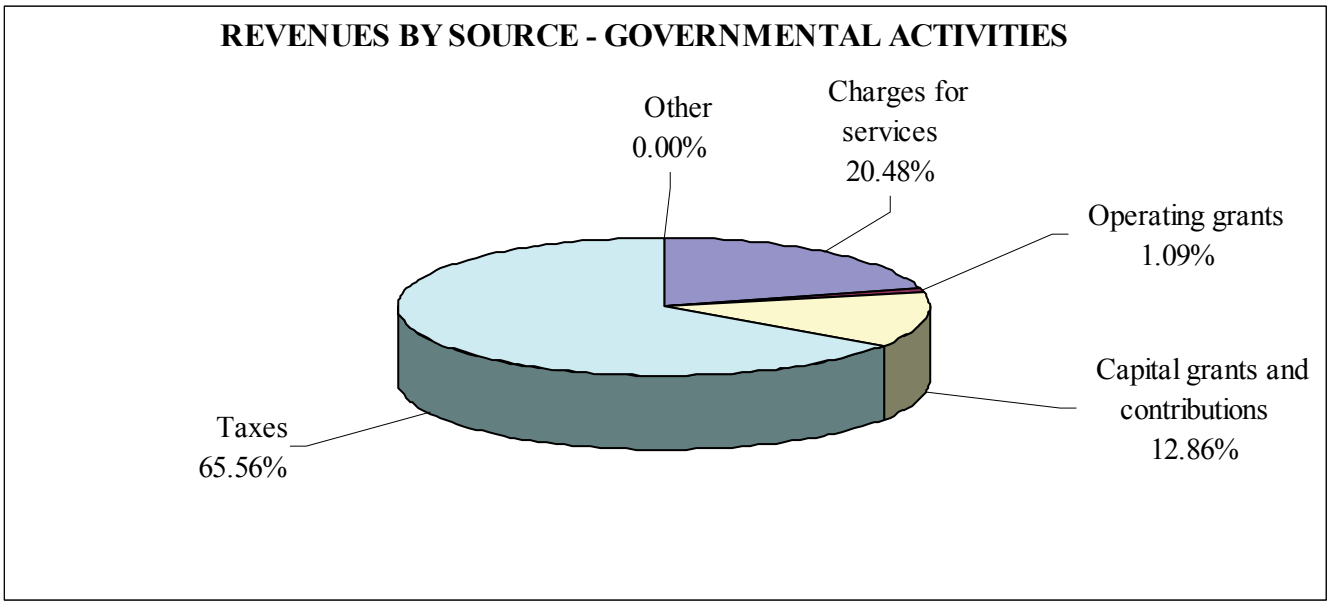
Government-wide expenses were $12,258,736 for 2011, of which $8,251,162 were for governmental activities and $4,007,574 for business-type activities. The chart below depicts further detail of government-wide expenses.



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

Governmental Activity Revenues

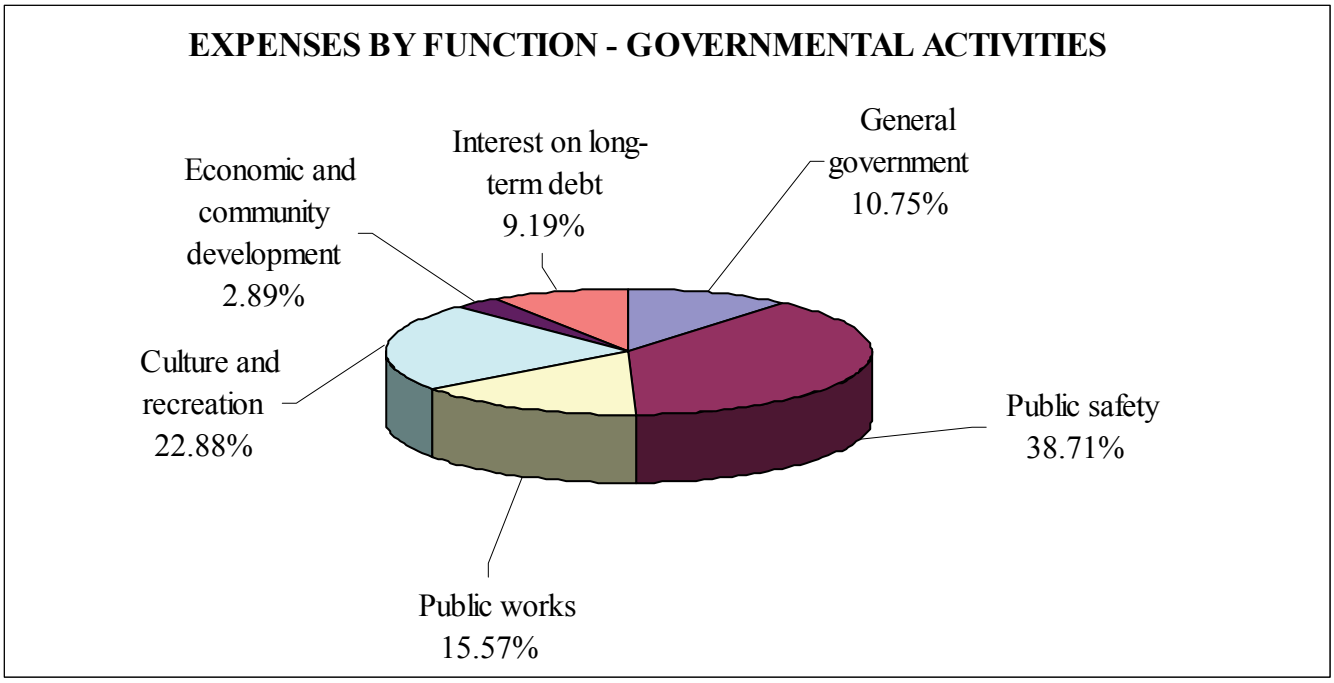
The City's Local Option Sales Tax, one of the General Fund's most significant revenue sources, yielded $2,505 less than in the prior year, due to change in accruals. The total amount of Local Option Sales Tax revenue was $783,794 ($971,718 including beer/wine and excise taxes). The City currently shares 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 SPLOST number four was effective for six years, was approved by the voters on March 15, 2005 with collections starting July 1, 2005 and ended June 30, 2011. The new SPLOST number five, effective for six years, was approved by the voters on November 2, 2010 with collections starting July 1, 2011. 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 $356,548 was expended during 2011 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 $8,251,162 up $404,548 from 2010. This increase is due to an increase in overall employee pay and benefits. The increase is also due to large road projects being done.



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

Business-Type Activities

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

Water and Sewer Fund – The operating revenues the Water and Sewer Fund were down $74,527 from prior year, and operating expenses also decreased by $108,547 from 2010. 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 decreased OPEB expenses in 2011.

Solid Waste Fund – The operating revenue for Solid Waste Fund were up $14,352 from prior year, while operating expenses increased by $15,773. The revenue in this fund increased due to slight increase in number of customers and the expenses increase was due to an increase in various expenses related to the garbage service.

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 $8,229,318 compared to $7,906,285 at December 31, 2010. The increase relates to the following funds.

Nonmajor Governmental Funds reported an increase of $345,504. This increase was due to an increase in SPLOST receipts from July1 to December 31, 2012. The increase was also due to receiving $384,476 in grant money from DOT for the Downtown Streetscape. General Fund's fund balance also increased by

$327,437. This increase was due to the increase in Insurance Tax Premium received from the Insurance Commissioner. This revenue source is directly tied to the population. The official 2010 census numbers were used to calculation the City of Jefferson's share. Jefferson had 146.6% growth. The overall increase in the total fund balance of the Governmental Funds was offset by the following decreases - Capital Projects Fund decreased by $349,834. During the year, the City worked on finishing a very large road construction project. These projects were completed by spending bond proceeds that are currently being held by a fiscal agent. There was also a decrease of $74 in the fund balance of the Debt Service Fund due to a decrease in restricted cash that was used towards paying the bond payment in 2011.

Of this year-end total, $612 is nonspendable. There has been $690,859 assigned for appropriation of subsequent year's fund balance, $50,000 assigned for improvements on Old Pendergrass Road, and $50,302 assigned for future construction of a new library. There is $3,114,930 that is unassigned indicating availability for continuing City service delivery requirements. Legally restricted fund balances include $679,365 set aside for debt service, $2,261,580 is bond proceeds set aside for approved road projects, $20,716 is restricted for tourism, $116,137 is restricted for public safety and $1,244,817 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 $327,437 or 9%. The ending unassigned fund balance is considered very adequate, representing the equivalent of 54.3% of annual expenditures.

The increase was due to efforts to control operating costs. Also, the City had an increase in some revenue sources that are driven by population. Jefferson had a 146.6% growth in population per the 2010 Census.

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 Projects – The Capital Projects Fund is used to show payments made toward approved projects for the 2007 Road Bonds. Fund balance in this fund decreased $349,834 because of payments made on approved projects. There was no revenue source in this fund during the current year.

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 previous business-type activities analysis discusses the City's two enterprise funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's revenue budget was amended downwards in 2011 by $30,713 or 0.44%.

Charges for services were decreased by $98,000. Other revenues increased by $67,287 due to rental of City facilities.

Property taxes came in over budget by $236,768. This was due to City being conservative when budgeting for property tax collection. Due to the declining economy, public officials feared that property tax collection might also see a decrease.

Sales taxes came in over budget by $56,718 due to budget projections being based on the decline in the economy. This number is dependent on sales in area stores.

Franchise fees came in $150,605 over budget. This was the result of increased usage of power and when that increases, the City's franchise fees increase.

Business taxes came in over budget by $232,191 due to budget projections being based on the decline in the economy.

The licenses and permits came in slightly over budget, $22,986, due to the increase 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 $17,135 due to an increase in traffic violations and other fines collected being dismissed by the Municipal Court Judge.

In total, the City recognized 105.5% of the final revenue budget. The General Fund's expenditure budget was increased $161,889 or 2.75%. In total, the City under spent the final expenditure budget by $308,252 or 5.1%.

Differences between the original budget, the final budget and actual results are shown on page 21 and starting on page 55.

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, 2011, were $19,018,356 and $21,607,439 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	
	2011	2010	2011	2010	2011	2010
Non-depreciable assets:						
Land	$ 1,489,775	$ 1,393,495	$ 839,450	$ 839,450	$ 2,329,225	$ 2,232,945
Construction in progress	258,090	4,548,944	795,138	751,266	1,053,228	5,300,210
Total non-depreciable	1,747,865	5,942,439	1,634,588	1,590,716	3,382,453	7,533,155
Depreciable assets:						
Buildings	10,136,107	10,136,107	-	-	10,136,107	10,136,107
Water Distribution	-	-	11,397,326	11,397,326	11,397,326	11,397,326
Sewer Distribution	-	-	16,684,163	16,161,231	16,684,163	16,161,231
Improvements	399,568	338,884	22,432	22,432	422,000	361,316
Machinery and Equipment	2,979,933	2,869,128	423,806	423,806	3,403,739	3,292,934
Infrastructure	8,338,163	3,368,123	-	-	8,338,163	3,368,123
Total depreciable assets	21,853,771	16,712,242	28,527,727	28,004,795	50,381,498	44,717,037
Less accumulated depreciation	4,583,280	3,925,702	8,554,876	7,868,575	13,138,156	11,794,277
Book value – depreciable assets	17,270,491	12,786,540	19,972,851	20,136,220	37,243,342	32,922,760
Percentage depreciated	21%	24%	30%	28%	26%	26%
Total book value	$19,018,356	$18,728,979	$21,607,439	$21,726,936	$40,625,795	$40,455,915

Major capital asset activities in governmental type activities in 2011 were:

- Machinery and equipment increased by $110,805 due to the addition of four new police cars of $133,886, the purchase of a new tagger reader for the police department costing $17,325, purchase of a thermal imagining camera for the fire department costing $8,500, the capital lease of lawn equipment costing $60,205 for the recreation department, the purchase of a new vehicle for the street department costing $29,268, and $8,555 for the street department for a snow plow. There was also $146,934 worth of assets removed from the books during the year.
- Improvements increased by $60,084 due to the addition of recreation practice fields and renovation of the City pool.
- Infrastructure increased by $4,970,040 due to, but are not limited to, rebuilding and resurfacing of Hog Mountain Road, John B Brooks Road, Downtown Streetscape, and Civic Center Parking Lot.

At December 31, 2011, the depreciable capital assets for governmental activities were 21% depreciated, slightly below the 2010 percentage of 24%. 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 2011 were:

- Additions to construction in progress in the amount of $43,872. The projects include Parks Creeks Reservoir and High Rate Water Filter Replacement.

- Additions to Sewer Distribution in the amount of $522,932. The project included is the I-85 Sewer Project.

Long-term Debt

The City's total long-term debt decreased by approximately $378,772 during 2011. This shows that the City paid off more debt than it took on during 2011.

Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue bonds	$ 16,300,082	$ 16,916,030	$ 5,164,809	$ 5,745,278	$ 21,464,891	$ 22,661,308
Notes payable	217,335	218,908	6,346,122	6,595,703	6,563,457	6,814,611
Capital leases	266,800	245,996	-	-	266,800	245,996
Net pension obligation	29,383	27,270	-	-	29,383	27,270
Net OPEB obligation	2,642,602	1,742,019	537,391	398,334	3,179,993	2,140,353
Compensated absences	150,061	142,024	46,157	47,952	196,218	189,977
Total	$ 19,606,263	$ 19,292,247	$12,094,479	$12,787,267	$ 31,700,742	$ 32,079,515

Additional information on the City's debt is contained in Note 8 beginning on page 40.

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 and residential 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 have 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. MLK Dr. is in the final design stages and construction will begin in early 2012. The Downtown Development Authority and Main Street Jefferson completed the beautification and redevelopment of the downtown area in 2011, which resulted in several new restaurants locating in the downtown area.

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.

Gov. Nathan Deal announced in December, 2011 that Osaka, Japan-based Kubota Corp. is expanding its Georgia manufacturing operations in Jefferson in Jackson County with construction of a new $73 million manufacturing facility, a move that will create 200 new jobs.

The new 500,000-square-foot Kubota manufacturing plant will be located on the same 88-acre site as the existing Kubota Industrial Equipment (KIE) corporation facility in Jefferson. The plant will feature a production capacity of 22,000 compact tractors per year. Construction of the facility will begin in early 2012 with full production of tractors scheduled for January 2013.

Top ten employers in Jackson County in 2011 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. However, last year, businesses in Jackson County announced they would create 1,135 new jobs over the next couple of years — more jobs than were announced in any other county in Georgia last year.

It was such a good year that some might be tempted to write 2011 off as a fluke — except it followed 2010, when Jackson County attracted about 800 new jobs while the unemployment rate around the state hovered at 10 percent.

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, 2011

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 6,250,288	$ 2,015,215	$ 8,265,503
Receivables, net of allowance for uncollectibles	1,656,794	561,571	2,218,365
Intergovernmental receivable	275,027	874	275,901
Inventory	612	171,237	171,849
Restricted cash and cash equivalents	2,984,210	5,000	2,989,210
Deferred charges	231,202	122,464	353,666
Capital assets, non-depreciable	1,747,865	1,634,588	3,382,453
Capital assets, depreciable, net of accumulated depreciation	17,270,491	19,972,851	37,243,342
Total assets	30,416,489	24,483,800	54,900,289
LIABILITIES			
Accounts payable	163,369	175,467	338,836
Accrued liabilities	264,247	97,078	361,325
Unearned revenue	2,665,795	350,000	3,015,795
Customer deposits payable	-	217,739	217,739
Compensated absences, due within one year	118,688	36,507	155,195
Compensated absences, due in more than one year	31,373	9,650	41,023
Net pension obligation, due in more than one year	29,383	-	29,383
Net OPEB obligation, due in more than one year	2,642,602	537,391	3,179,993
Bonds payable, due within one year	645,000	610,000	1,255,000
Bonds payable, due in more than one year	15,655,082	4,554,809	20,209,891
Capital lease payable, due within one year	120,141	-	120,141
Capital lease payable, due in more than one year	146,659	-	146,659
Notes payable, due within one year	8,099	305,979	314,078
Notes payable, due in more than one year	209,236	6,040,143	6,249,379
Total liabilities	22,699,674	12,934,763	35,634,437
NET ASSETS (DEFICITS)			
Invested in capital assets, net of related debt	5,182,442	10,096,508	15,278,950
Restricted for:			
Debt service	679,365	5,000	684,365
Capital projects	3,506,397	-	3,506,397
Public safety	116,137	-	116,137
Tourism	20,716	-	20,716
Unrestricted (deficit)	(1,788,242)	1,447,529	(340,713)
Total net assets	$ 7,716,815	$ 11,549,037	$ 19,265,852

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

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	$ 886,948	$ 196,008	$ 88,655	$ -	$ (602,285)	$ -	$ (602,285)
Public safety	3,194,221	660,855	-	12,239	(2,521,127)	-	(2,521,127)
Public works	1,284,859	-	-	833,744	(451,115)	-	(451,115)
Culture and recreation	1,888,086	713,634	4,387	232,714	(937,351)	-	(937,351)
Economic and community development	238,568	174,262	-	17,070	(47,236)	-	(47,236)
Interest on long-term debt	758,480	-	-	-	(758,480)	-	(758,480)
Total governmental activities	8,251,162	1,744,759	93,042	1,095,767	(5,317,594)	-	(5,317,594)
Business-type activities:							
Water and Sewer	3,490,695	4,066,606	-	66,219	-	642,130	642,130
Solid waste	516,879	546,037	-	-	-	29,158	29,158
Total business-type activities	4,007,574	4,612,643	-	66,219	-	671,288	671,288
Total primary government	$ 12,258,736	$ 6,357,402	$ 93,042	$ 1,161,986	$ (5,317,594)	$ 671,288	$ (4,646,306)
General revenues:							
Property taxes					2,970,402	-	2,970,402
Sales taxes					971,718	-	971,718
Franchise taxes					1,150,605	-	1,150,605
Hotel/Motel occupancy tax					22,656	-	22,656
Business taxes					469,191	-	469,191
Unrestricted investment earnings					274	19	293
Transfers					1,377	(1,377)	-
Total general revenues and transfers					5,586,223	(1,358)	5,584,865
Change in net assets					268,629	669,930	938,559
Net assets, beginning of year					7,448,186	10,879,107	18,327,293
Net assets, end of year					$ 7,716,815	$ 11,549,037	$ 19,265,852

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

CITY OF JEFFERSON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

ASSETS	Major Governmental Funds: General	Major Governmental Funds: Debt Service	Major Governmental Funds: Capital Projects	Nonmajor Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	$ 4,962,496	$ -	$ -	$ 1,287,792	$ 6,250,288
Taxes receivable, net	461,373	-	-	4,027	465,400
Accounts receivable	1,191,394	-	-	-	1,191,394
Intergovernmental receivable	103,277	-	-	171,750	275,027
Due from other funds	34,663	-	-	-	34,663
Inventory	612	-	-	-	612
Restricted cash and cash equivalents	-	679,365	2,268,938	35,907	2,984,210
Total assets	$ 6,753,815	$ 679,365	$ 2,268,938	$ 1,499,476	$ 11,201,594
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 72,868	$ -	$ 6,263	$ 84,238	$ 163,369
Accrued salaries	60,657	-	-	-	60,657
Due to other funds	-	-	1,095	33,568	34,663
Deferred revenue	2,713,587	-	-	-	2,713,587
Total liabilities	2,847,112	-	7,358	117,806	2,972,276
FUND BALANCES					
Nonspendable for inventory	612	-	-	-	612
Restricted for:					
Debt service	-	679,365	-	-	679,365
Tourism	-	-	-	20,716	20,716
Public safety	-	-	-	116,137	116,137
Capital projects	-	-	2,261,580	1,244,817	3,506,397
Assigned for:					
Appropriation of subsequent year's fund balance	690,859	-	-	-	690,859
Improvements on Old Pendergrass Road	50,000	-	-	-	50,000
Future construction of a new library	50,302	-	-	-	50,302
Unassigned	3,114,930	-	-	-	3,114,930
Total fund balances	3,906,703	679,365	2,261,580	1,381,670	8,229,318
Total liabilities and fund balances	$ 6,753,815	$ 679,365	$ 2,268,938	$ 1,499,476	

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.	19,018,356
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	47,792
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(19,578,651)
Net assets of governmental activities	$ 7,716,815

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, 2011

	Major Governmental Funds			Nonmajor Governmental Funds	Totals Governmental Funds
	General	Debt Service	Capital Projects		
Revenues					
Taxes:					
Property taxes	$ 2,962,768	$ -	$ -	$ -	$ 2,962,768
Sales taxes	971,718	-	-	-	971,718
Hotel/Motel occupancy taxes	-	-	-	22,656	22,656
Franchise taxes	1,150,605	-	-	-	1,150,605
Business taxes	469,191	-	-	-	469,191
Licenses and permits	199,152	-	-	-	199,152
Intergovernmental	35,395	-	-	1,117,710	1,153,105
Fines and forfeitures	515,365	-	-	91,432	606,797
Charges for services	754,061	-	-	-	754,061
Investment earnings	185	2	-	592	779
Contributions and donations	57,647	-	-	-	57,647
Other revenues	184,749	-	-	-	184,749
Total revenues	7,300,836	2	-	1,232,390	8,533,228
Expenditures					
Current:					
General government	614,129	-	-	14,431	628,560
Public safety	2,321,258	-	-	114,559	2,435,817
Public works	783,728	-	-	386,287	1,170,015
Culture and recreation	1,811,883	-	-	10,802	1,822,685
Economic and community development	203,554	-	-	-	203,554
Capital outlay	-	-	578,657	37,925	616,582
Debt service:					
Principal	-	758,870	-	-	758,870
Interest	-	739,477	-	-	739,477
Total expenditures	5,734,552	1,498,347	578,657	564,004	8,375,560
Excess (deficiency) of revenues over (under) expenditures	1,566,284	(1,498,345)	(578,657)	668,386	157,668
Other financing sources (uses):					
Proceeds from sale of capital assets	5,887	-	-	-	5,887
Capital leases	60,205	-	97,896	-	158,101
Transfers in	163,594	1,498,271	130,927	9,335	1,802,127
Transfers out	(1,468,533)	-	-	(332,217)	(1,800,750)
Total other financing sources (uses)	(1,238,847)	1,498,271	228,823	(322,882)	165,365
Net change in fund balances	327,437	(74)	(349,834)	345,504	323,033
Fund balances, beginning of year	3,579,266	679,439	2,611,414	1,036,166	7,906,285
Fund balances, end of year	$ 3,906,703	$ 679,365	$ 2,261,580	$ 1,381,670	$ 8,229,318

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, 2011

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

Net change in fund balances - total governmental funds	$	323,033
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.		349,024
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and contributions) is to decrease net assets.		(59,647)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(14,814)
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.		600,769
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.		(929,736)
Change in net assets - governmental activities	$	268,629

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 2,726,000	$ 2,726,000	$ 2,962,768	$ 236,768
Sales taxes	915,000	915,000	971,718	56,718
Franchise taxes	1,000,000	1,000,000	1,150,605	150,605
Business taxes	237,000	237,000	469,191	232,191
Licenses and permits	176,166	176,166	199,152	22,986
Intergovernmental	26,300	26,300	35,395	9,095
Fines and forfeitures	532,500	532,500	515,365	(17,135)
Charges for services	887,000	789,000	754,061	(34,939)
Investment earnings	-	-	185	185
Contributions and donations	350,000	350,000	57,647	(292,353)
Other revenues	98,800	166,087	184,749	18,662
Total revenues	6,948,766	6,918,053	7,300,836	382,783
Expenditures:				
Current:				
General government	658,256	658,256	614,129	44,127
Public safety:				
Police	1,854,745	1,917,032	1,850,136	66,896
Fire	492,657	492,657	471,122	21,535
Total public safety	2,347,402	2,409,689	2,321,258	88,431
Public works	839,211	839,211	783,728	55,483
Culture and recreation:				
Recreation	299,824	299,824	262,533	37,291
Parks	1,212,263	1,333,865	1,312,630	21,235
Libraries	238,757	238,757	231,511	7,246
Payments to other agencies	27,349	5,349	5,209	140
Total culture and recreation	1,778,193	1,877,795	1,811,883	65,912
Economic and Community Development	257,853	257,853	203,554	54,299
Total expenditures	5,880,915	6,042,804	5,734,552	308,252
Excess of revenues over expenditures	1,067,851	875,249	1,566,284	691,035
Other financing sources (uses):				
Proceeds from sale of capital assets	7,500	7,500	5,887	(1,613)
Capital leases	-	60,205	60,205	-
Transfers in	15,000	165,000	163,594	(1,406)
Transfers out	(1,424,703)	(1,572,315)	(1,468,533)	103,782
Total other financing sources (uses)	(1,402,203)	(1,339,610)	(1,238,847)	100,763
Net change in fund balances	(334,352)	(464,361)	327,437	791,798
Fund balances, beginning of year	3,579,266	3,579,266	3,579,266	-
Fund balances, end of year	$ 3,244,914	$ 3,114,905	$ 3,906,703	$ 791,798

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
ASSETS	Water and Sewer Fund	Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	$ 1,866,981	$ 148,234	$ 2,015,215
Accounts receivable, net	474,403	87,168	561,571
Intergovernmental receivable	874	-	874
Inventory	171,237	-	171,237
Restricted cash	5,000	-	5,000
Total current assets	2,518,495	235,402	2,753,897
NONCURRENT ASSETS			
Deferred charges	122,464	-	122,464
Capital assets:			
Nondepreciable	1,634,588	-	1,634,588
Depreciable assets, net of accumulated depreciation	19,972,851	-	19,972,851
Total noncurrent assets	21,729,903	-	21,729,903
Total assets	24,248,398	235,402	24,483,800
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	135,723	39,744	175,467
Accrued salaries	6,297	397	6,694
Accrued interest	90,384	-	90,384
Unearned revenue	350,000	-	350,000
Compensated absences payable, current	35,537	970	36,507
Customer deposits payable	217,739	-	217,739
Notes payable, current	305,979	-	305,979
Bonds payable, current	610,000	-	610,000
Total current liabilities	1,751,659	41,111	1,792,770
NONCURRENT LIABILITIES			
Compensated absences payable	9,394	256	9,650
Net OPEB obligation	537,391	-	537,391
Notes payable	6,040,143	-	6,040,143
Bonds payable	4,554,809	-	4,554,809
Total noncurrent liabilities	11,141,737	256	11,141,993
Total liabilities	12,893,396	41,367	12,934,763
NET ASSETS			
Invested in capital assets, net of related debt	10,096,508	-	10,096,508
Restricted for debt service	5,000	-	5,000
Unrestricted	1,253,494	194,035	1,447,529
Total net assets	$ 11,355,002	$ 194,035	$ 11,549,037

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, 2011

	Business-type Activities - Enterprise Funds		
OPERATING REVENUES	**Water and Sewer Fund**	**Solid Waste Fund**	**Totals**
Charges for services:			
Water charges	$ 2,679,624	$ -	$ 2,679,624
Sewer charges	1,317,130	-	1,317,130
Refuse collection charges	-	546,037	546,037
Miscellaneous revenue	69,852	-	69,852
Total operating revenues	4,066,606	546,037	4,612,643
OPERATING EXPENSES			
Personal services and benefits	891,672	43,758	935,430
Purchased and contracted services	838,631	471,070	1,309,701
Supplies	649,481	2,051	651,532
Depreciation and amortization	724,874	-	724,874
Total operating expenses	3,104,658	516,879	3,621,537
Operating income	961,948	29,158	991,106
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental	66,219	-	66,219
Investment earnings	19	-	19
Interest expense and fiscal agent fees	(386,037)	-	(386,037)
Total non-operating revenues (expenses)	(319,799)	-	(319,799)
Income before transfers	642,149	29,158	671,307
Transfers in	148,623	-	148,623
Transfers out	(150,000)	-	(150,000)
	(1,377)	-	(1,377)
Change in net assets	640,772	29,158	669,930
NET ASSETS, beginning of year	10,714,230	164,877	10,879,107
NET ASSETS, end of year	$ 11,355,002	$ 194,035	$ 11,549,037

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, 2011

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 4,081,853	$ 541,394	$ 4,623,247
Payments to vendors	(1,451,493)	(472,342)	(1,923,835)
Payments to or on behalf of employees	(755,281)	(43,087)	(798,368)
Net cash provided by operating activities	1,875,079	25,965	1,901,044
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(150,000)	-	(150,000)
Net cash used in non-capital financing activities	(150,000)	-	(150,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on notes and bonds payable	(877,437)	-	(877,437)
Proceeds from long-term borrowings	37,856	-	37,856
Capital contributions from other funds	148,623	-	148,623
Capital contributions from other governments	66,219	-	66,219
Interest paid	(417,885)	-	(417,885)
Purchases of capital assets	(566,804)	-	(566,804)
Net cash used in capital and related financing activities	(1,609,428)	-	(1,609,428)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	19	-	19
Net cash provided by investing activities	19	-	19
Net increase in cash and cash equivalents	115,670	25,965	141,635
Cash and cash equivalents, beginning of year	1,756,311	122,269	1,878,580
Cash and cash equivalents, end of year	$ 1,871,981	$ 148,234	$ 2,020,215
Reconciliation to the statement of net assets			
Cash and cash equivalents	$ 1,866,981	$ 148,234	$ 2,015,215
Restricted cash	5,000	-	5,000
Total	$ 1,871,981	$ 148,234	$ 2,020,215
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 961,948	$ 29,158	$ 991,106
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	724,874	-	724,874
Change in assets and liabilities:			
(Increase) decrease in accounts and intergovernmental receivables	15,247	(4,643)	10,604
Increase in inventory	(24,800)	-	(24,800)
Increase in accounts payable	57,336	779	58,115
Decrease in accrued salaries	(200)	-	(200)
Increase (decrease) in compensated absences	(2,466)	671	(1,795)
Increase in Net OPEB obligation	139,057	-	139,057
Increase in customer deposits payable	4,083	-	4,083
Net cash provided by operating activities	$ 1,875,079	$ 25,965	$ 1,901,044

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, 2011

ASSETS	Agency Fund
Cash	$ 9,753
Total assets	$ 9,753
LIABILITIES	
Due to other agencies	$ 9,753
Total liabilities	$ 9,753

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, 2011, 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 City 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. Net Assets

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 $5,182,442 as shown in the financial statements was determined by taking capital assets ($19,018,356) less total outstanding debt of $16,784,217 (which includes capital leases payable, notes payable, and bonds payable) plus unspent bond proceeds of $2,948,303 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. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a formal vote of the City Council. Only the City Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has expressly delegated to the City's City Manager, and finance director the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Note 1. Summary of Significant Accounting Policies (Continued)

O. 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 $19,578,651 difference are as follows:

Bonds payable	$	(16,335,000)
Less: Deferred charges for issuance costs (to be amortized as interest expense)		231,202
Less: Unamortized discount (to be amortized as interest expense)		34,918
Capital lease payable		(266,800)
Notes payable		(217,335)
Accrued interest payable		(203,590)
Compensated absences		(150,061)
Net pension obligation		(29,383)
Net OPEB obligation		(2,642,602)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(19,578,651)

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 $349,024 difference are as follows:

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

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

Capital outlay	$	1,093,889
Depreciation expense		(744,865)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *change in net assets of governmental activities*	$	349,024

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 $600,769 difference are as follows:

Principal repayments:		
General obligation debt	$	620,000
Capital lease		137,297
Notes payable		1,573
Issuance of capital lease		(158,101)
Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities*	$	600,769

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 $929,736 difference are as follows:

Compensated absences	$	(8,037)
Amortization of issuance costs		(25,300)
Amortization of discount		(4,052)
Accrued interest		10,349
Net pension obligation		(2,113)
Net OPEB obligation		(900,583)
Net adjustment to decrease *net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities*	$	(929,736)

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 City'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 City's name, is managed in accordance with the City'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, 2011 were properly collateralized.

Note 5. Receivables

The City receives property tax assessments from Jackson County, Georgia. Property taxes are levied on property values assessed as of January 1. Tax bills were levied on all real and personal property and mailed to taxpayers as of October 13. 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 2010 Property Tax Digest was recognized as revenues and the 2011 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	$ 480,696	$ -	$ -	$ 4,027
Accounts	1,220,552	630,732	116,228	-
Intergovernmental	103,277	874	-	171,750
Less allowance for uncollectibles	(48,481)	(156,329)	(29,060)	-
Net total receivables	$ 1,756,044	$ 475,277	$ 87,168	$ 175,777

Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,393,495	$ 96,280	$ -	$ -	$ 1,489,775
Construction in progress	4,548,944	679,186	-	(4,970,040)	258,090
Total assets, not being depreciated	5,942,439	775,466	-	(4,970,040)	1,747,865
Capital assets, being depreciated:					
Buildings	10,136,107	-	-	-	10,136,107
Improvements	338,884	60,684	-	-	399,568
Machinery and equipment	2,869,128	257,739	(146,934)	-	2,979,933
Infrastructure	3,368,123	-	-	4,970,040	8,338,163
Total assets, being depreciated	16,712,242	318,423	(146,934)	4,970,040	21,853,771
Less accumulated depreciation for:					
Buildings	(1,872,535)	(341,286)	-	-	(2,213,821)
Improvements	(95,086)	(16,139)	-	-	(111,225)
Machinery and equipment	(1,557,704)	(280,246)	87,287	-	(1,750,663)
Infrastructure	(400,377)	(107,194)	-	-	(507,571)
Total accumulated depreciation	(3,925,702)	(744,865)	87,287	-	(4,583,280)
Total assets, being depreciated, net	12,786,540	(426,442)	(59,647)	4,970,040	17,270,491
Governmental activities capital assets, net	$ 18,728,979	$ 349,024	$ (59,647)	$ -	$ 19,018,356
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 839,450	$	$ -	$ -	$ 839,450
Construction in progress	751,266	566,804	-	(522,932)	795,138
Total assets, not being depreciated	1,590,716	566,804	-	(522,932)	1,634,588
Capital assets, being depreciated:					
Water distribution	11,397,326	-	-	-	11,397,326
Sewer distribution	16,161,231	-	-	522,932	16,684,163
Improvements	22,432	-	-	-	22,432
Machinery and equipment	423,806	-	-	-	423,806
Total assets, being depreciated	28,004,795	-	-	522,932	28,527,727
Less accumulated depreciation for:					
Water distribution	(3,555,743)	(250,174)	-	-	(3,805,917)
Sewer distribution	(3,996,191)	(404,031)	-	-	(4,400,222)
Improvements	(4,425)	(748)	-	-	(5,173)
Machinery and equipment	(312,216)	(31,348)	-	-	(343,564)
Total accumulated depreciation	(7,868,575)	(686,301)	-	-	(8,554,876)
Total assets, being depreciated, net	20,136,220	(686,301)	-	522,932	19,972,851
Business-type activities capital assets, net	$ 21,726,936	$ (119,497)	$ -	$ -	$ 21,607,439

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		125,356
Fire		148,335
Public works		115,823
Recreation		297,799
Economic and community development		5,001
Total depreciation expense - governmental activities	$	744,865
Business-type activities:		
Water and sewer	$	686,301
Total depreciation expense - business-type activities	$	686,301

Construction Commitments

The City has no contractual commitments on uncompleted construction contracts at December 31, 2011.

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

The composition of inter-fund balances as of December 31, 2011, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	
General fund	Nonmajor governmental funds	$	33,568
General fund	Capital projects fund		1,095
Total		$	34,663

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, 2011:

	Transfers Out			
Transfers in	General Fund	Water & Sewer Fund	Nonmajor governmental funds	Total
General Fund	$ -	$ 150,000	$ 13,594	$ 163,594
Debt Service Fund	1,328,271	-	170,000	1,498,271
Capital Projects Fund	130,927	-	-	130,927
Water & Sewer Fund	-	-	148,623	148,623
Nonmajor governmental funds	9,335	-	-	9,335
Total	$ 1,468,533	$ 150,000	$ 332,217	$ 1,950,750

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, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Revenue bonds	$ 16,955,000	$ -	$ (620,000)	$ 16,335,000	$ 645,000
Less issuance discount	(38,970)	-	4,052	(34,918)	-
Net bonds payable	16,916,030	-	(615,948)	16,300,082	645,000
Notes payable	218,908	-	(1,573)	217,335	8,099
Capital lease	245,996	158,101	(137,297)	266,800	120,141
Net pension obligation	27,270	156,764	(154,651)	29,383	-
Net OPEB obligation	1,742,019	900,583	-	2,642,602	-
Compensated absences	142,024	110,119	(102,082)	150,061	118,688
Governmental activity Long-term liabilities	$ 19,292,247	$ 1,325,567	$ (1,011,551)	$ 19,606,263	$ 891,928

Note 8. Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 5,795,000	$ -	$ (590,000)	$ 5,205,000	$ 610,000
Plus premium	61,585	-	(11,805)	49,780	-
Less deferred gain on defeasance	(111,307)	-	21,336	(89,971)	-
Net bonds payable	5,745,278	-	(580,469)	5,164,809	610,000
Notes payable	6,595,703	37,856	(287,437)	6,346,122	305,979
Net OPEB obligation	398,334	139,057	-	537,391	-
Compensated absences	47,952	33,744	(35,539)	46,157	36,507
Business-type activity Long-term liabilities	$ 12,787,267	$ 210,657	$ (903,445)	$ 12,094,479	$ 952,486

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, 2011 is $7,355,000.

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, 2011, the amount of the defeased bonds outstanding is $1,245,000.

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, 2011 is $8,530,000 and $450,000, 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, 2011 is $5,205,000.

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
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	760,000	579,668	675,000	78,715
2017-2021	4,335,000	2,374,172	1,785,000	137,925
2022-2026	5,340,000	1,358,665	230,000	12,730
2027-2030	3,145,000	250,866	-	-
Total	$ 16,335,000	$ 7,180,647	$ 5,205,000	$ 722,355

Notes Payable

Governmental Activities

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 was made March 31, 2011. There was 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. During 2010, a liability for the loan was recorded in the government-wide statement of net assets for $218,000. The outstanding balance of these notes payable at December 31, 2011 is $217,335.

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, 2011:

Project	Interest Rate	Term	Due Date	Outstanding Balance
Clearwell	3.00%	20 years	2021	$ 630,796
Central City II	4.20%	20 years	2027	4,933,885
Reservior	3.68%	20 years	2031	781,441
				$ 6,346,122

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
2012	$ 8,099	$ 6,409	$ 305,979	$ 249,561
2013	8,345	6,163	318,242	237,298
2014	8,599	5,909	331,003	224,537
2015	8,861	5,647	344,282	211,257
2016	9,130	5,378	358,104	197,437
2017-2021	49,990	22,550	2,018,345	759,353
2022-2026	58,068	14,472	2,065,303	346,155
2027-2031	66,243	5,088	604,864	26,288
Total	$ 217,335	$ 71,616	$ 6,346,122	$ 2,251,886

Note 8. Long-term Debt (Continued)

Capital Leases

The City has entered into six (6) lease agreements as lessee for financing the acquisition of recreation equipment, 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. A third vehicle lease has an original amount of $32,693, matures November 3, 2013, bears an interest rate of 3.33% and requires quarterly payments of principal and interest in the amount of $2,859. A fourth vehicle lease has an original amount of $65,203, matures April 24, 2014, bears an interest rate of 2.96% and requires quarterly payments of principal and interest in the amount of $5,671. The recreation equipment lease has an original amount of $60,205, matures January 24, 2014, bears an interest rate of 1.5% and requires annual payments of principal and interest in the amount of $15,620. At December 31, 2011, the outstanding balances on these leases are $10,297, $17,512, $117,338, $45,154, $22,035, and $54,464, respectively, and the cost of the assets acquired under capital lease is $561,546.

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

Year Ending December 31,		
2012	$	126,498
2013		110,075
2014		40,537
		277,110
Less: interest		(10,310)
Total	$	266,800

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, 2011 is $8,740,000.

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, 2011, the date of the most recent actuarial valuation, there were 106 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	23
Terminated vested participants not yet receiving benefits	20
Active vested employees	41
Active nonvested employees	22
Total	106

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 2011, the actuarially determined contribution rate was 7.19% of covered payroll.

Annual Pension Cost

For 2011, the City's recommended contribution was $154,651 and actual contribution totaled $154,651. The recommended contribution was determined as part of the July 1, 2010 actuarial valuations using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increases of 3.5% (3.0% 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, 2011, were computed as follows:

Actuarially required contribution	$	154,651
Interest		2,113
Annual pension cost		156,764
Actual contributions made		(154,651)
Increase in net pension obligation		2,113
Net pension obligation, December 31, 2010		27,270
Net pension obligation, December 31, 2011	$	29,383

The information presented below is based on the annual actuarial valuation as of July 1, 2011. Additional funding progress history is presented in the required supplementary section.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2011	$ 2,489,288	$ 2,718,675	$ 229,387	91.56%	$ 2,129,981	10.77 %

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, 2011.

The assumptions used in the July 1, 2011 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, with a net effective amortization period of 10 years.

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)
2011	$ 156,764	$ 154,651	98.7 %	$ 29,383
2010	179,502	172,720	96.2	27,270
2009	131,528	115,581	87.9	20,488

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, 2011, is as follows:

Annual required contribution	$ 1,108,145
Interest on net OPEB obligation	-
Adjustments to annual required contribution	(42,575)
Annual OPEB cost	1,065,570
Contributions made	(25,930)
Increase in net OPEB obligation	1,039,640
Net OPEB obligation, beginning of year	2,140,353
Net OPEB obligation, end of year	$ 3,179,993

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, 2011	$ 1,065,570	$ 25,930	2.43%	$ 3,179,993

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, 2011, the City paid $9,432 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, Athens, 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 $22,656 for the year ended December 31, 2011. Of this amount 60%, or $13,594, was transferred to the General Fund in accordance with O.C.G.A. 48-13-51. The remaining 40%, or $9,062, was used to promote tourism.

Note 16. Subsequent Events

In the subsequent year, the City issued revenue bonds in the amount of $7,560,000. The proceeds from these bonds will be used to repay the GEFA loans previously obtained and financing, in whole or in part, the cost of certain improvements and extensions to the City's existing water and sewer system.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JEFFERSON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN AND OPEB
SCHEDULES OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2011

Schedule of Funding Progress - Retirement Plan (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)
7/1/2011	$ 2,489,288	$ 2,718,675	$ 229,387	91.56 %	$ 2,129,981	10.77 %
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

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

Schedule of Funding Progress - Other Post-employment Benefits (OPEB)

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 and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt services or capital projects.

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. Funds are restricted by State laws.

Confiscated Assets Fund – This fund accounts for the use of confiscated drug money by the City's Police Department. These monies must be used for police related expenditures and are restricted by Federal law.

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. These funds are restricted by Federal and State law.

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, 2011

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS	Hotel/ Motel	Confiscated Assets	Multi-Grant	SPLOST	
Cash and cash equivalents	$ 19,105	$ 117,849	$ 7,218	$ 1,143,620	$ 1,287,792
Taxes receivable	4,027	-	-	-	4,027
Intergovernmental receivable	-	-	31,052	140,698	171,750
Restricted cash	-	35,907	-	-	35,907
Total assets	$ 23,132	$ 153,756	$ 38,270	$ 1,284,318	$ 1,499,476
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ -	$ 37,619	$ 7,118	$ 39,501	$ 84,238
Due to other funds	2,416	-	31,152	-	33,568
Total liabilities	2,416	37,619	38,270	39,501	117,806
FUND BALANCES					
Restricted for:					
Capital projects	-	-	-	1,244,817	1,244,817
Tourism	20,716	-	-	-	20,716
Public safety	-	116,137	-	-	116,137
Total fund balances	20,716	116,137	-	1,244,817	1,381,670
Total liabilities and fund balances	$ 23,132	$ 153,756	$ 38,270	$ 1,284,318	$ 1,499,476

CITY OF JEFFERSON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Hotel/ Motel	Confiscated Assets	Multi-Grant	SPLOST	
Revenues:					
Hotel/Motel occupancy taxes	$ 22,656	$ -	$ -	$ -	$ 22,656
Fines and forfeitures	-	91,432	-	-	91,432
Intergovernmental	-	-	412,184	705,526	1,117,710
Investment earnings	-	87	-	505	592
Total revenues	22,656	91,519	412,184	706,031	1,232,390
Expenditures:					
Current:					
General government	-	-	14,431	-	14,431
Public safety	-	104,560	9,999	-	114,559
Public works	-	-	386,287	-	386,287
Culture and recreation	-	-	10,802	-	10,802
Capital outlay	-	-	-	37,925	37,925
Total expenditures	-	104,560	421,519	37,925	564,004
Excess (deficiency) of revenues over (under) expenditures	22,656	(13,041)	(9,335)	668,106	668,386
Other financing sources (uses):					
Transfers in	-	-	9,335	-	9,335
Transfers out	(13,594)	-	-	(318,623)	(332,217)
Total other financing sources (uses)	(13,594)	-	9,335	(318,623)	(322,882)
Net change in fund balances	9,062	(13,041)	-	349,483	345,504
Fund balances, beginning of year	11,654	129,178	-	895,334	1,036,166
Fund balances, end of year	$ 20,716	$ 116,137	$ -	$ 1,244,817	$ 1,381,670

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Hotel/Motel occupancy taxes	$ 25,000	$ 25,000	$ 22,656	$ (2,344)
Total revenues	25,000	25,000	22,656	(2,344)
Expenditures:				
Current:				
Economic and community development	10,000	10,000	-	10,000
Total expenditures	10,000	10,000	-	10,000
Excess (deficiency) of revenues over (under) expenditures	15,000	15,000	22,656	7,656
Other financing uses:				
Transfers out	(15,000)	(15,000)	(13,594)	1,406
Total other financing uses	(15,000)	(15,000)	(13,594)	1,406
Net changes in fund balances	-	-	9,062	9,062
Fund balances, beginning of year	11,654	11,654	11,654	-
Fund balances, end of year	$ 11,654	$ 11,654	$ 20,716	$ 9,062

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Fines and forfeitures	$ 34,200	$ 91,000	$ 91,432	$ 432
Investment earnings	-	-	87	87
Total revenues	34,200	91,000	91,519	519
Expenditures:				
Current:				
Public safety	34,200	104,925	104,560	365
Total expenditures	34,200	104,925	104,560	365
Excess (deficiency) of revenues over (under) expenditures	-	(13,925)	(13,041)	884
Net changes in fund balances	-	(13,925)	(13,041)	884
Fund balances, beginning of year	129,178	129,178	129,178	-
Fund balances, end of year	$ 129,178	$ 115,253	$ 116,137	$ 884

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ -	$ 1,465,417	$ 412,184	$ (1,053,233)
Total revenues	-	1,465,417	412,184	(1,053,233)
Expenditures:				
Current:				
General government	-	15,251	14,431	820
Public safety	-	10,000	9,999	1
Public works	-	1,434,476	386,287	1,048,189
Culture and recreation	-	14,034	10,802	3,232
Total expenditures	-	1,473,761	421,519	1,052,242
Excess (deficiency) of revenues over (under) expenditures	-	(8,344)	(9,335)	(991)
Other financing sources:				
Transfers in	-	8,344	9,335	991
Total other financing sources	-	8,344	9,335	991
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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Investment earnings	$ -	$ -	$ 2	$ 2
Total revenues	-	-	2	2
Expenditures:				
Debt service:				
Principal	772,819	792,819	758,870	33,949
Interest	738,834	738,834	739,477	(643)
Total expenditures	1,511,653	1,531,653	1,498,347	33,306
Deficiency of revenues under expenditures	(1,511,653)	(1,531,653)	(1,498,345)	33,308
Other financing sources:				
Transfers in	1,511,653	1,531,653	1,498,271	(33,382)
Total other financing sources	1,511,653	1,531,653	1,498,271	(33,382)
Net change in fund balances	-	-	(74)	(74)
Fund balances, beginning of year	679,439	679,439	679,439	-
Fund balances, end of year	$ 679,439	$ 679,439	$ 679,365	$ (74)

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2011

SPLOST IV:	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	$ 897,450	$ -	$ 897,450
Cultural, historical and recreation facilities	740,894	740,894	703,658	73,321	776,979
Public safety facilities	55,567	55,567	26,998	17,572	44,570
Water and sewer facilities	1,481,788	1,481,788	1,160,177	168,976	1,329,153
SPLOST IV Total	$ 3,704,470	$ 3,704,470	$ 2,788,283	259,869	$ 3,048,152
SPLOST V:					
Roads, streets, bridges, and storm water management facilities	$ 1,179,588	$ 1,179,588	$ -	$ -	$ -
Cultural, historical and recreation facilities	1,626,853	1,626,853	-	96,679	96,679
Public safety facilities	81,651	81,651	-	-	-
Water and sewer facilities	1,179,588	1,179,588	-	-	-
SPLOST V Total	$ 4,067,680	$ 4,067,680	$ -	96,679	$ 96,679
Total SPLOST Expenditures				$ 356,548	

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	$ 37,925
Transfer Out (see note below)	318,623
Total	$ 356,548

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 (which were refunded by the 2007 A&B Refunding Revenue 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 Reservoir 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, 2011

	December 31, 2010	Additions	Deductions	December 31, 2011
ASSETS				
Cash	$ 11,163	$ 138,523	$ 139,933	$ 9,753
Total assets	$ 11,163	$ 138,523	$ 139,933	$ 9,753
LIABILITIES				
Due to other agencies	$ 11,163	$ 138,523	$ 139,933	$ 9,753
Total liabilities	$ 11,163	$ 138,523	$ 139,933	$ 9,753

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 6, 2012. Our report references that the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 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

Management of the City of Jefferson, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Jefferson, Georgia'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 of Jefferson, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson, Georgia's internal control over financial reporting.

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

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 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 deficiency described in the accompanying schedule of findings and responses, as item 2011-1, to be a material weakness.

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 6, 2012.

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

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 6, 2012

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

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?	___ yes __X__ none reported
Noncompliance material to financial statements noted?	___ yes __X__ no

Federal Awards

There was not an audit of major federal award programs required as of December 31, 2011 due to the total amount expended being less than $500,000.

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND REPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2011-1 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 RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

SECTION IV
PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None reported.