ANNUAL FINANCIAL REPORT

MCDUFFIE COUNTY,
GEORGIA

YEAR ENDED DECEMBER 31, 2010

MCDUFFIE COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2010

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Baird & Company *CPAs, LLC*
CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
McDuffie County, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McDuffie County, Georgia as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McDuffie County Health Department, a discretely presented component unit, whose statements reflect total assets of $129,959 and total net assets of $86,047 as of June 30, 2010, and total revenues of $468,788 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McDuffie County Health Department, is based on the report of other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of McDuffie County, Georgia as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011 on our consideration of McDuffie County, 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 budgetary comparison information on pages 3 through 12 and 75 through 96 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 and the other auditors 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 regarding 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 McDuffie County, Georgia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and schedules described in the accompanying table of contents, including the Special Purpose Local Option Sales Tax 2004–2008, Special Purpose Local Option Sales Tax 2009–2016, and Schedule of Project Expenditures and Source and Application of Funds for Community Development Block Grants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

MCDUFFIE COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2010

As management of McDuffie County we offer the readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented in this analysis along with the complete financial statements and notes in the 2010 Audit Report to enhance their understanding of McDuffie County's financial performance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to McDuffie County Government's financial statements which include government-wide and fund statements as well as notes to the financial statements. This report also contains other supplementary information in addition to the basic financials that may be of interest to the reader.

McDuffie County's basic financial statements are comprised of three components: The first component is government-wide financial statements, second is fund financial statements and third, notes to the financial statements. The Government-wide financial statements present an overall picture of McDuffie County's financial position and results of operations. The Fund financial statements present financial information for McDuffie County's major funds. The Notes to the financial statements provide additional information concerning McDuffie County's finances that are not disclosed in the Government-wide or Fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a similar manner to a private-sector business.

The statement of net assets presents information on all the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. The purpose of the design of the statement of activities is to show the financial reliance of the County's distinct activities or functions on revenues provided by the County's taxpayers. This statement also presents a comparison between direct expense and program revenues for each function of the government.

Both statements attempt to distinguish functions of McDuffie County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

In the *Statement of Net Assets* and the *Statement of Activities*, we divide the County into three kinds of activities:

- Governmental activities—Most of the County's basic services are reported here, including general government, public safety, highway and streets, health and welfare, culture and recreation, judicial system and economic development.
- Business-type activities—The County charges a fee to customers to help cover the cost of certain services it provides. The County's water, sewer and solid waste operations are reported here.
- Component units-- The County includes two separate entities in our report, The Development Authority of McDuffie County and the City of Thomson and the McDuffie County Health Department. The Development Authority serves to promote, pursue and implement economic development in the County. The Health Department is a public health department serving all citizens and non citizens of McDuffie County needing the available services provided by the Health Department.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds,

proprietary funds, and fiduciary funds. Like other state and local governments, McDuffie County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds
Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information present for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will allow readers to better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 29 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 major funds. McDuffie County reports two major governmental funds – General Fund and the General Obligation Bond Fund.

Proprietary Funds
The Government has two types of proprietary funds report used to account for activities that operate similar to commercial enterprises found in the private sector. These are funds that charge fees for services provided to outside customers including other local governments are known as enterprise funds. McDuffie County has three enterprise funds: the solid waste fund, the water and sewer funds.

The proprietary fund statements can be found on pages 21-23 of this report.

Fiduciary Funds
Fiduciary Funds are used to account for resources held by the government for private organizations, other governments or other departments inside the government. The government is responsible for ensuring that these assets are used only for their intended purposes and are paid to the intended recipients. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's operation or programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 72-73 of this report.

Government-wide Financial Analysis

Net Assets

Net assets may serve over time as useful indicators of a government's financial position. Management has included comparative data which may be useful in comparing the current year and noting possible changes.

The following table provides a summary of the County's governmental and business-type net assets for fiscal year 2009 and 2010.

McDuffie County's Net Assets
December 31, 2010 and 2009

	Governmental Activities		Business-Type Activities		Totals	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Assets						
Current and other assets	$17,387,123	$28,418,427	$1,028,288	$1,825,678	$18,415,411	$30,244,105
Capital assets, net	40,938,262	29,547,721	19,600,477	20,098,027	60,538,739	49,645,748
Total assets	58,325,385	57,966,148	20,628,765	21,923,705	78,954,150	79,889,853
Liabilities						
Current and other liabilities	2,146,813	1,590,509	293,162	1,156,699	2,439,975	2,747,208
Long-term liabilities	17,080,220	18,039,269	7,097,651	6,811,519	24,177,871	24,850,588
Total liabilities	19,227,033	19,629,778	7,390,813	7,968,218	26,617,846	27,597,796
Net Assets						
Invested in capital assets, net related debt	23,858,042	11,723,798	12,855,714	13,286,708	36,713,756	25,010,506
Restricted - Debt Service	2,030,174				2,030,174	
Unrestricted	13,210,136	26,612,572	382,238	668,779	13,210,136	27,281,351
Total net assets	$39,098,352	$38,336,370	$13,237,952	$13,955,487	$52,336,304	$52,291,857

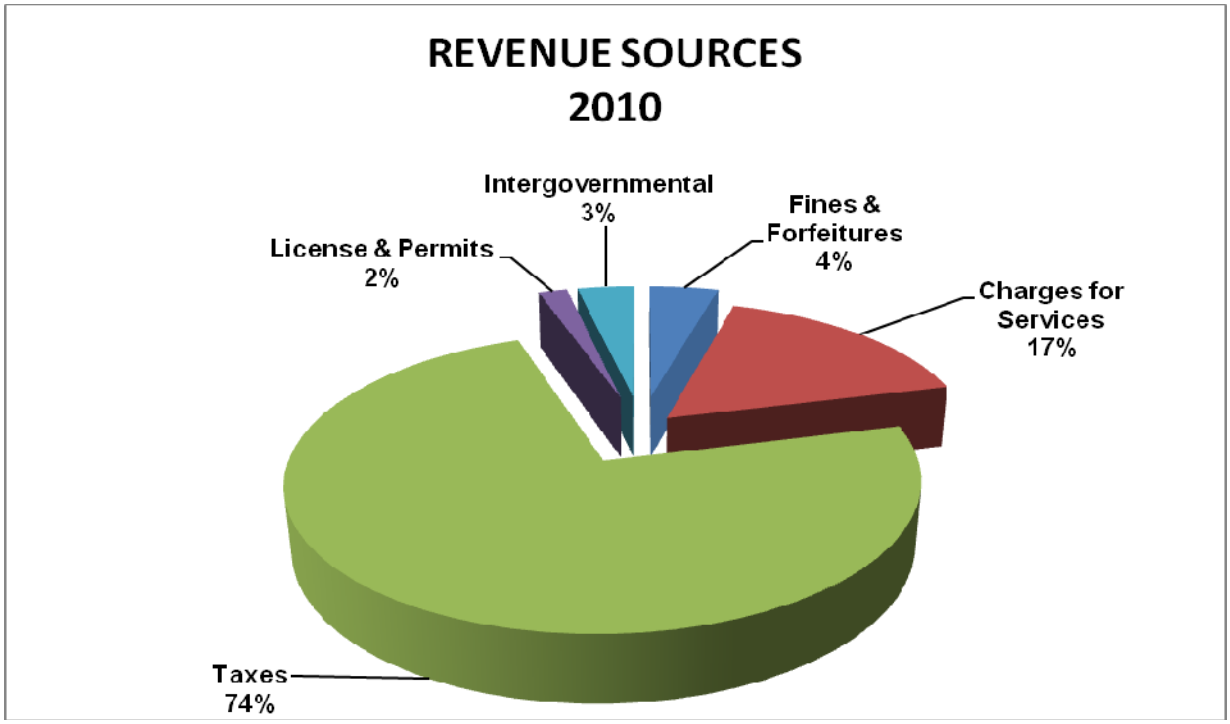
Governmental Activities

The balance of unrestricted net assets, 33% in 2010 and 71% in 2009 may be used to meet the Government's obligations to citizens and creditors. The Government's net assets increased by $761,982 during 2010.

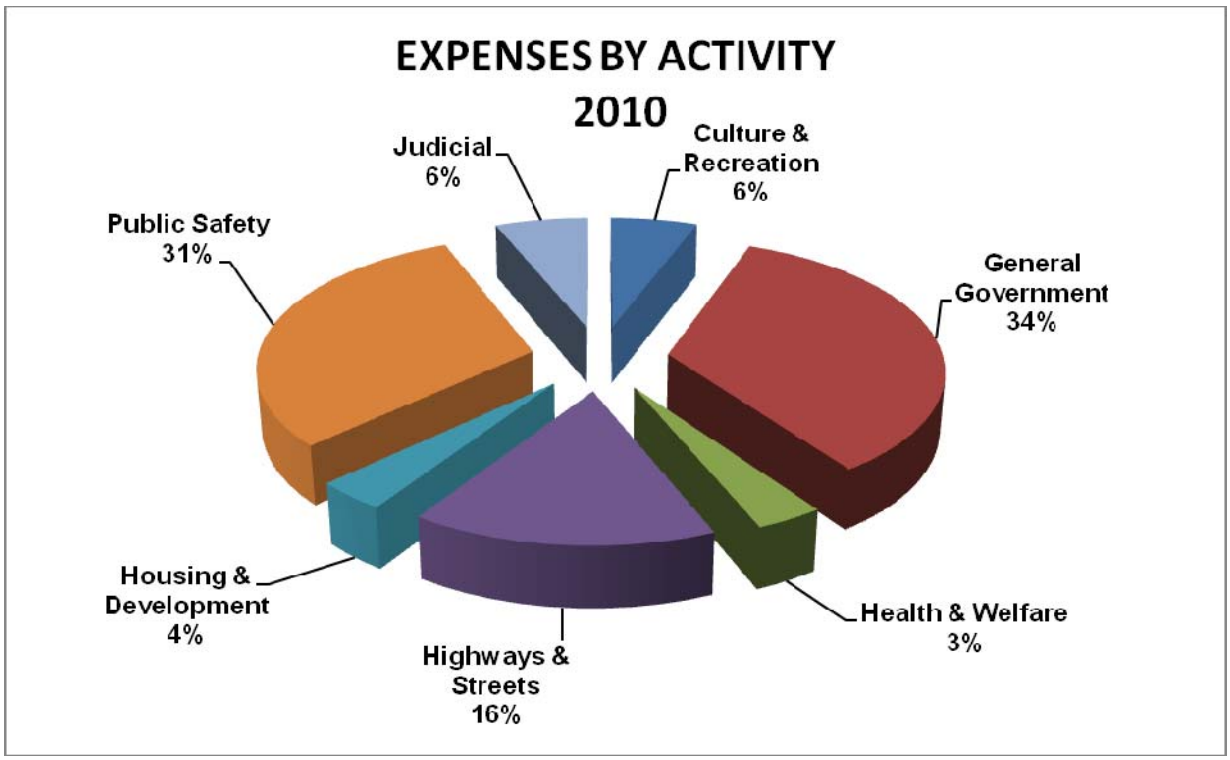
McDuffie County
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services	$3,301,716	$3,041,556	$ -	$ -	$3,301,716	$3,041,556
Water Fund			831,003	560,921	831,003	560,921
Sewer Fund			87,802	82,160	87,802	82,160
Solid Waste			1,234,250	1,316,751	1,234,250	1,316,751
Operating Grants & Contributions	217,408	41,127			217,408	41,127
Capital Grants & Contributions		1,129,873	754,206	2,045,820	754,206	3,175,693
Total Program Revenues	3,519,124	4,212,556	2,907,261	4,005,652	6,426,385	8,218,208
General Revenues:						
Property taxes	4,970,573	4,730,560			4,970,573	4,730,560
Sales taxes	6,189,886	5,711,697			6,189,886	5,711,697
Franchise taxes	92,699	74,267			92,699	74,267
Intangible taxes	63,349	66,268			63,349	66,268
Hotel/motel taxes	175,811	174,401			175,811	174,401
Alcoholic beverage Taxes	244,862	253,226			244,862	253,226
Financial institution tax	34,352	24,119			34,352	24,119
Real estate transfer tax	10,281	10,032			10,281	10,032
Insurance premium tax	665,501	684,269			665,501	684,269
Interest income	188,628	214,987	497	1,046	189,125	216,033
Payments in lieu of Taxes	34,232	33,468			34,232	33,468
Railroad taxes	5,724	5,500			5,724	5,500
Total General Revenues	12,675,898	11,982,794	497	1,046	12,676,395	11,983,840
Total Revenue	16,195,022	16,195,350	2,907,758	2,778,690	19,102,780	20,202,048
Expenses:						
General government	5,279,061	5,974,568			5,279,061	5,974,568
Public safety	4,716,554	4,930,793			4,716,554	4,930,793
Highways and streets	2,394,846	1,316,302			2,394,846	1,316,302
Health & welfare	535,989	660,062			535,989	660,062
Water Fund			1,350,014	751,373	1,350,014	751,373
Sewer Fund			295,830	299,216	295,830	299,216
Solid Waste			1.269,348	1,325,613	1.269,348	1,325,613
Economic development	562,152	624,454			562,152	624,454
Culture & recreation	885,861	947,210			885,861	947,210
Judicial	948,753	986,606			948,753	986,606
Interest	819,925	10,498			819,925	10,498
Total Expenses	16,143,141	15,450,493	2,915,192	2,376,202	19,058,333	17,826,695
Transfers Out	44,105	393,429	-44,105	-393,429	0	0
Change in Assets	761,982	351,428	-717,535	907,945	44,447	1,259,373
Ending Net Assets	$39,098,352	$38,755,280	$13,237,952	$13,955,487	$52,336,304	$52,710,767

McDuffie County has several general revenue sources: charges for services, licenses and permits; fines and forfeitures, taxes and intergovernmental revenues. General revenues decreased by $693,902 during 2010. The chart below displays the collections of revenue by sources for 2010.

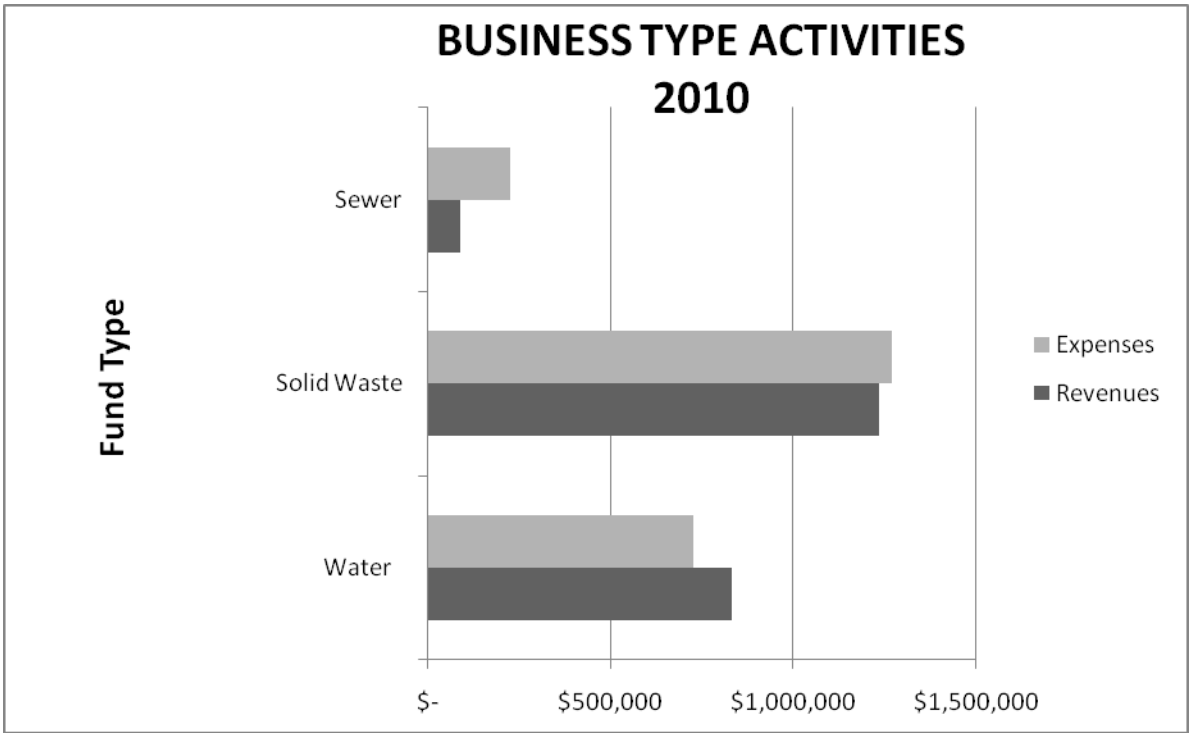


McDuffie County provides several services to the Citizens. The pie chart below provides an illustration of the expenses associated with each service.



Business-type activities

The number of users for the water and sewer system continues to increase. Water revenues increased by $270,082 and the sewer revenues increased by $5,642. The solid waste system incurred a loss of $35,098 for the year. The illustration below shows the revenues and expenses for each business activity for 2010.



Financial Analysis of McDuffie County's Funds

As noted earlier, McDuffie County employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. In assessing McDuffie County's financing requirements, unreserved fund balance is a particularly useful measure of net resources available for spending at the end of the fiscal year. The governmental fund types include the General Fund, Special Revenue Funds and Capital Projects Fund. The major funds are General Fund, SPLOST V, Debt Service and the General Obligation Bond Fund.

As of December 31, 2010, McDuffie County governmental funds, which include the major fund and various other funds, reported combined fund balances of $14,851,151.

The General Fund is the chief operating fund of the County. At December 31, 2010, total fund balance was $3,682,199. The fund balance of McDuffie County has decreased by $272,349. This reduction is due the decrease in revenues collected by McDuffie County and the transfer made to the Emergency Telephone System fund.

The SPLOST Capital Project Fund reflects funds collected from the 1% Special Local Option Sales Tax and expended for capital items that are in agreement with the resolution approved by the voters. Because projects often bridge several years and involve design, land acquisition, and construction phases, expenditures may vary widely from year to year. Cost expended yearly in capital projects funds are added to the County's construction-in-progress until the project is complete, and then depreciated over the assets' useful lives.

Proprietary Funds

Proprietary fund statements provide the same information as in the business-type activities column of the government-wide statements, but in greater detail, and on a fund basis for enterprise funds.

Enterprise Funds – At December 31, 2010, total net assets amounted to $13,237,952 for enterprise funds compared to $13,955,487 at December 31, 2009. Net assets changes are a result of operations, other non-operating revenues and expenses, capital contributions and donated assets and grants. The three funds in this category are Water, Sewer and Solid Waste. These funds received additional revenue from sources such as fees, grants and transfers from the General Fund.

The Water-District I fund continues to grow due to the demand for services. The Joint Water Sewer Commission, of which McDuffie County is a 50% owner, continued to expand water lines during 2010. The development and expansion of these projects was financed by grants and loans from United States Department of Agriculture.

McDuffie County has finished the construction of a sewer project which was funded by the special local option sales tax and by the United States Department of Agriculture by grants and loans. The County completed the sewer project in 2010 for the historical Hayes Line District. The completed project provided additional users to the sewer system and in turn will increase revenues for the enterprise fund.

The solid waste transfer system had a net loss of $35,098 for the year. The revenues decreased by $82,501 and the expenditures decreased by $56,265 for the year.

The Water System is continuing to expand water lines throughout the County. The water project is expanding an additional thirteen lines before the project will be completed. The water project has increased the number of users in 2010 because of the completion in some areas.

Capital Assets and Debt Administration

Capital Assets

McDuffie County has invested $60,538,739 in capital assets (net of accumulated depreciation). Approximately 67% of this investment is related to governmental activities and includes infrastructure, land, buildings and machinery and equipment. As always McDuffie County continues to increase capital assets each year to provide the best services to the citizens of McDuffie County. Capital assets are discussed in more detail in Note 6 of the financial statements.

Capital assets held by the County at the end of the fiscal year are summarized as follows:

McDuffie County Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	$ 2,721,225	$ 2,721,225	$ 1,180,150	$ 1,180,149	$ 3,901,375	$ 3,901,374
Buildings	19,826,460	19,813,086	212,237	212,237	20,038,697	20,025,323
Machinery & equipment	8,164,996	7,822,801	967,890	938,235	9,132,886	8,761,036
Infrastructure	40,018,612	39,177,285			40,018,612	39,177,285
Water System			2,886,365	2,886,364	2,886,365	2,886,364
Sewer System			8,807,643	8,807,643	8,807,643	8,807,643
Construction in progress	17,213,104	5,594,979	7,791,638	8,023,668	25,004,742	13,618,647
Total Assets	87,944,397	75,129,376	21,845,923	22,048,296	109,790,320	97,177,672
Accumulated Depreciation	-47,006,135	-45,581,655	-2,245,446	-1,950,269	-49,251,581	-47,531,924
Net Capital Assets	$40,938,262	$29,547,721	$19,600,477	$20,098,027	$ 60,538,739	$49,645,748

Debt Service

McDuffie County is a very fiscally conservative government. Debt agreements usually are for capital outlay items. McDuffie County continues to have an excellent credit rating with Dunn & Bradstreet and should have no conflicts that would affect the financing of any planned facilities or services.

During 2010, the County owed $85,884 to First Citizens Bank for equipment purchased by the highway and streets department. The county entered into a general obligation bond in the amount of $17,655,000 during 2008 to build a new government complex building. Interest and principal payments of $1,814,925 were paid from SPLOST V collections towards the general obligation bond.

The Water Expansion Fund entered into a bond agreement in the amount of $1,181,900 in the year 2000. The note matures in 2040 and is current. The remaining balance is $1,028,965. The Sewer Expansion Fund entered into a bond with the United States Department of Agriculture in the amount of $1,719,000. The remaining balance is $1,666,943. This bond was for the sewer expansion. In 2008, the water fund obtained a bond agreement in the amount of $4,109,300 for the water expansion. The current balance is $4,048,855.

The following table displays all debt owed by McDuffie County for the current and prior years. This entire amount is backed by full faith and credit of the government. This table presents accrued compensated absences which reflect the liability the county owes the employees for vacation time. Also, the table includes postclosure cost for the landfill. This liability represents the cost for routine water monitoring at the facility. The landfill was closed in 1995 and the county must maintain the landfill for thirty years. Note 8 of the financial statements provide a summary of the long term liability transactions for the year ending 2010.

McDuffie County
Outstanding Debt
Fiscal Years 2010 and 2009

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Accrued compensated absences	$ 334,336	$ 215,346	12,453	10,595	$ 346,789	$ 225,941
Equipment Loans	85,884	168,923			85,884	168,923
Bonds payable	16,660,000	17,655,000			16,660,000	17,655,000
Water Expansion Loans			5,077,820	5,126,095	5,077,820	5,126,095
Sewer Loans			1,666,943	1,685,224	1,666,943	1,685,224
Postclosure costs			340,435	354,885	340,435	354,885
Total Debt	$17,080,220	$18,039,269	$7,097,651	$7,176,799	$24,177,871	$25,216,068

Economic Factors and Year 2010 Budget and Rates

McDuffie County Board of Commissioners continues to aggressively address the current and future needs of the County by focusing on sound financial management, the reserve policy, the use of current resources for capital expenditures and the development of capital improvements plans. With a growing population the challenge is to continue to improve the quality of life by concentrating on the demands placed on other infrastructure such as providing residents in the County with water, sewer and quality services.

McDuffie County began construction on the new government complex. During 2010, McDuffie County spent $12,463,362 in bond construction funds towards the construction of the new facility. The estimated completion is in June, 2011. McDuffie County projects the new facility will lower overhead cost of the government by consolidating most of government offices into one building. The repayment of the bonds will be funded by SPLOST V revenues.

McDuffie County is continuously applying for grants to have improvements within the County. During 2010, McDuffie County worked on building an addition to the senior citizens center. This is funded by a Community Block Development Grant in the amount of $395,209. The County was awarded two Community Block Development Grants under a community housing investment program. This grant works towards increasing the housing improvements in the community. McDuffie County has been awarded several stimulus grants to aid with public safety and the judicial system. Also, during 2010 McDuffie County was awarded grants by the State of Georgia for the resurfacing of Happy Valley Road.

McDuffie County has experienced the effects of the downturn in the economy. Revenues for the current year have had a slight decrease. The primary revenue streams for the County are property taxes, sales tax collections and the housing of inmates for other local governments, state and federal agencies. During 2010, the local option tax collections increased by5%, special option tax collections increased by 8.4% and hotel tax collections decreased by 1%.

The government has closely monitored expenditures during the year and each department has been very conservative in their spending. Expenditures were $587,542 more than the County had in the original budget. This overage was due to an additional payroll during 2010. The government did place a hiring freeze on unfilled positions; but has not given any furlough days for employees. McDuffie County is making every effort to keep positions and the unemployment rate low. The unemployment rate as of December, 2010 was 10.1% compared to December, 2009 of 11.6%.

For fiscal year 2011, the property tax millage rate will remain the same, both in the unincorporated and incorporated areas. McDuffie County anticipates another year of decreased revenues and conservatism within the government for 2011.

Request for Information

This financial report is designed to provide a general overview of McDuffie County Government's finances for anyone interested in our County's finances. Questions concerning this report or any requests for additional information may be addressed to the McDuffie County Board of Commissioners, 210 Railroad Street, Thomson, GA 30824, and 706-595-2100 or at our Website www.thomson-mcduffie.com.

BASIC FINANCIAL STATEMENTS

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Development Authority	Health Department
Assets					
Cash and cash equivalents	$ 7,245,827	$ 1,406,630	$ 8,652,457	$ 783,293	$ 96,813
Investments	6,083,400	-	6,083,400	-	-
Receivables					
Taxes	1,140,053	-	1,140,053	-	-
Accounts	76,141	190,292	266,433	-	-
Intergovernmental	79,572		79,572	-	33,146
Notes	-	-	-	681,105	-
Internal balances	568,634	(568,634)	-	-	-
Restricted assets			-		
Cash and cash equivalents	163,322	-	163,322	-	-
Investments	2,030,174	-	2,030,174	-	-
Capital assets (net of accumulated depreciation)					
Land	2,721,225	1,180,150	3,901,375	3,771,560	-
Construction in progress	17,213,104	7,791,638	25,004,742	-	-
Buildings and improvements	13,743,632	124,302	13,867,934	1,488,530	-
Furniture, fixtures, and equipment	1,690,264	99,972	1,790,236	12,662	-
Infrastructure	5,570,037	-	5,570,037	-	-
Water-sewer expansion	-	10,404,415	10,404,415	-	-
Total assets	58,325,385	20,628,765	78,954,150	6,737,150	129,959
Liabilities					
Accounts payable	1,947,586	277,217	2,224,803	-	12,131
Accrued liabilities	95,433	15,945	111,378	4,717	31,781
Intergovernmental	103,794	-	103,794	-	-
Noncurrent liabilities					
Due within one year	1,340,884	79,836	1,420,720	56,604	-
Due in more than one year	15,739,336	7,017,815	22,757,151	328,490	-
Total liabilities	19,227,033	7,390,813	26,617,846	389,811	43,912
Net Assets					
Invested in capital assets, net of related debt	23,858,042	12,855,714	36,713,756	4,887,658	-
Restricted for:					
Debt service	2,030,174	-	2,030,174		
Health and welfare programs - PYPI	-	-	-	-	87,749
Unrestricted	13,210,136	382,238	13,592,374	1,459,681	(1,702)
Total net assets	$ 39,098,352	$ 13,237,952	$ 52,336,304	$ 6,347,339	$ 86,047

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Development Authority	Component Units: Health Department
Primary government:									
Governmental activities:									
General government	$ 5,279,061	$ 861,594	$ 93,705	$ 754,206	$ (3,569,556)	$ -	$ (3,569,556)	$ -	$ -
Public safety	4,716,554	1,222,922	-	-	(3,493,632)	-	(3,493,632)	-	-
Public works	2,394,846	172,923	-	-	(2,221,923)	-	(2,221,923)	-	-
Health and welfare	535,989	14,133	-	-	(521,856)	-	(521,856)	-	-
Culture and recreation	885,861	77,099	113,553	-	(695,209)	-	(695,209)	-	-
Economic develpment	562,152	137,866	-	-	(424,286)	-	(424,286)	-	-
Judicial	948,753	815,179	10,150	-	(123,424)	-	(123,424)	-	-
Interest on long-term debt	819,925	-	-	-	(819,925)	-	(819,925)	-	-
Total governmental activities	16,143,141	3,301,716	217,408	754,206	(11,869,811)	-	(11,869,811)	-	-
Business-type activities:									
Solid Waste	1,269,348	1,234,250	-	-	-	(35,098)	(35,098)	-	-
Water Fund	1,350,014	831,003	-	-	-	(519,011)	(519,011)	-	-
Sewer Fund	295,830	87,802	-	-	-	(208,028)	(208,028)	-	-
Total business-type activities	2,915,192	2,153,055	-	-	-	(762,137)	(762,137)	-	-
Total primary government	$ 19,058,333	$ 5,454,771	$ 217,408	$ 754,206	(11,869,811)	(762,137)	(12,631,948)	-	-
Component units:									
Development Authority	$ 94,770	$ 132,731	$ -	$ 33,019	-	-	-	70,980	-
Health Department	457,955	92,172	270,620	-	-	-	-	-	(95,163)
Total component units	$ 552,725	$ 224,903	$ 270,620	$ 33,019	-	-	-	70,980	(95,163)
General revenues:									
Property taxes					4,970,573	-	4,970,573	-	-
Sales taxes					6,189,886	-	6,189,886	-	-
Franchise taxes					92,699	-	92,699	-	-
Insurance premium tax					665,501	-	665,501	-	-
Hotel/motel taxes					175,811	-	175,811	-	-
Railroad taxes					5,724	-	5,724	-	-
Alcoholic beverage taxes					244,862	-	244,862	-	-
Financial institution tax					34,352	-	34,352	-	-
Real estate transfer taxes					10,281	-	10,281	-	-
Intangible taxes					63,349	-	63,349	-	-
Payments in lieu of taxes					34,232	-	34,232	-	-
McDuffie County supplement					-	-	-	-	105,996
Interest					188,628	497	189,125	-	-
Total general revenues					12,675,898	497	12,676,395	-	105,996
Transfers out (in)					44,105	(44,105)	-	-	-
Change in net assets					761,982	(717,535)	44,447	70,980	10,833
Net assets, beginning of year					38,336,370	13,955,487	52,291,857	6,276,359	75,214
Net assets, end of year					$ 39,098,352	$ 13,237,952	$ 52,336,304	$ 6,347,339	$ 86,047

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	SPLOST V	Bond Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 3,775,135	$ 1,532,818	$ -	$ -	$ 1,937,874	$ 7,245,827
Investments	497	544,741	5,538,756	2,029,580	-	8,113,574
Receivables						
Property taxes	205,581	-	-	-	-	205,581
Sales tax	374,907	559,565	-	-	-	934,472
Other	76,141	-	-	-	-	76,141
Interfund receivables	4,749,012	-	-	-	361,117	5,110,129
Due from others	163,322	-	-	-	-	163,322
Intergovernmental receivables	-	-	-	-	79,572	79,572
Total assets	$ 9,344,595	$ 2,637,124	$ 5,538,756	$ 2,029,580	$ 2,378,563	$ 21,928,618
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 903,386	$ 153,419	$ 745,338	$ -	$ 145,443	$ 1,947,586
Accrued liabilities	95,433	-	-	-	-	95,433
Interfund payables	4,170,624	-	-	-	370,871	4,541,495
Deferred revenue	389,159	-	-	-	-	389,159
Intergovernmental payable	103,794	-	-	-	-	103,794
Total liabilities	5,662,396	153,419	745,338	-	516,314	7,077,467
Fund Balances						
Reserved for:						
Encumbrances	113,083	-	-	-	-	113,083
Debt Service	-	-	-	2,029,580	-	2,029,580
Unreserved, undesignated reported in:						
Special revenue funds	-	-	-	-	1,187,083	1,187,083
Capital projects funds	-	2,483,705	-	-	675,166	3,158,871
Bond fund	-	-	4,793,418	-	-	4,793,418
General fund	3,569,116	-	-	-	-	3,569,116
Total fund balances	3,682,199	2,483,705	4,793,418	2,029,580	1,862,249	14,851,151
Total liabilities and fund balances	$ 9,344,595	$ 2,637,124	$ 5,538,756	$ 2,029,580	$ 2,378,563	$ 21,928,618

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total fund balances - governmental funds	$ 14,851,151
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. These assets consist of:	
Land	2,721,225
Construction in progress	17,213,104
Infrastructure	40,018,612
Buildings and improvements	19,826,460
Furniture, fixtures, and equipment	8,164,996
Accumulated depreciation	(47,006,135)
Total capital assets	40,938,262
Some revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	389,159
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds	
General obligations	(16,745,884)
Compensated absences	(334,336)
Total long-term liabilities	(17,080,220)
Net assets of governmental activities	$ 39,098,352

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	SPLOST V	Bond Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 8,775,687	$ 3,706,531	$ -	$ -	$ 175,811	$ 12,658,029
Licenses and permits	214,923	-	-	-	-	214,923
Intergovernmental	421,153	-	-	-	478,756	899,909
Fines and forfeitures	513,651	-	-	-	82,974	596,625
Charges for services	2,001,459	-	-	-	35,221	2,036,680
Contributions and donations from private sources	5,717	-	-	-	-	5,717
Other revenue	118,521	-	-	-	400,955	519,476
Interest	1,421	4,331	178,547	1,596	2,733	188,628
Total revenues	12,052,532	3,710,862	178,547	1,596	1,176,450	17,119,987
EXPENDITURES						
Current expenditures:						
General government	3,040,161	-	-	-	128,028	3,168,189
Public safety	3,779,125	-	-	-	598,374	4,377,499
Public works	1,783,811	-	-	-	-	1,783,811
Health and welfare	491,605	-	-	-	-	491,605
Culture and recreation	790,392	-	-	-	-	790,392
Judicial	948,753	-	-	-	-	948,753
Economic development	549,109	-	-	-	-	549,109
Small grants	133,448	-	-	-	26,937	160,385
Debt service:						
Principal	-	-	-	995,000	-	995,000
Interest	-	-	-	819,925	-	819,925
Intergovernmental						
Capital outlay:						
Capital outlay	565,966	389,362	12,463,362	-	989,373	14,408,063
Total expenditures	12,082,370	389,362	12,463,362	1,814,925	1,742,712	28,492,731
Excess (deficiency) of revenues over expenditures	(29,838)	3,321,500	(12,284,815)	(1,813,329)	(566,262)	(11,372,744)
OTHER FINANCING SOURCES (USES)						
Transfer in	172,814	-	-	3,842,909	415,407	4,431,130
Transfer out	(415,407)	(3,842,909)	-	-	(216,919)	(4,475,235)
Total other financing sources (uses)	(242,593)	(3,842,909)	-	3,842,909	198,488	(44,105)
CHANGE IN FUND BALANCES	(272,431)	(521,409)	(12,284,815)	2,029,580	(367,774)	(11,416,849)
FUND BALANCES, BEGINNING OF YEAR	3,954,630	3,005,114	17,078,233	-	2,230,023	26,268,000
FUND BALANCES, END OF YEAR	$ 3,682,199	$ 2,483,705	$ 4,793,418	$ 2,029,580	$ 1,862,249	$ 14,851,151

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - governmental funds	$ (11,416,849)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the costs of capital assets are allocated over their estimated useful lives as depreciation expenses. For the current year, these amounts were:	
Capital outlay	12,815,021
Depreciation expense	(1,424,480)
Net change in capital assets	11,390,541
Because some revenue will not be collected for several months after the County's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount in 2010.	(170,759)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, the repayment of the principal of long- term debt consume 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.	
Repayment of debt	1,078,039
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.	(118,990)
Change in net assets of governmental activities	$ 761,982

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Cash Basis			Variance with Final Budget - Over (Under)
	Budgeted Amount		Actual Amount	
	Original	Final		
REVENUES				
Taxes	$ 8,732,063	$ 12,062,863	$ 12,048,401	$ (14,462)
Licenses and permits	144,000	144,000	138,277	(5,723)
Intergovernmental	1,125,227	1,493,264	1,519,562	26,298
Fines and forfeitures	568,500	568,500	552,318	(16,182)
Charges for services	1,032,589	1,079,601	1,072,845	(6,756)
Other	682,600	685,100	126,249	(558,851)
Total revenues	12,284,979	16,033,328	15,457,652	(575,676)
EXPENDITURES				
Current				
General government	5,015,627	8,009,217	4,889,869	(3,119,348)
Public safety	3,319,271	3,700,823	3,691,197	(9,626)
Highways and streets	1,666,503	1,872,540	1,756,880	(115,660)
Health and welfare	893,805	935,355	902,551	(32,804)
Culture and recreation	931,300	934,800	899,862	(34,938)
Other	538,148	710,268	811,837	101,569
Total expenditures	12,364,654	16,163,003	12,952,196	(3,210,807)
Excess (deficiency) of revenues over expenditures	(79,675)	(129,675)	2,505,456	2,635,131
OTHER FINANCING SOURCES				
Transfer in	79,675	129,675	171,860	42,185
Total other financing sources	-	-	171,860	42,185
CHANGE IN FUND BALANCE	$ -	$ -	2,677,316	$ 2,677,316
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Decrease in receivables			(2,708,852)	
Increase in payables			(240,813)	
FUND BALANCE, BEGINNING OF YEAR			3,954,548	
FUND BALANCE, END OF YEAR			$ 3,682,199	

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
ASSETS				
Current assets				
Cash	$ 1,358,029	$ 47,464	$ 1,137	$ 1,406,630
Interfund receivables	139,160	400	3,669,947	3,809,507
Accounts receivable	66,841	11,662	111,789	190,292
Total current assets	1,564,030	59,526	3,782,873	5,406,429
Noncurrent assets				
Capital assets, net of accumulated depreciation	9,866,211	9,197,101	537,165	19,600,477
Total noncurrent assets	9,866,211	9,197,101	537,165	19,600,477
Total assets	$ 11,430,241	$ 9,256,627	$ 4,320,038	$ 25,006,906
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	$ 184,568	$ 1,826	$ 90,823	$ 277,217
Accrued liabilities	11,886	1,507	2,552	15,945
Interfund payables	139,751	-	4,238,390	4,378,141
Current portion of bonds payable	59,293	20,543	-	79,836
Total current liabilities	395,498	23,876	4,331,765	4,751,139
Noncurrent liabilities				
Bonds payable	5,018,527	1,646,400	-	6,664,927
Compensated absences	-	-	12,453	12,453
Closure and post closure costs payable	-	-	340,435	340,435
Total noncurrent liabilities	5,018,527	1,646,400	352,888	7,017,815
Total liabilities	5,414,025	1,670,276	4,684,653	11,768,954
Net Assets				
Investments in capital assets, net of related debt	4,788,391	7,530,158	537,165	12,855,714
Unrestricted	1,227,825	56,193	(901,780)	382,238
Total net assets	6,016,216	7,586,351	(364,615)	13,237,952
Total liabilties and net assets	$ 11,430,241	$ 9,256,627	$ 4,320,038	$ 25,006,906

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
OPERATING REVENUES				
Charges for services	$ 831,003	$ 87,802	$ 1,234,250	$ 2,153,055
Total operating revenues	831,003	87,802	1,234,250	2,153,055
OPERATING EXPENSES				
Personnel services	-	-	152,942	152,942
Operations	655,207	21,327	1,097,183	1,773,717
Depreciation	72,160	203,794	19,223	295,177
Total operating expenses	727,367	225,121	1,269,348	2,221,836
Operating income (loss)	103,636	(137,319)	(35,098)	(68,781)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	481	16	-	497
Interest expense	(48,638)	(70,709)	-	(119,347)
Capital contributions	(574,009)	-	-	(574,009)
Total non-operating revenues (expenses)	(622,166)	(70,693)	-	(692,859)
Income (loss) before capital contributions and transfers	(518,530)	(208,012)	(35,098)	(761,640)
Transfers in	(273,860)	-	-	(273,860)
Transfers (out)	223,860	50,000	44,105	317,965
Change in net assets	(568,530)	(158,012)	9,007	(717,535)
NET ASSETS, BEGINNING OF YEAR	6,584,746	7,744,363	(373,622)	13,955,487
NET ASSETS, END OF YEAR	$ 6,016,216	$ 7,586,351	$ (364,615)	$ 13,237,952

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 833,320	$ 86,148	$ 1,218,087	$ 2,137,555
Cash received from interfund services provided	(116,673)	(100)	(1,246,780)	(1,363,553)
Cash paid to suppliers and others	(562,826)	(21,001)	(1,124,898)	(1,708,725)
Cash paid to employees	-	-	(155,501)	(155,501)
Cash paid for interfund services provided	116,673	-	1,242,131	1,358,804
Net cash provided by (used in) operating activities	270,494	65,047	(66,961)	268,580
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to other funds	(273,860)	-	-	(273,860)
Transfer from other funds	223,860	50,000	44,105	317,965
Net cash provided by (used in) noncapital financing activities	(50,000)	50,000	44,105	44,105
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	-	-	-	-
Purchase of capital assets	(341,980)	-	(29,654)	(371,634)
Interest paid on long term debt	(48,639)	(70,709)	-	(119,348)
Principal paid on long term debt	(48,275)	(18,181)	-	(66,456)
Net cash provided by capital and related financing activities	(438,894)	(88,890)	(29,654)	(557,438)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	481	16	-	497
Net cash provided by investing activities	481	16	-	497
Net increase (decrease) in cash	(217,919)	26,173	(52,510)	(244,256)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,575,948	21,291	53,647	1,650,886
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,358,029	$ 47,464	$ 1,137	$ 1,406,630
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 103,636	$ (137,319)	$ (35,098)	$ (68,781)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:				
Depreciation	72,160	203,793	19,224	295,177
Change in accounts receivable	2,317	(1,654)	(16,162)	(15,499)
Change in due from other funds	(116,673)	(100)	(1,246,780)	(1,363,553)
Change in accounts payable	92,514	345	(13,266)	79,593
Change in accrued postclosure	-	-	(14,451)	(14,451)
Change in accrued liabilities	(133)	(18)	(2,559)	(2,710)
Change in due to other funds	116,673	-	1,242,131	1,358,804
Total adjustments	166,858	202,366	(31,863)	337,361
Net cash provided by (used in) operating activities	$ 270,494	$ 65,047	$ (66,961)	$ 268,580
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets transferred to McDuffie County/City of Thomson, Georgia Water and Sewer Commission	$ (574,009)	$ -	$ -	$ (574,009)

The notes to the financial statements are an integral part of this statement.

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2010

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 1,261,963
Total assets	$ 1,261,963
LIABILITIES	
Due to others	$ 1,261,963
Total liabilities	$ 1,261,963

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The financial statements of McDuffie County, Georgia (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As permitted by accounting principles generally accepted in the United States of America, the County has elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its government-wide and proprietary operations. The County's more significant accounting policies are described in the following:

B. The Financial Reporting Entity

McDuffie County, Georgia, (the "County)", is located in the Central Savannah River area of Georgia, west of Augusta, Georgia. It was created from Columbia and Warren counties in 1872, the one-hundred thirty-second county created in Georgia. The County was named for George McDuffie, who was born in Georgia, served as governor and senator from South Carolina, and was a notable orator throughout the South. The County operates under an elected Commission, appointed manager, form of government.

The accompanying summary of the County's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. These policies conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

A board of five elected County Commissioners (the Board) governs McDuffie County, Georgia. They appoint a County Manager who is the Chief Administrative Officer and is responsible for day to day operations and implementation of the policy decisions made by the Board. As required by generally accepted accounting principles, these financial statements present McDuffie County, Georgia, (the primary government) and its component units. The component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

C. Individual Component Unit Disclosures

Development Authority of McDuffie County and the City of Thomson - The Authority was created for the purpose of promoting and developing trade, commerce, industry, and employment opportunities within the County. A Board of Directors appointed by the County Board of Commissioners governs the Authority. The Authority is funded and administered by the County. Separate financial statements have not been prepared for the Development Authority of McDuffie County and the City of Thomson.

McDuffie County Health Department – The Health Department receives funding from McDuffie County. The McDuffie County Board of Commissioners appoints Board members. The McDuffie County Board of Health has a June 30 year end, and the financial statements included herein are as of and for the year ended June 30, 2010. Separate financial statements have been issued, and are available from the McDuffie County Board of Health. The address is: McDuffie County Health Department, 300 Greenway Street, Thomson, GA 30824.

Discretely presented component units are presented in separate columns on the government-wide statement of net assets and statement of activities to emphasize legal separation from the County.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Certain County elected officials collect and disburse taxes, fees, fines, etc. Separate records of accountability are maintained for such transactions, which are recorded in the agency funds of the County. Receipts transferred from these funds to the County's General Fund, and Special Revenue Funds are included as revenue in these funds.

Operating costs for these officials are included as expenditures in the General Fund. These elected officials are:

Tax Commissioner
Probate Court Judge
Magistrate Court Judge
Clerk of Superior Court
Sheriff

D. Basic Financial Statements

The basic financial statements consist of the following:

Government-wide financial statements
Fund financial statements
Notes to the basic financial statements

Government-wide statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with the program or function of the County's governmental activities. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements – The fund financial statements provide information about the County's funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented, although the latter is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

E. 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 fund financial statements and the fiduciary fund statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers all revenues available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the County are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The County reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for general administration, public safety, highways and streets, health and welfare, and culture and recreation.

SPLOST V Fund - The SPLOST V Fund is used to account for proceeds from SPLOST V.

2008 Bond Fund – The 2008 Bond Fund is used to account for bond proceeds.

Debt Service Fund - The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The County reports the following major enterprise funds:

Water Fund – The Water Fund is used to account for water operations as well as construction and maintenance of water projects.

Solid Waste Fund – The Solid Waste Fund is used to account for the cost of operating and maintaining the landfill facility.

Sewer Fund - The Sewer Fund is used to account for sewer operations as well as construction and maintenance of sewer projects.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the County reports the following fund types:

Fiduciary Funds – Fiduciary Funds are custodial in nature and do not involve the measurement of operating results. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the County in an agency capacity for individuals and other government units.

The County has adopted GASB Statement No. 20, Accounting and Financial Reporting of Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, and has elected to follow GAAP prescribed by GASB and all Financial Accounting Standard Board (FASB) standards issued prior to November 30, 1989. Subsequent to this date, the County accounts for its proprietary funds as presented by GASB.

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 Solid Waste and the Water-Sewer Expansion Funds are charges to customers for sales and services. Operating expenses for enterprise funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use unrestricted resources first, then restricted resources as they are needed.

Fiduciary funds include all trust funds which account for assets held by the County as a trustee for individuals or other government units. The accounting used for fiduciary funds is accrual basis, much like that used for proprietary funds.

F. Budgets and Budgetary Accounting

Annual appropriated budgets are adopted by the Board of Commissioners for the General and Special Revenue Funds on a total revenues and total expenditures basis.

The following are the statutory procedures followed by the Board in establishing a budget:

1. Prior to July 20, the County Manager receives budget requests from County Departments for the fiscal year commencing January 1.
2. Prior to the first Wednesday in August, the County Manager presents the proposed budget to the Board of Commissioners.
3. The Board of Commissioners holds public hearings.
4. Prior to October 20, the Board of Commissioners formally adopts the budget for the fiscal year commencing January 1.
5. The legal level of budgetary control is the departmental level.
6. All appropriations lapse at year end.
7. The operating budgets originally adopted may be revised or amended throughout the year as presented below:
    a. The County Manager may authorize transfers (revisions) within the departments, except for substantive salary amendments.
    b. The Board approves transfers (amendments) between departments or between funds.
    c. Increases or decreases in the total fund appropriation are by authority of the Board.
    d. Increase or decrease within any department are by authority of the Board.
    e. Appropriation of fund balances in excess of established reserve requirements are by authority of the Board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The County's legally adopted budget is on the cash basis. The County adopted fiscal year 2010 budgets for the General Fund and Special Revenue Funds – the Jail Fund, Law Library Fund, Juvenile Probation Fund, Drug Task Force, Hotel/Motel Fund, Wireless Emergency Telephone System Fund, and Landfill Surcharge Fund. A reconciliation of cash basis to generally accepted accounting principles (GAAP) is included in the financial statements. A project-length balanced budget was adopted for each capital project fund.

G. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

At December 31, 2010, the County has $ 113,083 reserved for encumbrances.

H. Assets, Liabilities and Fund Equity

Cash and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments that mature within three months of the date acquired by the County.

The County follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Nonparticipating interest-earning investment contracts (investments whose value is not affected by interest rates or other market changes), including savings accounts, certificates of deposit, repurchase agreements, money market investments (short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations) and participating interest-bearing investment contracts, that have a remaining maturity, at purchase, of one year or less are reported at cost or amortized cost assuming their fair value has not been impacted by changes in the credit worthiness of the issuer or similar factors. All other investments are reported at fair value (the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale).

"Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAA rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on a $1.00 per share. The State Depository Board is the regulatory oversight agency for Georgia Fund 1.

Receivables

All receivables are reported at their net realizable value.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) or specific identification methods. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Receivables and Payables
During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables and payables on the balance sheet of the fund financial statements and as "internal balances" on the statement of net assets in the government-wide financial statements.

Restricted Assets
The restricted cash recorded in the Debt Service Fund reflects amounts set aside for debt service. Amounts equal to two payments of the debt service are restricted.

The restricted cash recorded in the Water-Sewer Expansion Fund reflects amounts set aside for debt service. Amounts equal to one-tenth of the monthly debt service are restricted.

Capital Assets
Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges 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 County as assets with an initial individual cost of more than $2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure acquired prior to June 30, 1980 is not reported.

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

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of proprietary assets is included as part of the capitalized value of the assets constructed. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

	Years
Buildings	25–50
Building improvements	20–25
Infrastructure	20–50
Furniture, fixtures and equipment	5–15
Vehicles	3–5
Specialized use equipment	2–10
Water system additions	15–40

Compensated Absences
It is the County's policy to permit employees to accumulate earned but unused leave benefits. Employees are allowed to accumulate a maximum of 320 hours vacation time; there are no limits on the accumulation of sick time. The County's government-wide and proprietary funds include an accrual for the estimated compensation costs attributable to employee earned but unused leave benefits. Compensated absences are liquidated through the General Fund.

Long-Term Obligations
In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets/Fund Balances
Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute. The equity section of the governmental fund financial statement balance sheet is comprised of these major fund balance elements: reserved for encumbrances, reserved for designated purposes, and unreserved.

Reserves represent the portion of fund balance that is (1) not available for appropriation or expenditure and/or (2) is segregated legally for a specific future use. All other current resources are shown as unreserved on the balance sheet.

Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

I. Property Taxes
Property taxes are an enforceable lien on property as of January 1 of the current tax year. Generally, taxes are levied in September and are due and payable on or before November 15. Since the tax digest, which is prepared by the McDuffie County Tax Appraiser, has to be approved by the Georgia Department of Revenue, the tax levy may be delayed later than September. In such cases, the taxes are due within 60 days after levy. The County bills and collects its own property taxes. County property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is improbable based on management's estimate of the amount to be collectible. Current year property taxes were levied July 30th, and were due November 20, 2010.

J. Local Option Sales Tax
The County receives sixty-seven percent (67%) of a one percent (1%) local option sales tax on all retail sales within the County. The proceeds of this tax are used to reduce, on a dollar-for-dollar basis, the millage equivalent amount of property taxes to be levied in the subsequent year. Insurance premium taxes collected must also reduce the ensuing property tax levy. The County has established a fiscal policy to designate that portion of the General Fund's fund balance, if available, for subsequent years' expenditures.

NOTE 2 – MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA WATER AND SEWER COMMISSION

The City of Thomson, Georgia and McDuffie County, Georgia have established the McDuffie County/City of Thomson, Georgia, Water and Sewer Commission to operate and maintain the water and sewerage system for the city/county area. The Commission assumed the ownership and operations of the City of Thomson Water and Sewer Enterprise Fund in 1988, in conjunction with funding for expansion with the one percent (1%) Special Purpose Local Option Sales Tax. The Commission has seven members, three each from the City and County, and the seventh appointed by the Commission. The Commission was established for a term of fifty years. The City and County are equally responsible for the ownership of and the future maintenance and improvements to the System. The System is a closed system whereby all funds derived from the operation of the System must be used for the purposes of operating, maintaining, improving, or expanding the System.

NOTE 2 – MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA WATER AND SEWER COMMISSION – Continued

Based on the standards established by Statement No. 14 of the Governmental Accounting Standards Board, the Commission is a legally separate governmental organization classified as a joint venture. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants in a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

An ongoing financial interest in a joint venture includes an equity interest when the agreement stipulates that the participating governments have a present or future claim on the net resources of the joint venture.

A participating government has an ongoing financial responsibility for a joint venture if it is obligated in some manner for the debts of the joint venture, or if the joint venture's continued existence depends on continued funding by the government.

Each participating government of the Commission has final authority for establishing rules and water and sewer rates, fees, standards and any other policy matters as are appropriate for the efficient delivery of water and sewer services. As such, each participating government has an indirect financial responsibility for the System, as defined by GASB Statement No. 14.

The City and County share certain responsibilities with respect to the Commission. The City is responsible for operations, maintenance and customer billing for the System. The County is responsible for administering construction funds obtained through the Special Purpose Local Option Sales Tax. The City and County jointly or individually administer grant and other funds, depending on the terms of such funding.

The basic financial statements of the Commission are presented in a manner consistent with primary governments. Operating transfers to the Commission by the participating governments are accounted for as intergovernmental transfers. Federal and state grant funds transferred to the Commission by the participating governments are accounted for as sub-recipient grant funds. Financial information for the year ended December 31, 2010, is summarized as follows:

Operating revenues	$	4,089,315
Depreciation and amortization expense		1,015,672
Operating income (loss)		(86,985)
Change in net assets		500,305
Capital asset additions		888,340
Capital asset deletions		-
Net working capital		1,812,664
Total assets		36,226,259
Revenue bonds and other long-term liabilities		6,520,801
Total equity		29,214,786

The Commission has issued a separate financial report that may be obtained from:

City of Thomson
P. O. Box 1017
Thomson, Georgia 30824

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Bonds Payable
The County is in compliance, in all material respects, with requirements under covenants relating to its bonds payable.

Excess of Expenditures over Appropriations
Excesses of expenditures over appropriations (cash basis budget) in individual funds and by department within the General Fund included the following:

	Final Budget	Actual	Excess
General Fund			
Small Grants	$ 346,758	$ 472,862	$ 126,104

Excesses of expenditures over appropriations are expected to be funded through accumulated fund balances and future operations.

NOTE 4 – CASH AND TEMPORARY INVESTMENTS

As of December 31, 2010, the County had the following investments:

Investments	Weighted Avg Maturities	Fair Value	Credit Rating
Primary Government:			
Georgia Fund 1	32 days	$ 2,575,578	AAAm
Total fair value		$ 2,575,578	

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State statutes authorize the County to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

Custodial Credit Risk – Investments – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE 5 – TAXES RECEIVABLE

The County's Tax Commissioner bills and collects property taxes, then remits to the County its respective share of property taxes. Current year property taxes were levied July 30, 2010, and were due November 20, 2010. Property taxes become a lien on the first day of the levy year. Unpaid property taxes received within 60 days of year end are recognized and recorded as revenue (considered measurable and available), and property taxes unpaid 60 days after year end are recorded as deferred revenue. A summary of the 2010 tax levy follows:

		General Fund
2010 millage rate -	incorporated	8.50
	unincorporated	7.80
Net property tax levy		$ 4,558,278
Property tax receivable		$ 205,581
Deferred property tax revenues		$ 389,159

NOTE 6 – CAPITAL ASSETS

Governmental capital assets activity for the year ended December 31, 2010, was as follows:

	Balance 1/1/2010	Additions	Transfers/ Deletions	Balance 12/31/2010
Capital assets not being depreciated				
Land	$ 2,721,225	$ -	$ -	$ 2,721,225
Construction in progress	5,594,979	12,659,451	(1,041,326)	17,213,104
Total capital assets not being depreciated	8,316,204	12,659,451	(1,041,326)	19,934,329
Capital assets being depreciated				
Infrastructure	39,177,285	841,327	-	40,018,612
Buildings and improvements	19,813,086	13,374	-	19,826,460
Furniture, fixtures, and equipment	7,822,801	342,195	-	8,164,996
Total capital assets being depreciated	66,813,172	1,196,896	-	68,010,068
Less accumulated depreciation:				
Infrastructure	(34,037,243)	(411,332)	-	(34,448,575)
Buildings and improvements	(5,581,758)	(501,070)	-	(6,082,828)
Furniture, fixtures, and equipment	(5,962,654)	(512,078)	-	(6,474,732)
Less accumulated depreciation	(45,581,655)	(1,424,480)	-	(47,006,135)
Net capital assets being depreciated	21,231,517	(227,584)	-	21,003,933
Governmental activities capital assets - net	$ 29,547,721	$ 12,431,867	$ (1,041,326)	$ 40,938,262

NOTE 6 – CAPITAL ASSETS - Continued

Depreciation expense was charged to functions as follows:

General government	$ 321,494
Public safety	339,055
Highways and streets	611,035
Health and welfare	44,384
Culture and recreation	95,469
Other	13,043
Total depreciation expense - governmental activities	$ 1,424,480

Business-type capital assets activity for the year ended December 31, 2010, was as follows:

Water Fund:

	Balance 1/1/2010	Additions	Transfers Deletions	Balance 12/31/2010
Capital assets not being depreciated				
Construction in process	$ 8,023,668	$ 341,979	$ (574,009)	$ 7,791,638
Total capital assets not being depreciated	8,023,668	341,979	(574,009)	7,791,638
Capital assets being depreciated				
Water-sewer expansion	2,886,365	-	-	2,886,365
Total capital assets being depreciated	2,886,365	-	-	2,886,365
Less accumulated depreciation:				
Water-sewer expansion	(739,632)	(72,160)	-	(811,792)
Less accumulated depreciation	(739,632)	(72,160)	-	(811,792)
Net capital assets being depreciated	2,146,733	(72,160)	-	2,074,573
Business-type activities capital assets - net	$ 10,170,401	$ 269,819	$ (574,009)	$ 9,866,211

NOTE 6 – CAPITAL ASSETS – Continued

Sewer Fund:

	Balance 1/1/2010	Additions	Transfers Deletions	Balance 12/31/2010
Capital assets not being depreciated				
Land	$ 867,259	$ -	$ -	$ 867,259
Total capital assets not being depreciated	867,259	-	-	867,259
Capital assets being depreciated				
Water-sewer expansion	8,807,643	-	-	8,807,643
Total capital assets being depreciated	8,807,643	-	-	8,807,643
Less accumulated depreciation:				
Water-sewer expansion	(274,008)	(203,793)	-	(477,801)
Less accumulated depreciation	(274,008)	(203,793)	-	(477,801)
Net capital assets being depreciated	8,533,635	(203,793)	-	8,329,842
Business-type activities capital assets - net	$ 9,400,894	$ (203,793)	$ -	$ 9,197,101

Solid Waste Fund:

	1/1/2010	Additions	Deletions	12/31/2010
Capital assets not being depreciated				
Land	$ 312,890	$ 1	$ -	$ 312,891
	312,890	1	-	312,891
Capital assets being depreciated				
Buildings and improvements	212,237	-	-	212,237
Furniture, fixtures, and equipment	938,235	29,655	-	967,890
Total capital assets being depreciated	1,150,472	29,655	-	1,180,127
Less accumulated depreciation:				
Buildings and improvements	(82,629)	(5,306)	-	(87,935)
Furniture, fixtures, and equipment	(854,000)	(13,918)	-	(867,918)
Less accumulated depreciation	(936,629)	(19,224)	-	(955,853)
Net capital assets being depreciated	213,843	10,431	-	224,274
Business-type activities capital assets - net	$ 526,733	$ 10,432	$ -	$ 537,165

NOTE 6 – CAPITAL ASSETS – Continued

Depreciation expense on capital assets of the Proprietary Funds was $295,177 for the year ended December 31, 2010.

Capitalization of Interest Costs requires that interest expenditures incurred during construction of assets be capitalized. *Capitalization of Interest Costs in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants* concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest costs exceed interest earned on related interest-bearing borrowing. There were no construction period interest costs capitalized in the Water-Sewer Expansion Fund during the year ended December 31, 2010.

Capital assets of the Discretely Presented Component Units consist of the following:

Development Authority	1/1/2010	Additions	Deletions	12/31/2010
Capital assets not being depreciated				
Land and land improvements	$ 3,771,560	$ -	$ -	$ 3,771,560
Property, plant and equipment				
Buildings and improvements	1,757,445	-	-	1,757,445
Equipment and furniture	18,572	-	-	18,572
Total property, plant and equipment	1,776,017	-	-	1,776,017
Less accumulated depreciation				
Buildings	(221,421)	(45,004)	-	(266,425)
Equipment and furniture	(5,486)	(2,914)	-	(8,400)
Total accumulated depreciation	(226,907)	(47,918)	-	(274,825)
Net capital assets being depreciated	1,549,110	(47,918)	-	1,501,192
Component unit capital assets - net	$ 5,320,670	$ (47,918)	$ -	$ 5,272,752

Depreciation expense on capital assets of the Development Authority was $47,918 for the year ended December 31, 2010.

At June 30, 2010, the Health Department's investment in capital assets totaled $15,348, all of which were fully depreciated.

NOTE 7 – NOTES RECEIVABLE

At December 31, 2010, the Development Authority of McDuffie County and the City of Thomson (a discretely presented component unit) had the following notes receivable outstanding. The notes were collateralized by real estate.

Note receivable bearing interest at 2.75%, due in monthly installments of $1,697, including principal and interest, maturing in 2024.	$ 225,855
Notes receivable bearing interest at the federal fund rate as adjusted every six months, loan facility will be for a term of 15 years.	309,147
	$ 535,002

NOTE 8 – LONG TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2010:

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010	Due within One Year
Governmental Activities					
Bonds payable	$ 17,655,000	$ -	$ (995,000)	$ 16,660,000	$ 1,255,000
Equipment lease/purchase agreement	168,923	-	(83,039)	85,884	85,884
Accrued compensated absences	215,346	118,990	-	334,336	-
Total debt - governmental activities	$ 18,039,269	$ 118,990	$ (1,078,039)	$ 17,080,220	$ 1,340,884
Business-type Activities					
Bonds payable	$ 1,046,654	$ -	$ (17,689)	$ 1,028,965	$ 17,369
Bonds payable	979,866	-	(10,147)	969,719	11,950
Bonds payable	705,358	-	(8,134)	697,224	8,593
Bonds payable	4,079,441	-	(30,586)	4,048,855	41,924
Accrued compensated absences	10,595	1,858	-	12,453	-
Accrued closure and postclosure costs	354,885	-	(14,450)	340,435	-
Total debt - business-type activities	$ 7,176,799	$ 1,858	$ (81,006)	$ 7,097,651	$ 79,836

NOTE 8 – LONG TERM DEBT - Continued

Equipment Lease/Purchase

In November, 2007, the General Fund entered into a lease/purchase agreement with the lease amount totaling $400,000. As of December 31, 2010 the amount drawn by the County on the lease totaled $324,952, bearing interest of 4.048%, which is a five year lease/purchase agreement with First Citizens Bank to fund equipment lease/purchase. The County began making monthly principal and interest payments with a minimum amount of $89,832 during November, 2008. The note matures in November, 2011. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Interest	Principal	Total Annual Payment
2011	$ 3,948	$ 85,884	$ 89,832
Total	$ 3,948	$ 85,884	$ 89,832

Bonds Payable

In December 2010, the County entered into a bond agreement for $17,655,000 bearing interest rates of 3% - 5.25% for the purpose of paying the costs of the acquisition and furnishing of a City of Thomson/McDuffie County government center. Annual debt service requirements to maturity for these bonds are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2011	$ 1,255,000	$ 765,594	$ 2,020,594
2012	1,295,000	708,119	2,003,119
2013	1,340,000	642,244	1,982,244
2014	1,385,000	574,119	1,959,119
2015	1,440,000	510,694	1,950,694
2016-2020	8,110,000	1,535,098	9,645,098
2021	1,835,000	48,169	1,883,169
Total	$ 16,660,000	$ 4,784,037	$ 21,444,037

NOTE 8 – LONG TERM DEBT - Continued

In April 1999, the Water Fund entered into a bond agreement for $1,181,900 bearing interest of 4.5% with the United States Department of Agriculture to fund water improvements made within McDuffie County. The County began making annual interest and principal payments in May 1999. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2011	$ 17,369	$ 46,165	$ 63,534
2012	18,167	45,367	63,534
2013	19,002	44,532	63,534
2014	19,875	43,659	63,534
2015	20,788	42,746	63,534
2016-2020	119,173	198,497	317,670
2021-2025	149,181	168,489	317,670
2026-2030	186,743	130,927	317,670
2031-2035	233,764	83,906	317,670
2036-2039	244,903	25,603	270,506
Total	$ 1,028,965	$ 829,891	$ 1,858,856

In March 2007, the Sewer Fund entered into a bond agreement for $1,000,000 bearing interest of 4.125%, with the United States Department of Agriculture to fund sewer improvements made within McDuffie County. The County made an interest only payment in March 2010 and began making monthly principal and interest payments in April 2010. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2011	$ 11,950	$ 39,770	$ 51,720
2012	12,452	39,268	51,720
2013	12,975	38,745	51,720
2014	13,521	38,199	51,720
2015	14,089	37,631	51,720
2016-2020	79,846	178,754	258,600
2021-2025	98,100	160,500	258,600
2026-2030	120,528	138,072	258,600
2031-2035	148,085	110,515	258,600
2036-2040	181,939	76,661	258,600
2041-2045	223,535	35,065	258,600
2046	52,699	1,220	53,919
Total	$ 969,719	$ 894,400	$ 1,864,119

NOTE 8 – LONG TERM DEBT - Continued

In March 2007, the Sewer Fund entered into a bond agreement for $719,000 bearing interest of 4.125%, with the United States Department of Agriculture to fund sewer improvements made within McDuffie County. The County made an interest only payment in March 2010 and began making monthly principal and interest payments in April 2010. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2011	$ 8,593	$ 28,595	$ 37,188
2012	8,955	28,233	37,188
2013	9,331	27,857	37,188
2014	9,723	27,465	37,188
2015	10,132	27,056	37,188
2016-2020	57,417	128,523	185,940
2021-2025	70,545	115,395	185,940
2026-2030	86,674	99,266	185,940
2031-2035	106,490	79,450	185,940
2036-2040	130,837	55,103	185,940
2041-2045	160,751	25,189	185,940
2046	37,776	872	38,648
Total	$ 697,224	$ 643,004	$ 1,340,228

June 2010, the Water Fund entered into a bond agreement for $4,109,000 bearing interest of 4.5%, with the United States Department of Agriculture to fund improvements to the water system within McDuffie County. The County will make annual interest and principal payments beginning in June 2010. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2011	$ 41,924	$ 181,372	$ 223,296
2012	43,811	179,485	223,296
2013	45,782	177,514	223,296
2014	47,842	175,454	223,296
2015	49,995	173,301	223,296
2016-2020	273,509	842,971	1,116,480
2021-2025	340,841	775,639	1,116,480
2026-2030	424,751	691,729	1,116,480
2031-2035	529,317	587,163	1,116,480
2036-2040	659,625	456,855	1,116,480
2041-2045	822,011	294,469	1,116,480
2046-2048	769,447	92,104	861,551
Total	$ 4,048,855	$ 4,628,056	$ 8,676,911

NOTE 8 – LONG TERM DEBT - Continued

Capital Leases
The County entered into agreements for the lease of certain machinery and equipment. The term of each agreement provides options to purchase the machinery and equipment at any time during the period of the lease. A capital lease generally is one that transfers benefits and risk of ownership to the lessee. The outstanding balance of capital lease obligations was paid during 2010.

Long Term Debt-Development Authority
The following is a summary of the Discretely Presented Component Units' long term debt:

Discretely Presented Component Unit - Health Department	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010	Due within One Year
Accrued compensated absences	$ 32,947	$ 20,807	$ (21,973)	$ 31,781	$ -

Discretely Presented Component Unit - Development Authority	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010	Due within One Year
Note payable	$ 451,132	$ -	$ (66,038)	$ 385,094	$ 56,604

Note Payable – Development Authority
In October 2007, the Development Authority of McDuffie County and the City of Thomson entered into a note agreement for $470,000, bearing zero percent interest, with the City of Thomson and McDuffie County. The note agreement was made to consummate the purchase of a building. Debt service payments are to commence at the earlier of (1) two years from the date of issuance of a Certificate of Occupancy by the City of Thomson for the property or (2) the time at with the Development Authority leases at least one space in the new building. Monthly debt service payments will total $1,958 and mature after 20 years.

NOTE 9 – RETIREMENT PLAN

Defined Benefit Pension Plan
The County contributes to the Association County Commissioners of Georgia (ACCG) Defined Benefit Plan, an agent multiple employer public employee retirement system that acts as a common investment and administrative agent for participating counties in Georgia.

Complete financial statements of the Association County Commissioners of Georgia can be obtained at the following:

Association County Commissioners of Georgia Pension Plan
1100 Circle 75 Parkway, Suite 300
Atlanta, GA 30339

The specific benefit provisions of the County's Plan were established by an adoption agreement executed by the County Board of Commissioners. The Plan provides for benefits upon retirement, death, disablement, and termination of employment, if certain eligibility conditions are met.

The annual County contribution to the Plan is determined using the actuarial basis described in the annual valuation report. The annual County contribution meets or exceeds the minimum funding requirements of Georgia Statute 47-20.

NOTE 9 – RETIREMENT PLAN – Continued

Participant counts as of January 1, 2010, (the most recent actuarial valuation date) and covered compensation (based on covered earnings for the preceding year) are shown below:

Retirees and beneficiaries receiving benefits	36
Terminated Plan participants entitled to, but not yet receiving benefits	47
Active employees participating in the Plan	120
Total number of Plan participants	203
Covered compensation for active participants	$ 3,959,994

The Plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and incremental changes in the cash value of pre-retirement life insurance policies owned by the trust.

Plan member contributions are recognized in the period in which contributions are due. County contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

Investments in securities are valued at current market prices. The trust fund is invested, approximately 60% in equities and 40% in fixed income securities on a cost basis.

The County is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia code sets forth the minimum funding standards for state and local governmental pension plans.

Administrative expenses are based on total covered compensation of active plan participants and are added to the state required annual funding requirement. The Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish, and amend from time-to-time the contribution rates for the County and its Plan participants.

Actuarial Present Value of Accumulated Plan Benefits as of December 31, 2010:

Vested	
Retirees (and others in pay status)	$ 1,634,811
Deferred vested (former employees)	546,996
Vested active participants	2,985,202
Total	5,167,009
Non-vested	236,795
Total	$ 5,403,804
Effect of future salary increases	$ 1,151,802
Total actuarial accrued liability	$ 6,555,606
Net assets available for benefits (including receivables)	$ 5,101,779
Net assets (deficiency) in excess of actuarial present value of accumulated Plan benefits	$ (302,025)
Principal Actuarial Assumptions	
Investment return	7.75%
Rate of future salary increases (not applicable to accumulated Plan benefits calculations	4.0%-6.5% based on age

NOTE 9 – RETIREMENT PLAN – Continued

The County has made contributions to the Plan as follows:

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2000	158,396	100%
2001	165,325	100%
2002	234,200	100%
2003	246,560	100%
2004	285,038	100%
2005	304,843	100%
2006	346,014	107%
2007	291,968	100%
2008	391,654	100%
2009	436,235	103%
2010	465,084	97%

Analysis of Pension Plan Funding Progress

Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of actuarial accrued liability provides one indication of funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

Measurement Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Annual Covered Payroll (prior year)	(6) UAAL as a Percentage of Covered Payroll (4)/(5)
December 31, 2000	1,888,992	2,092,422	90%	203,430	1,756,674	12%
December 31, 2001	2,018,743	2,397,007	84%	378,264	1,929,482	20%
December 31, 2002	2,073,654	2,537,889	82%	464,235	2,101,249	22%
December 31, 2003	2,081,539	2,910,670	72%	829,131	2,663,246	31%
December 31, 2004	2,466,645	3,227,220	76%	760,575	2,508,104	30%
December 31, 2005	2,719,440	3,662,069	74%	942,629	2,601,522	36%
December 31, 2006	3,659,475	4,569,397	80%	909,922	3,291,611	28%
December 31, 2007	4,056,389	5,012,180	81%	955,791	3,720,421	26%
December 31, 2008	4,169,932	5,431,170	77%	1,261,238	3,743,829	34%
December 31, 2009	4,682,912	5,861,209	80%	1,178,297	3,991,182	30%
December 31, 2010	5,147,287	6,555,606	79%	1,408,319	3,959,994	36%

NOTE 9 – RETIREMENT PLAN – Continued

The Plan information presented was determined as part of the actuarial valuation as of January 1, 2010. The following summarizes the actuarial methods and assumptions used in that valuation:

Actuarial cost method	Projected Unit Credit
Asset valuation method	Market Value
Amortization method	Level Percent of Pay (closed)
Remaining amortization periods	10
Actuarial Assumptions	
Assumed rate of return on assets	7.75%
Expected future salary increases	4.0%-6.5% based on age
Expected inflation	3.00%

* The remaining amortization period represents the estimated period for all unfunded liabilities combined into one amortization base.

**The actuarial assumptions include expected inflation of 3.0% per annum.

The County's total payroll amounted to $5,784,659 for the year ended December 31, 2010 (based on W-2 earnings for the year).

All full-time County employees are eligible to participate in the Plan after completing three years of service with benefits vesting after five years of service. Participants become eligible to retire with unreduced benefits at the earlier of age 65 with 5 years of participation in the Plan, or by age 62 with 35 years of service. Upon eligibility to retire, participants are entitled to a monthly benefit in the amount of 1% of average annual compensation up to $10,000 plus 1.5% of average annual compensation in excess of $10,000, plus $36 for each year of service up to 35 years, payable as a ten year certain and life annuity. Average annual compensation is calculated based on the highest five-year period during the ten years prior to retirement or termination. The Plan also provides benefits in the event of death or disability. These benefit provisions were established by an adoption agreement executed by the County Board of Commissioners.

County employees are not required to contribute to the Plan. The County contributes the entire cost of the Plan.

NOTE 9 – RETIREMENT PLAN – Continued

Other State of Georgia Pension Plans
The Sheriff, Clerk of Superior Court, Probate Judge, Tax Commissioner, and various other employees of the County are covered by the State of Georgia retirement plans and are not included as a part of the County's plan described above. These State Plans are funded, in part, through County fines and forfeiture collections.

Information on the Sheriff Retirement plan may be found at the following:

Georgia Sheriffs Association Retirement Fund
P.O. Box 1000
Stockbridge, GA 30281

Information on the Clerk of Superior Court Retirement plan may be found at the following:

Superior Court Clerk's Retirement Fund of Georgia
124 N. McDonough St., #3
Jonesboro, GA 30236

Information on the Probate Judge Retirement plan may be found at the following:

Probate Retirement Fund of Georgia
P.O. Box 56
Griffin, GA 30224

Information on the Tax Commissioners Retirement plan may be found at the following:

Employee Retirement System
Two Northside 75, Suite 300
Atlanta, GA 30318

Health Benefits
The County self-insures its employee health benefits for participating County employees up to $50,000 per individual. Claims in excess of $50,000 and up to $1,000,000 are reinsured through a private insurance carrier. A third-party administrator (TPA) processes claims, under the same coverage terms. The TPA processes and pays the claims and invoices the County. In 2010, the cost of health insurance was accounted for as a General Fund expense. During 2010, claims paid aggregated $801,169.

Deferred Compensation Plans
The County has adopted deferred compensation plans in accordance with Section 457 of the Internal Revenue Code. The plans allow any employee participant to voluntarily defer the lesser of 100% of the participant's gross compensation or $15,000 per year. All administrative costs of the plans are deducted from the participants' accounts. Benefit payments are payable upon termination of employment, unforeseeable emergency, retirement or death. The Custodial Account Agreement requires the County set aside assets and income from the plan in trust for the exclusive benefit of the participants and their beneficiaries. The County is in compliance with the agreement.

Information about the Pebsco Deferred Compensation plan may be found at the following:

Nationwide/Pebsco Payroll Processing
Department 1766
Columbus, OH 43271-1766

NOTE 9 – RETIREMENT PLAN – Continued

Information about the GEBCorp Deferred Compensation plan may be found at the following:

The Charles Schwab Trust
425 Market Street, 7th Floor
San Francisco, CA 94105

The County believes that it has no liability for losses under the plans but does have the duty of due care that would be required of an ordinary prudent investor.

The investments are managed by the Plan Administrator in one of three investment options or a combination thereof. The available options include fixed annuity, variable annuity and universal life insurance. The participant makes the choice of investment option(s).

At December 31, 2010, 28%, or 56, of the County's 203 employees, were participants in the deferred compensation plans.

The employees of the County contributed $4,050 and $78,597, respectively, to the Pebsco and GEBCorp deferred compensation plans during the year ended December 31, 2010.

GASB Statement No. 2, *Financial Reporting of Deferred Compensation Plans Adopted under the provisions of Internal Revenue Code Section 457*, established reporting requirements for IRC Section 457 plans. Based on the laws in effect at the time of its passage, that Statement required that all amounts deferred by the plan participants be reported as assets of the employer until made available to the participants or their beneficiaries. The laws governing these plans were changed to state that, as of August 20, 1996, new plans will not be considered eligible plans "unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries". In the case of an existing plan, a trust need not be established before January 1, 1999. Since the County amended its plan to comply with the requirements of subsection (g) of Internal Revenue Code Section 457, it has adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*

NOTE 10 – RISK MANAGEMENT, LITIGATION, AND CONTINGENCIES

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government is a member of a public entity risk pool currently operating as a common risk management and insurance program for member local governments. The County 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 Association County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund (ACCG-GSIWCF). As part of these risk pools, the Government 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 County is also to allow the pool's agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds. The funds are to defend and protect 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.

NOTE 10 – RISK MANAGEMENT, LITIGATION, AND CONTINGENCIES - Continued

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims. Liabilities include amounts that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is reported as long term debt because it is not expected that it will be liquidated from expendable available financial resources. As of December 31, 2010, the County had recorded no liability for claims.

The change in the balances of the workers' compensation pool claims during fiscal year 2010 is as follows:

Unpaid claims, beginning of fiscal year	$ 88,321
Incurred claims	32,905
Claim payments	(21,705)
Unpaid claims, end of fiscal year	$ 99,521

General, property, and vehicle liabilities are provided for by commercial insurance coverage. Surety coverage is provided by insurance bonding in amounts proportionate to employee exposure. The County is liable for the $1,000 deductible. The change in the property and liability claims during the year 2010 is as follows:

Unpaid claims, beginning of fiscal year	$ 9,774
Incurred claims	56,517
Claim payments	(53,591)
Unpaid claims, end of fiscal year	$ 12,700

The County accounts for the financial operations of a self-insured employee group health program in the General Fund. Specific stop loss coverage in the amount of $50,000 per covered individual is maintained to reduce the exposure from catastrophic claims. A third party administrator is employed to process claims for the program.

The change in the health insurance claims during year 2010 and 2009 are as follows:

	2010	2009
Unpaid claims, beginning of fiscal year	$ 177,171	$ 102,500
Incurred claims	701,176	764,141
Claim payments	(801,169)	(689,470)
Unpaid claims, end of fiscal year	$ 77,178	$ 177,171

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's management and counsel that resolution of these matters will not have a material effect on the financial condition of the County.

NOTE 11 – INTERFUND TRANSACTIONS

Due From/To Other Funds

Interfund receivables and payables account for loans between funds for cash management purposes. Interfund receivables and payables as of December 31, 2010, were as follows:

	Payable Fund					
Receivable Fund	General Fund	Others	Water Fund	Sewer Fund	Solid Waste Fund	Total
General Fund	$ -	$ 370,871	$ 139,751	$ -	$ 4,238,390	$ 4,749,012
Water Fund	139,160	-	-	-	-	139,160
Solid Waste	3,669,947	-	-	-	-	3,669,947
Sewer Fund	400	-	-	-	-	400
Others	361,117	-	-	-	-	361,117
Total	$ 4,170,624	$ 370,871	$ 139,751	$ -	$ 4,238,390	$ 8,919,636

Transfers To/From Other Funds

Transfers between the General Fund and other governmental funds were primarily to support the operations of the funds.

	Transfers in						
Transfers out	General Fund	Emergency Telephone System Fund	Bond Fund	Water System	Sewer System	Solid Waste Landfill	Total
General Fund	$ -	$ 415,407	$ -	$ -	$ -	$ -	$ 415,407
Landfill Surchange fund	-	-	-	-	-	44,105	44,105
Hotel/Motel fund	47,814	-	-	-	-	-	47,814
Emergency Telephone System Fund	125,000	-	-	-	-	-	125,000
SPLOST V	-	-	3,842,909	-	-	-	3,842,909
Water System	-	-	-	223,860	50,000	-	273,860
Total	$ 172,814	$ 415,407	$ 3,842,909	$ 223,860	$ 50,000	$ 44,105	$ 4,749,095

NOTE 12 – NET ASSETS/FUND EQUITY

Reservations of net assets/fund equity are created to either satisfy legal covenants that require a portion of the fund balance be segregated or identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of the fund balance accounts are summarized as follow:

Reserve for encumbrances – This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

Reserve for designated purposes – This reserve represents the portion of net assets that is legally restricted for specified purposes.

Unreserved – This represents the portion of net assets that is not reserved and not designated for other purposes.

The Solid Waste Fund had a deficit in unreserved net assets totaling $364,615 as of December 31, 2010. The CDBG Fund had a deficit in unreserved net assets totaling $12,965 as of December 31, 2010. The Other Capital Projects Fund had a deficit in unreserved net assets totaling $30,329 as of December 31, 2010. The deficits will be funded through operations and transfers from the General Fund.

NOTE 13 – SOLID WASTE FUND

The County maintains a solid waste landfill facility, which was established as an enterprise fund as of January 1, 1993. The current landfill was closed during 1994, to avoid the thirty year post-closure monitoring for leaks into the ground water and removal and treatment of leachate, as required by regulations issued by the U.S. Environmental Protection Agency. By closing the facility, the County is required to monitor the facility. The licensure process for a new landfill has been completed, and the permit has been extended until completion.

The Solid Waste Fund is expected ultimately to be self-supporting. All revenues related to the collection and disposal of solid waste, and the expenses related to the operation are reported in this fund.

Government Accounting Standards Board Statement No. 18 (GASB-18) was issued effective June 15, 1993, to establish accounting standards for reporting the liabilities associated with required closure and post-closure costs. The standard states that the total estimated current cost of closure and post-closure monitoring is to be recognized as a liability as the landfill's usable area is consumed. The estimated total current cost includes: (1) the cost of equipment expected to be installed and facilities expected to be constructed, (2) the cost of the final earth cover to be applied when the landfill is full, and (3) the estimated costs of monitoring and maintaining the landfill in the post closure period. The accrued closure and post-closure costs liability totaled $340,434 as of December 31, 2010.

Costs for closure and post-closure care are based on engineering estimates and are subject to change based on various factors some of which include inflation, deflation, changes in technology, and changes in laws and regulations. These costs are to be funded by collection fees and by tonnage costs. Costs incurred during 2010 totaled $14,451.

The fund had a deficit balance in unrestricted net assets as of December 31, 2010, totaling $364,615, which will be funded by transfers from the General Fund.

NOTE 14 – HOTEL/MOTEL LODGING TAX

McDuffie County has levied a 5% lodging tax pursuant to O.C.G.A. 48-13-51. At least 40% of the tax is to be used for tourism related purposes. During 2010, approximately 73% of receipts were allocated for tourism. Transactions for the year ended December 31, 2010 were as follows:

Lodging tax receipts	$ 175,811
Disbursements for promotion of tourism	(127,997)
Transfer to General Fund	(47,814)
Remaining balance	$ -

NOTE 15 – JOINT VENTURE

Under Georgia law, the County in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River Area Regional Development Center (RDC) and is required to pay annual dues thereto. During its year ended December 31, 2010, the County paid $14,316 in such dues. Membership in the RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RDC. Separate financial statements may be obtained from:

Central Savannah River Area Regional Development Center
3023 Riverwatch Parkway, Suite A
Augusta, Georgia 30907-2016

NOTE 16 – RELATED PARTY TRANSACTIONS

The County paid $27,428 to Interstate Equipment as of December 31, 2010 for parts and equipment rental. Paul McCorkle, a County Commissioner is directly affiliated with this company. The County paid $11,000 to American Grading Solutions which is owned by the brother in law of Chairman of the County Commissioners Charles Newton. The County also paid $8,027 to McDuffie Feed and Seed as of December 31, 2010 for services and/or goods. This company is owned by the father of Charles Newton, Chairman of the County Commissioners. The County paid $505 to Sewell Glass for goods or services. Stephen Sewell is the Asst. Fire Chief for McDuffie County.

NOTE 17 - COMMITMENTS

The County had the following governmental activity projects with significant remaining construction and contractual commitments as of December 31, 2010:

During the year ended December 31, 2010, construction began on the Government Center Complex. This project is expected to cost approximately $20,350,000 and is funded with bond funding that has already been issued. Costs incurred approximately $12,705,000 and the project is approximately 72% complete as of December 31, 2010. The project is expected to complete in fiscal year 2011.

NOTE 18 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" which will become effective starting with the County's fiscal year ending December 31, 2011, financial statement reporting. This statement redefines the components of fund balance and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds. The effect that implementation of Statement No. 54 will have on future financial statements has not yet been determined.

NOTE 19 - SUBSEQUENT EVENTS

In preparing the financial statements, the County has evaluated events and transactions for potential recognition or disclosure through June 28, 2011.

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COMBINING AND INDIVIDUAL FUND STATEMENTS

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GENERAL FUND

The General Fund is used to account for resources traditionally associated with the County that are not required legally, or by sound financial management, to be accounted for in another fund.

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Cash Basis			
	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes				
Property tax	$ 4,333,263	$ 7,664,063	$ 7,247,885	$ (416,178)
Local option sales tax	2,400,000	2,400,000	2,477,587	77,587
Alcohol beverage tax	250,000	250,000	250,945	945
Insurance premium tax	685,000	685,000	665,501	(19,499)
Financial institution tax	35,000	35,000	34,352	(648)
Intangible recording tax	75,000	75,000	63,349	(11,651)
Franchise tax	88,000	88,000	92,699	4,699
Motor vehicle tax	375,000	375,000	374,503	(497)
Mobile home tax	78,000	78,000	77,079	(921)
Timber tax	12,000	12,000	29,903	17,903
Equipment tax	200	200	162	(38)
Railroad tax	5,500	5,500	5,724	224
Payments in lieu of tax	35,000	35,000	34,232	(768)
Real estate transfer tax	10,000	10,000	10,281	281
Commissions	200,000	200,000	434,855	234,855
FIFA	15,000	15,000	19,247	4,247
Motor vehicle late fee tax	30,000	30,000	18,713	(11,287)
Indigent defense	7,000	7,000	9,718	2,718
Penalties and fines	98,100	98,100	201,666	103,566
Total Taxes	8,732,063	12,062,863	12,048,401	(14,462)
Licenses and permits				
Beer and wine licenses	8,000	8,000	3,000	(5,000)
Alcohol licenses	30,000	30,000	7,400	(22,600)
Business licenses	58,000	58,000	90,301	32,301
Building permits and licenses	48,000	48,000	37,576	(10,424)
Total licenses and permits	144,000	144,000	138,277	(5,723)
Intergovernmental				
General overhead	927,469	1,133,506	1,091,020	(42,486)
Home delivered meals	11,000	11,000	7,623	(3,377)
Tax assessor	2,000	2,000	2,481	481
Small grants	184,758	346,758	418,438	71,680
Total intergovernmental	1,125,227	1,493,264	1,519,562	26,298
Charges for services				
Recreation fees	100,220	100,220	83,554	(16,666)
Senior citizens fees	3,719	3,719	1,779	(1,940)
Rent	95,000	95,000	85,805	(9,195)
Prisoner housing	677,004	721,004	754,391	33,387
Animal shelter	3,000	3,000	7,214	4,214
Sheriff	128,696	128,696	115,912	(12,784)
Transportation	9,600	9,600	8,595	(1,005)
Corps of engineers	5,000	5,000	4,238	(762)
Public works	1,800	1,800	1,379	(421)
Human development	6,050	6,050	3,761	(2,289)
EMA	1,000	1,000	1,500	500
Fire fees	1,500	4,512	4,717	205
Total charges for services	1,032,589	1,079,601	1,072,845	(6,756)

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL - Continued
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Cash Basis			
	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES - Continued				
Fines and forfeitures				
Superior court fines and fees	$ 203,000	$ 203,000	$ 197,508	$ (5,492)
Probate court fines and fees	310,300	310,300	285,337	(24,963)
Magistrate court fines and fees	55,000	55,000	69,473	14,473
Alcohol late fee	200	200	-	(200)
Total fines and forfeitures	568,500	568,500	552,318	(16,182)
Other				
Election qualifying fees	-	-	835	835
Contributions	-	2,500	2,500	-
Flood control	3,750	3,750	-	(3,750)
Interest	9,000	9,000	1,098	(7,902)
Surplus sales	50,000	50,000	-	(50,000)
Scrap	2,000	2,000	273	(1,727)
Prior year	600,000	600,000	96,183	(503,817)
Miscellaneous	17,850	17,850	25,360	7,510
Total other	682,600	685,100	126,249	(558,851)
Total revenues	12,284,979	16,033,328	15,457,652	(575,676)
EXPENDITURES				
General government				
Probate court	148,684	148,684	135,523	(13,161)
Clerk of court	304,171	304,171	286,121	(18,050)
Superior court	135,202	135,202	112,036	(23,166)
Magistrate court	160,595	163,036	161,330	(1,706)
District attorney	104,163	104,163	103,317	(846)
Finance	251,956	251,956	208,410	(43,546)
Governing body	185,507	193,324	191,379	(1,945)
Tax assessor	424,293	424,293	386,459	(37,834)
Tax commissioner	283,568	291,121	288,209	(2,912)
Board of equalization	6,142	6,142	3,949	(2,193)
Administration	1,702,832	4,644,013	1,797,269	(2,846,744)
Elections office	161,479	176,859	157,678	(19,181)
Technical support	353,638	353,638	292,117	(61,521)
Planning and zoning	248,677	248,677	213,356	(35,321)
County buildings and grounds	210,325	216,025	211,675	(4,350)
Public defender	69,814	70,358	70,196	(162)
County manager	170,629	183,603	181,292	(2,311)
Juvenile court	93,952	93,952	89,553	(4,399)
Total general government	5,015,627	8,009,217	4,889,869	(3,119,348)
Public safety				
Sheriff	2,684,307	3,013,107	3,008,824	(4,283)
Coroner	17,338	23,078	22,907	(171)
Fire	592,926	639,938	635,199	(4,739)
Emergency management	24,700	24,700	24,267	(433)
Total public safety	3,319,271	3,700,823	3,691,197	(9,626)
Highways and streets				
Vehicle and equipment maintenance	213,073	213,073	209,385	(3,688)
Public works	1,453,430	1,659,467	1,547,495	(111,972)
Total highways and streets	1,666,503	1,872,540	1,756,880	(115,660)

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL - Continued
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Cash Basis			
	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES - Continued				
Health and welfare				
Community services	$ 6,090	$ 6,090	$ 3,161	$ (2,929)
Child support	8,800	8,800	7,421	(1,379)
Family and children services	33,222	33,222	28,457	(4,765)
Health department	125,500	126,800	125,161	(1,639)
Emergency medical services	384,000	396,310	396,305	(5)
Rural transportation	103,916	128,126	127,816	(310)
Senior citizens	141,417	145,147	144,382	(765)
Soil & waste conservation	950	950	-	(950)
Home delivered meals	89,910	89,910	69,848	(20,062)
Total health and welfare	893,805	935,355	902,551	(32,804)
Culture and recreation				
Library	68,301	68,301	67,149	(1,152)
Recreation	765,264	765,264	731,611	(33,653)
Economic development	97,735	101,235	101,102	(133)
Total culture and recreation	931,300	934,800	899,862	(34,938)
Other				
Cooperative extension service	78,655	78,655	74,419	(4,236)
Airport	45,000	45,000	28,779	(16,221)
Forestry	12,617	12,617	12,549	(68)
Human development	115,283	123,003	122,470	(533)
Recycling center	53,900	56,300	56,218	(82)
Boys and girls club	5,900	5,900	5,860	(40)
Animal shelter	42,035	42,035	38,680	(3,355)
Small grants	184,758	346,758	472,862	126,104
Total other	538,148	710,268	811,837	101,569
Total Expenditures	12,364,654	16,163,003	12,952,196	(3,210,807)
Other financing sources				
Transfer In	79,675	129,675	171,860	42,185
Transfer (out)	-	-	-	-
Net change in fund balance	$ -	$ -	$ 2,677,316	$ 2,677,316

MCDUFFIE COUNTY
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Jail Fund – to account for fines charged by the County that are to be used for jail improvements.

Drug Task Force Fund – to account for add-on fees received from fines to be used to assist with drug enforcement needs.

Wireless Emergency Telephone System Fund – to account for collection of wireless 911 phone surcharges used for operation and maintenance of the 911 phone system.

Landfill Surcharge Fund – to account for fees received from Solid Waste.

Hotel/Motel Fund – to account for tax to be used for tourism-related purposes.

Law Library Fund– to account for receipt of fee revenue generated to support the legal library for the McDuffie County court system.

Juvenile Probation Fund – to account for fee revenue generated for juvenile probation.

Emergency Telephone System Fund – The Emergency Telephone System Fund is used to account for the collection of 911 phone surcharges used for operation and maintenance of the 911 telephone system.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Community Development Block Grant Fund - to account for capital projects funded by Community Development Block Grant funds.

Special Purpose Local Option Sales Tax IV Fund – to account for property acquisition and construction of projects designated to be funded by revenue from local option sales tax collections for the years 2004 – 2008.

Special Purpose Local Option Sales Tax V Fund – to account for property acquisition and construction of projects designated to be funded by revenue from local option sales tax collections for the years 2009 – 2016.

Stimulus Fund - to account for capital projects funded by Stimulus funds.

MCDUFFIE COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	Special Revenue Funds								Capital Projects Funds				
	Jail	Law Library	Juvenile Probation	Drug Task Force	Hotel/ Motel Tax	Wireless Emergency Telephone System	Landfill Surcharge	Emergency Telephone System	Stimulus Fund	SPLOST IV	Community Development Block Grant	Other Captial Projects	Total Nonmajor Governmental Funds
Assets													
Assets													
Cash	$ 389,917	$ 98,788	$ 43,134	$ 204,712	$ -	$ 163,032	$ 158,125	$ 151,127	$ -	$ 728,823	$ 140	$ 76	$ 1,937,874
Interfund receivables	-	-	-	-	342,668	-	-	1,303	-	9,564	7,582	-	361,117
Intergovernmental receivables	-	-	-	-	11,157	-	-	68,415	-	-	-	-	79,572
Total Assets	$ 389,917	$ 98,788	$ 43,134	$ 204,712	$ 353,825	$ 163,032	$ 158,125	$ 220,845	$ -	$ 738,387	$ 7,722	$ 76	$ 2,378,563
Liabilities and Fund Balances													
Liabilities													
Accounts payable	$ 377	$ -	$ -	$ 80	$ -	$ 393	$ 45,845	$ 44,775	$ -	$ 19,927	$ 3,641	$ 30,405	$ 145,443
Interfund payables	-	-	-	-	353,825	-	-	-	-	-	17,046	-	370,871
Total Liabilities	377	-	-	80	353,825	393	45,845	44,775	-	19,927	20,687	30,405	516,314
Fund balances													
Unreserved, undesignated													
Capital Projects	-	-	-	-	-	-	-	-	-	718,460	(12,965)	(30,329)	675,166
Special Revenues	389,540	98,788	43,134	204,632	-	162,639	112,280	176,070	-	-	-	-	1,187,083
Total Fund Balances	389,540	98,788	43,134	204,632	-	162,639	112,280	176,070	-	718,460	(12,965)	(30,329)	1,862,249
Total Liabilities and Fund Balances	$ 389,917	$ 98,788	$ 43,134	$ 204,712	$ 353,825	$ 163,032	$ 158,125	$ 220,845	$ -	$ 738,387	$ 7,722	$ 76	$ 2,378,563

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

	Special Revenue Funds								Capital Projects Funds				
	Jail	Law Library	Juvenile Probation	Drug Task Force	Hotel/ Motel Tax	Wireless Emergency Telephone System	Landfill Surcharge	Emergency Telephone System	Stimulus Fund	SPLOST IV	Community Development Block Grant	Other Captial Projects	Total Nonmajor Governmental Funds
Revenues													
Fees for services	$ -	$ 24	$ 2,626	$ -	$ -	$ -	$ 32,571	$ -	$ -	$ -	$ -	$ -	$ 35,221
Fines and forfeitures	51,340	14,620		17,014	-	-	-	-	-	-	-	-	82,974
Intergovernmental	-	-	-	-	-	-	-	-	11,731	-	135,004	332,021	478,756
Interest income	198	1,276	-	106	-	61	84	89	-	919	-	-	2,733
Taxes	-	-	-	-	175,811	-	-	-	-	-	-	-	175,811
Miscellaneous	-	-	-	-	-	58,640	-	342,315	-	-	-	-	400,955
Total Revenues	51,538	15,920	2,626	17,120	175,811	58,701	32,655	342,404	11,731	919	135,004	332,021	1,176,450
Expenditures													
Current													
General government	-	-	-	-	127,997	-	-	-		-	31	-	128,028
Public safety	15,885	-	-	20,949	-	-	-	561,540		-	-	-	598,374
Intergovernmental	-	21,036	1,795	-	-	4,106	-	-		-	-	-	26,937
Capital outlay													
General government	36,310	-	-	-	-	-	51,190	-	11,731	399,570	128,222	362,350	989,373
Total Expenditures	52,195	21,036	1,795	20,949	127,997	4,106	51,190	561,540	11,731	399,570	128,253	362,350	1,742,712
Excess (deficiency) of revenues over expenditures	(657)	(5,116)	831	(3,829)	47,814	54,595	(18,535)	(219,136)	-	(398,651)	6,751	(30,329)	(566,262)
Transfers in (out)	-	-	-	-	(47,814)	-	(44,105)	290,407	-	-	-	-	198,488
Net Change	(657)	(5,116)	831	(3,829)	-	54,595	(62,640)	71,271	-	(398,651)	6,751	(30,329)	(367,774)
FUND BALANCES, BEGINNING OF YEAR	390,197	103,904	42,303	208,461	-	108,044	174,920	104,799	-	1,117,111	(19,716)	-	2,230,023
FUND BALANCES, END OF YEAR	$ 389,540	$ 98,788	$ 43,134	$ 204,632	$ -	$ 162,639	$ 112,280	$ 176,070	$ -	$ 718,460	$ (12,965)	$ (30,329)	$ 1,862,249

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
JAIL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines and forfeitures	$ 41,300	$ 41,300	$ 33,067	$ (8,233)
Intergovernmental	19,000	19,000	18,273	(727)
Interest income	2,200	2,200	198	(2,002)
Total Revenues	62,500	62,500	51,538	(10,962)
Expenditures				
Public safety	62,500	62,500	54,541	(7,959)
Total Expenditures	62,500	62,500	54,541	(7,959)
Net Change in Fund Balance	$ -	$ -	(3,003)	$ (3,003)
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			2,346	
Fund Balance, beginning of year			390,197	
Fund Balance, end of year			$ 389,540	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
LAW LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines and forfeitures	$ 80,000	$ 80,000	$ 14,620	$ (65,380)
Interest Income	1,000	1,000	1,276	276
Other	-	-	24	24
Total Revenues	81,000	81,000	15,920	(65,080)
Expenditures				
General government	22,500	22,500	21,036	(1,464)
Total Expenditures	22,500	22,500	21,036	(1,464)
Net Change in Fund Balance	$ 58,500	$ 58,500	(5,116)	$ (63,616)
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			-	
Fund Balance, beginning of year			103,904	
Fund Balance, end of year			$ 98,788	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
JUVENILE PROBATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fees for services	$ 3,500	$ 3,500	$ 2,626	$ (874)
Total Revenues	3,500	3,500	2,626	(874)
Expenditures				
Public safety	3,500	3,500	1,795	(1,705)
Total Expenditures	3,500	3,500	1,795	(1,705)
Net Change in Fund Balance	$ -	$ -	831	$ 831
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			-	
Fund Balance, beginning of year			42,303	
Fund Balance, end of year			$ 43,134	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
DRUG TASK FORCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines and forfeitures	$ 18,100	$ 18,100	$ 9,182	$ (8,918)
Intergovernmental	12,000	12,000	7,832	(4,168)
Interest income	1,200	1,200	107	(1,093)
Total Revenues	31,300	31,300	17,121	(14,179)
Expenditures				
Public safety	31,300	31,300	21,300	(10,000)
Total Expenditures	31,300	31,300	21,300	(10,000)
Net Change in Fund Balance	$ -	$ -	(4,179)	$ (4,179)
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			350	
Fund Balance, beginning of year			208,461	
Fund Balance, end of year			$ 204,632	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Taxes	$ 200,000	$ 200,000	$ 174,858	$ (25,142)
Total Revenues	200,000	200,000	174,858	(25,142)
Expenditures				
General government	200,000	200,000	174,858	(25,142)
Total Expenditures	200,000	200,000	174,858	(25,142)
Other Financing Sources				
Transfers to General Fund	-	-	-	-
Net Change in Fund Balance	$ -	$ -	-	$ -
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			-	
Fund Balance, beginning of year			-	
Fund Balance, end of year			$ -	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
WIRELESS EMERGENCY TELEPHONE SYSTEM FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fees for services	$ 50,000	$ 50,000	$ 57,865	$ 7,865
Interest income	100	100	61	(39)
Total Revenues	50,100	50,100	57,926	7,826
Expenditures				
Public safety	50,100	50,100	5,104	(44,996)
Total Expenditures	50,100	50,100	5,104	(44,996)
Net Change in Fund Balance	$ -	$ -	52,822	$ 52,822
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			1,773	
Fund Balance, beginning of year			108,044	
Fund Balance, end of year			$ 162,639	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
LANDFILL SURCHARGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fees for services	$ 36,900	$ 56,900	$ 32,571	$ (24,329)
Interest income	100	100	84	(16)
Total Revenues	37,000	57,000	32,655	(24,345)
Expenditures				
Capital outlay	37,000	57,000	49,450	(7,550)
Total Expenditures	37,000	57,000	49,450	(7,550)
Net Change in Fund Balance	$ -	$ -	(16,795)	$ (16,795)
Reconciliation to GAAP Basis				
To record effect of changes in receivables and other assets and payables and other liabilities			(45,845)	
Fund Balance, beginning of year			174,920	
Fund Balance, end of year			$ 112,280	

MCDUFFIE COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL
EMERGENCY TELEPHONE SYSTEM FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amount		Actual Amount	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Charges for services	$ 300,000	$ 425,000	$ 342,315	$ (82,685)
Interest income	600	600	89	(511)
Total revenues	300,600	425,600	342,404	(83,196)
EXPENDITURES				
Public safety	610,272	735,272	710,089	(25,183)
Total expenditures	610,272	735,272	710,089	(25,183)
Revenues over Expenditures	-	(309,672)	(367,685)	(58,013)
OTHER FINANCING SOURCES				
Transfers in	309,672	309,672	415,407	105,735
Total Other Financing Sources	309,672	309,672	415,407	105,735
CHANGE IN FUND BALANCE	$ 309,672	$ -	47,722	$ 47,722
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities:			23,549	
FUND BALANCE, BEGINNING OF YEAR			104,799	
FUND BALANCE, END OF YEAR			$ 176,070	

FIDUCIARY FUNDS

Agency funds are used to account for assets that are held by the government as the agent for individuals, private organizations, other governments and/or other funds.

Clerk of Court – to account for the receipt and disbursement of court ordered fines and fees made on behalf of third parties.

Probate Court – to account for the receipt and disbursement of funds held on behalf of others and fees for services provided under State law.

Sheriff – to account for the receipt and disbursement of fees and services provided under State law.

Tax Commissioner - to account for tax billings, collections, and remittances held by the Tax Commissioner on behalf of other governmental agencies.

Magistrate's Court – to account for the receipt and disbursement of bonds and court ordered fines and fees made on behalf of third parties.

MCDUFFIE COUNTY, GEORGIA
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
DECEMBER 31, 2010

	Agency Funds					
	Clerk of Court	Probate Court	Sheriff	Tax Commissioner	Magistrate Court	Total
Assets						
Assets						
Cash	$ 255,869	$ 38,284	$ 774,542	$ 180,085	$ 13,183	$ 1,261,963
Total Assets	$ 255,869	$ 38,284	$ 774,542	$ 180,085	$ 13,183	$ 1,261,963
Liabilities						
Liabilities						
Due to others	$ 255,869	$ 38,284	$ 774,542	$ 180,085	$ 13,183	$ 1,261,963
Total Liabilities	$ 255,869	$ 38,284	$ 774,542	$ 180,085	$ 13,183	$ 1,261,963

MCDUFFIE COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Agency Funds					
	Clerk of Court	Probate Court	Sheriff	Tax Commissioner	Magistrate Court	Total
Assets						
Cash						
Balance at beginning of year	$ 293,711	$ 46,567	$ 692,151	$ 987,510	$ 19,761	$ 2,039,700
Additions	704,225	538,765	1,133,910	27,255,077	283,954	29,915,931
Deletions	742,067	547,048	1,051,519	28,062,502	290,532	30,693,668
Balance at end of year	255,869	38,284	774,542	180,085	13,183	1,261,963
Total Assets	$ 255,869	$ 38,284	$ 774,542	$ 180,085	$ 13,183	$ 1,261,963
Liabilities						
Due to others						
Balance at beginning of year	$ 293,711	$ 46,567	$ 692,151	$ 987,510	$ 19,761	$ 2,039,700
Additions	704,225	538,765	1,133,910	27,255,077	283,954	29,915,931
Deletions	742,067	547,048	1,051,519	28,062,502	290,532	30,693,668
Balance at end of year	255,869	38,284	774,542	180,085	13,183	1,261,963
Total Liabilities	$ 255,869	$ 38,284	$ 774,542	$ 180,085	$ 13,183	$ 1,261,963

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SUPPLEMENTARY INFORMATION

Baird & Company CPAs, LLC
CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL ADVISORS

John P. Gillion, Jr., CPA, PFS, CFS, CVA, CFP®
Brenda F. Carroll, CPA, CFE, CIA, CICA, FCPA, CSEP, PFS
Rep E. Whiddon, CPA, CVA

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*

Board of Commissioners
McDuffie County, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McDuffie County, Georgia as of and for the year ended December 31, 2010 which collectively comprise McDuffie County, Georgia's basic financial statements, and have issued our report thereon dated June 28, 2011. We did not audit the financial statements of the McDuffie County Health Department, a discretely presented component unit, whose statements reflect total assets of $123,959 and total net assets of $86,047 as of June 30, 2010, and total revenues of $468,788 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McDuffie County Health Department, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses in internal control over financial reporting, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. These are identified as items 2010-1 through 2010-4. A significant *deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDuffie County, 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 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*.

McDuffie County, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit McDuffie County, Georgia's response, and accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of management, the McDuffie County's Board of Commissioners, 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.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 28, 2011

Baird & Company CPAs, LLC
CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL ADVISORS

John P. Gillion, Jr., CPA, PFS, CFS, CVA, CFP®
Brenda F. Carroll, CPA, CFE, CIA, CICA, FCPA, CSEP, PFS
Rep E. Whiddon, CPA, CVA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
McDuffie County, Georgia

Compliance

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

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

In our opinion, McDuffie County, Georgia, complied, in all material respects, with the compliance requirements referred to above that have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A- 133.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

McDuffie County, Georgia's responses to the findings identified in out audit are described in the accompanying schedule of findings and questioned costs. We did not audit McDuffie County, Georgia's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, McDuffie County's Board of Commissioners, 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.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 28, 2011

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass Thru Grantor/ Program Title	Federal CFDA Number	Grantor/ Contract Number	Program Expenditures
U.S. Department of Commerce			
(Passed through One Georgia Authority)			
National Telecommunications and Information Administration	11.558	07gb-094-1-4375	$ 154,450
Total U.S. Department of Commerce			154,450
U.S. Department of Transportation			
(Passed through Georgia Department of Transportation)			
Transit Operating Assistance	20.509	MTG00-0123-00-075	35,566
Transit Operating Assistance	20.509	T-003123	40,361
Total U.S. Department of Transportation			75,927
U.S. Department of Health & Human Services			
(Passed through CSRA Regional Development Center)			
Title III/Social Service Block Grant	93.044	10-08-0452	7,724
Title III/Social Service Block Grant	93.044	11-08-0452	8,008
			15,732
(Passed through Department of Housing & Urban Development)			
Special Project Appropriations (CDBG-R) (Recovery Act Funded)	14.253	09-cr-5111	362,350
Special Project Appropriations	14.239	07m-y-094-1-2970	137,128
			499,478
(Passed through Economic Opportunities Authority)			
Community Block Grant/EOA Nutrition	93.569	N/A	14,129
Community Block Grant/EOA Nutrition	93.569	N/A	5,086
			19,215
Total U.S. Department of Health & Human Services			534,425
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities (Grant)	10.760	N/A	215,969
Total U.S. Department of Agriculture			215,969
U.S. Department of Justice			
Juvenile Accountability Incentive Block Grant	16.523	JB-07ST-0004	12,576
Juvenile Accountability Incentive Block Grant	16.523	JB-08ST-0002	275
Criminal Justice Coordinating Council	16.562	2009-SU-B9-0003	11,731
Total U.S. Department of Justice			24,582
Total Expenditures of Federal Awards			**$ 1,005,353**

MCDUFFIE COUNTY, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of McDuffie County, Georgia under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non – Profit Organizations.* Because the schedule presents only a selected portion of the operations of McDuffie County, Georgia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of McDuffie County, Georgia.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, Cost Principals for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 3 – Non-cash Awards

McDuffie County, Georgia did not receive any non-cash federal awards during the year ended December 31, 2010.

Note 4 – USDA Loans

In June 2008, the Water Fund entered into a bond agreement for $4,109,000 bearing interest of 4.5%, with the United States Department of Agriculture to fund improvements to the water system within McDuffie County. The County will make annual interest and principal payments beginning in June 2008. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2011	$ 41,924	$ 181,372	$ 223,296
2012	43,811	179,485	223,296
2013	45,782	177,514	223,296
2014	47,842	175,454	223,296
2015	49,995	173,301	223,296
2016-2020	273,509	842,971	1,116,480
2021-2025	340,841	775,639	1,116,480
2026-2030	424,751	691,729	1,116,480
2031-2035	529,317	587,163	1,116,480
2036-2040	659,625	456,855	1,116,480
2041-2045	822,011	294,469	1,116,480
2046-2048	769,447	92,104	861,551
Total	$ 4,048,855	$ 4,628,056	$ 8,676,911

In April 1999, the Water Fund entered into a bond agreement for $1,181,900 bearing interest of 4.5% with the United States Department of Agriculture to fund water improvements made within McDuffie County. The County began making annual interest and principal payments in May 1999. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2011	$ 17,369	$ 46,165	$ 63,534
2012	18,167	45,367	63,534
2013	19,002	44,532	63,534
2014	19,875	43,659	63,534
2015	20,788	42,746	63,534
2016-2020	119,173	198,497	317,670
2021-2025	149,181	168,489	317,670
2026-2030	186,743	130,927	317,670
2031-2035	233,764	83,906	317,670
2036-2039	244,903	25,603	270,506
Total	$ 1,028,965	$ 829,891	$ 1,858,856

In March 2007, the Sewer Fund entered into a bond agreement for $1,000,000 bearing interest of 4.125%, with the United States Department of Agriculture to fund sewer improvements made within McDuffie County. The County made an interest only payment in March 2010 and began making monthly principal and interest payments in April 2010. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2011	$ 11,950	$ 39,770	$ 51,720
2012	12,452	39,268	51,720
2013	12,975	38,745	51,720
2014	13,521	38,199	51,720
2015	14,089	37,631	51,720
2016-2020	79,846	178,754	258,600
2021-2025	98,100	160,500	258,600
2026-2030	120,528	138,072	258,600
2031-2035	148,085	110,515	258,600
2036-2040	181,939	76,661	258,600
2041-2045	223,535	35,065	258,600
2046	52,699	1,220	53,919
Total	$ 969,719	$ 894,400	$ 1,864,119

In March 2007, the Sewer Fund entered into a bond agreement for $719,000 bearing interest of 4.125%, with the United States Department of Agriculture to fund sewer improvements made within McDuffie County. The County made an interest only payment in March 2010 and began making monthly principal and interest payments in April 2010. The aggregate maturities of long term debt for this loan are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2011	$ 8,593	$ 28,595	$ 37,188
2012	8,955	28,233	37,188
2013	9,331	27,857	37,188
2014	9,723	27,465	37,188
2015	10,132	27,056	37,188
2016-2020	57,417	128,523	185,940
2021-2025	70,545	115,395	185,940
2026-2030	86,674	99,266	185,940
2031-2035	106,490	79,450	185,940
2036-2040	130,837	55,103	185,940
2041-2045	160,751	25,189	185,940
2046	37,776	872	38,648
Total	$ 697,224	$ 643,004	$ 1,340,228

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

I. Summary of Auditors' Results

A. The auditors' report expresses an unqualified opinion on the financial statements of McDuffie County, Georgia.

B. Four significant deficiencies disclosed during the audit of the financial statements are reported in Part II below.

C. No instances of noncompliance material to the financial statements of McDuffie County, Georgia, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

D. No significant deficiencies in internal controls over major federal award programs were disclosed during the audit.

E. The auditors' report on compliance for the major federal award programs for McDuffie County, Georgia expresses an unqualified opinion on all major federal programs.

F. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

G. Major federal program for McDuffie County, Georgia for the fiscal year ended December 31, 2010, are:

Program Name	CFDA#
HUD – Community Development Block Grant	14.253

H. The threshold for determining Type A programs for McDuffie County, Georgia is $300,000.

I. McDuffie County qualified as a low risk auditee.

II. Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia

Finding 2010-01
Criteria:
Purchase orders should be issued and approved prior to the ordering of vendor supplies.

Condition:
Upon review of sixty three purchase orders issued by the Road Department, only one was processed prior to receiving the goods or services invoiced.

Cause:
Goods and services are ordered and received prior to issuance of approved purchase orders.

Effect:
Items are delivered and services are received by the County without proper approval. Purchased items may not have been included in the budget.

II. Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia - Continued

Auditors' Recommendation:
To improve internal controls and operating efficiencies management should establish policies and procedures that would prevent employees from ordering goods or services without an approved purchase order.

Management's Response:
McDuffie does concur with this finding and will enforce the County purchasing policy. All departments including the Road Department have been notified on several occasions to be sure purchase orders are properly approved prior to purchasing goods or services. Management will take additional steps as necessary to enforce this policy.

Finding 2010-02
Criteria:
In competitive pricing situations, all vendors should be supplied with the same specifications and pricing information.

Condition:
Certain vendors were being provided with pricing information that was not available to all vendors.

Cause:
Employees are providing a vendor pricing information which allows an unfair advantage to select vendors.

Effect:
Vendors will no longer be in a competitive pricing situation.

Auditors' Recommendation:
In competitive pricing situations all vendors should be supplied with the same specifications and pricing information.

Management's Response
McDuffie County will be further enforcing the purchasing policy. The County Manager is responsible for approving all purchase orders over $1,000 and will monitor expenditures to ensure department heads are supplying vendors with the same specifications and pricing information.

III. Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia - Continued

Finding 2010-03
Criteria:
Policy is that employees are paid for actual time worked at a stipulated pay rate.

Condition:
Employees issued payment vouchers in excess of hours worked.

Cause:
Employees issued payment vouchers in excess of hours worked.

Effect:
County over paid for services provided.

Auditors' Recommendation:
To improve internal controls and operating efficiencies management should establish policies and procedures that would prevent employees from adjusting time sheets without approval.

Management's Response
McDuffie County implemented an electronic time and attendance system. Department heads and a few administrative personnel were allowed to add hours to the time and attendance system for on call pay. It was discovered that an employee was being paid for hours not worked, as directed by the then department head. That department head is no longer employed with McDuffie County. Upon this discovery, the employee had to repay the funds and permissions were removed from the department heads immediately.

Finding 2010-04
Criteria:
Pursuant to O.C.G.A. 16-10-6(c)(3) elected officials are only allowed to conduct business of $800 per calendar quarter with County.

Condition:
County Commissioners are in violation of State Statute.

Cause:
County Commissioners are in violation of State Statute.

Effect:
Purchasing and bidding process is put into question due to related party transactions.

Auditors' Recommendation:
To improve internal controls and operating efficiencies management should comply with state statute

Management's Response
McDuffie County was advised of the State Statue by the County Attorney in January 2011. This information is disclosed in the County commission minutes on January 5, 2011. The County Manager and Finance Director will maintain expenditures within these limitations. The County Commissioners will be responsible for providing related parties information to the County prior to the purchase of goods or services.

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

III Findings and Questioned Costs Related to the Audit of Federal Awards

There were no findings noted for the year ended December 31, 2010, that are required to be reported in accordance with OMB Circular A-133 criteria.

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

IV. Prior Audit Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia

Finding 2009-01
Criteria:
Receipts collected should be turned in to Finance Department for deposit on a daily basis.

Condition:
Checks dated more than one month earlier were turned to Finance Department for deposit by Solid Waste Landfill.

Cause:
Checks were not turned in to Finance Department on daily basis.

Effect:
Cash was not available to the County for daily operations. Cash was understated and accounts receivable overstated before year end adjustments.

Auditors' Recommendation:
To improve internal controls and operating efficiencies management should establish policies and procedures that require that all departments turn in cash to the Finance Department on a daily basis.

Management's Response:
McDuffie County will institute a county wide policy and procedure for the departments dictating the amounts authorized at each location on a daily basis. This policy will establish a cash limitation and when the collections exceed this amount all cash will be delivered to the McDuffie County Finance Department immediately. This policy will require all checks to be date stamped and turned in to the Finance Department within five business days of receiving the checks.

Finding 2009-02
Criteria:
Generally property taxes are levied in September and due and payable on or before November 15.

Condition:
Property taxes were levied November 20, and due February 2, 2010.

Cause:
Unable to determine cause since tax assessor has left position.

Effect:
County was delayed in the collection of $2,823,100 until fiscal year 2010.

Auditors' Recommendation:
To improve operating efficiencies information should be sent in for approval to the Georgia Department of Revenue in timely manner.

Management's Response:
McDuffie County has hired a new experienced Chief Tax Appraiser who is familiar with the requirements and deadlines of McDuffie County and the State of Georgia. The Chief Appraiser has restructured the department to ensure effective and efficient operations in the future. McDuffie County is scheduled to have a timely collection during 2010.

See independent auditors' report

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

IV. Prior Audit Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia - Continued

Finding 2009-03
Criteria:
Public money on deposit at financial institutions must be secured through collateral.

Condition:
Due to bank error $6,052,874 not secured by collateral.

Cause:
Clerical error at bank. Controls not in place to monitor collateralization for County funds**.**

Effect:
Only $250,000 of these funds are insured by FDIC.

Auditors' Recommendation:
To improve internal controls management should monitor collateralization monthly.

Management's Response:
McDuffie County will establish a policy and procedures to implement controls to monitor the collateralization of public funds on a monthly basis

Finding 2009-04
Criteria:
Payroll checks should be distributed on or after the check date.

Condition:
Payroll checks dated January 1, 2010 were given to employees prior to year end resulting in checks that were cashed prior to January 1.

Cause:
Payroll checks dated January 1, 2010 given to employees on December 31, 2010.

Effect:
Cash overstated and payroll liability overstated.

Auditors' Recommendation:
To improve internal controls and operating efficiencies management should establish policies not to release payroll prior to date due.

Management's Response:
The first payroll of the next calendar year was payable on January 1, 2010 which was a County holiday. The payroll checks were dated on January 1, 2010, but released on December 31, 2010, as opposed to one day late for the benefit of the employees. McDuffie County in the future will date the payroll checks on the date the checks will be released to the employees.

Finding 2009-05
Criteria:
The Development Authority should recognize grant revenue and grant receivable when terms of grant are satisfied.

IV. Prior Audit Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia - Continued

Condition:
The Development Authority did not recognize grant revenue until it was received.

Cause:
Grant Revenue was not posted until the cash reimbursement was received.

Effect:
Improper timing of grant revenue recognition. Revenue was understated at December 31, 2010.

Auditors' Recommendation:
Grant revenue should be recognized as soon as associated expenditure satisfying the terms of the grant are satisfied.

Management's Response:
The Development Authority is a component unit of McDuffie County. The Authority contracts with a Certified Public Accountant to maintain public records. McDuffie County will send a letter requiring the Development Authority to accrue all grant revenues when the terms of the grant are satisfied to avoid any future findings.

Finding 2009-06
Criteria:
The Development Authority should recognize SPLOST revenue and associated expenditures on their financial statements.

Condition:
The SPLOST revenue being received by McDuffie County and the associated expenditures that are submitted for payment to McDuffie County by the Development Authority are not being posted to the Development Authority's financial statements.

Cause:
The Development Authority remits invoices to McDuffie County to be paid from SPLOST revenues that are collected for planned Development Authority related expenditures. These are correctly posted on McDuffie County's financial statements as transfers; however, are not posted to the Development Authority as revenue and expense.

Effect:
Revenue for Development Authority is understated, expenses and capital assets are understated.

Auditors' Recommendation:
The Development Authority should establish policies and procedures to ensure SPLOST revenue and associated expenditures are reflected in financial statements.

Management's Response:
McDuffie County will provide a listing of all SPLOST expenditures for economic development to the Executive Director of the Development Authority. The Executive Director will be responsible for giving this information to the Certified Public Accountant to be included in the financial statements.

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

IV. Prior Audit Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia - Continued

Finding 2009-07
Criteria:
Governmental and Business type assets should be segregated on the capital asset listing.

Condition:
Business type capital assets were included with governmental capital asset listing.

Cause:
Capital assets purchased with SPLOST revenues were not being properly transferred from the governmental capital asset listing to the business capital asset listing.

Auditors' Recommendations:
To improve internal controls the County should establish policies and procedures to ensure that capital assets are properly recorded in correct fund.

Management Response:
McDuffie County has recorded construction in progress assets which are purchased with SPLOST revenues on the County's books since 2005. These assets have always been recorded in the governmental capital asset listing until this year. McDuffie County in the future will record all assets purchased with SPLOST revenues in the appropriate enterprise fund as required by the finding listed above.

Finding 2008-01
Criteria:
Receipts for the Solid Waste Department should have supporting documentation verifying who the receipt was from and when it was received.

Condition:
The Solid Waste Department turns receipts in to the County with no supporting documentation.

Cause:
Supporting documentation is not prepared for receipts.

Effect:
Management is unable to validate if the receipts turned in by the Solid Waste department are complete or correct.

Auditors' Recommendation:
Management should establish policies and procedures that require documentation for all receipts.

Management Response:
Policies and procedures are in place requiring adequate back-up information for all receipts collected in the finance department. It has been noted in prior audits of McDuffie County that the Solid Waste Department generates and collects its payments from its location. We are currently working with Solid Waste to improve its accounts receivable process. We have recommended an interface with its on-site software P-DOCS to MUNIS to provide detailed reports and accounts receivable posting information.

See independent auditors' report

IV. Prior Audit Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia - Continued

Finding 2008-02
Criteria:
The Landfill manager should provide a reconciliation to the finance office showing revenues and receipts. Each department that receives funds or is responsible for expenditures should have adequate segregation of duties.

Conditions:
The Solid Waste Department had $257,880 that was initially reported in accounts receivable at year end. During our test, we discovered that approximately $94,000 of the recorded receivable had been paid. It was noted that the Landfill manager does not provide a reconciliation to the finance office showing revenues and receipts. We also found that the department did not have adequate segregation of duties.

Cause:
Supporting documentation is not provided to the finance office identifying revenues and receipts.

Effect:
The finance department is unable to verify the correct balances for accounts receivable and revenues.

Auditors' Recommendation:
Management should establish policies and procedures that require a reconciliation of revenues and receipts from the Solid Waste Department and include adequate supporting documentation. We recommend that the billing, accounting and collection processes be segregated and that receipts and revenue be reconciled to the accounting records.

Management Response:
We are currently working with Solid Waste to improve its accounts receivable process. We have recommended an interface with its on-site software to MUNIS to provide detailed reports on revenue earned and AR posting information. This would allow the finance department to reconcile cash receipts to customer account posting information entered by the Landfill manager. Currently, the Landfill manager provides a revenue report by customer to the Finance Department when deposits are turned in. The Landfill manager does not have other staff members to share in the segregation of duties.

Finding 2008-03
Criteria:
The Recreation Department should provide supporting documentation for all receipts.

Condition:
The Recreation Department turns receipts in to the County with no supporting documentation.

Cause:
Supporting documentation is not prepared for receipts.

Effect:
Management is unable to validate if the receipts turned in by the Recreation Department are complete or correct.

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

IV. Prior Audit Findings Related to the Audit of the Financial Statements of McDuffie County, Georgia - Continued

Auditors' Recommendation:
Management should establish policies and procedures that require documentation for all receipts.

Management Response:
Policies and procedures will be put in place requiring all checks and cash received to be recorded in a daily receipt book. The original will be given to the customer, a copy will be turned in to the Finance Department with funds to be deposited and a copy will be maintained in the receipt book. The receipt totals will be matched to the total bank deposit.

Finding 2008-04
Criteria:
The Recreation Department should deposit cash daily. A reconciliation should be provided showing who the receipt is from, the date of the receipt and the amount of the receipt.

Condition:
During our audit we found the following at the Recreation Department:
A lack of accountability to the finance office.
Daily reconciliations for receipts are not provided.
Finance is given cash several times a week instead of daily.

Cause:
The Recreation Department does not provide receipts and documentation in a timely manner.

Effect:
The Finance Department is unable to verify revenues are recorded in the correct amount.

Auditors' Recommendation:
We recommend that management establish policies to receipts are received timely and supporting documentation is available to verify the amount received.

Management Response:
Policies and procedures will be put in place requiring the deposit of funds as they are received. The Recreation Department often receives payments after normal business hours; however, it will be required to deposit those funds no later than the next business day. In addition, a 3-part receipt book will be used to record all receipts.

The 2008 and 2009 findings have been resolved as of December 31, 2010.

See independent auditors' report

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2004-2008
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Project: SPLOST IV
McDuffie County/City of Thomson, Georgia
City of Dearing, Georgia
Street and Capital Outlay Projects

Purpose (in funding sequence)	Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Funded simultaneously					
City of Thomson					
Ladder truck	$ 517,000	$ 517,000	$ -	$ 517,000	100%
Breathing appartus	65,000	64,242	-	64,242	99%
T/E Project	260,000	259,212	-	259,212	100%
Big Creek	2,515,000	3,370,550	-	3,370,550	134%
Scada	175,000	143,273	-	143,273	82%
Other city water/sewer projects	721,000	130,032	-	130,032	18%
Development Authority					
Economic Development	1,900,000	1,045,785	11,466	1,057,251	56%
Thomson Company	500,000	689,750	-	689,750	138%
McDuffie County					
Boys & Girls Club	170,000	116,894		116,894	69%
Water and Sewer	2,906,998	531,216	102,164	633,380	22%
	-	-	8,240	-	100%
Road Construction and Improvements	2,721,482	2,657,813	133,087	2,790,900	103%
Recreation	2,500,000	2,512,123	-	2,512,123	100%
Technology	50,000	-	-	-	0%
Land	-	-	25,596	25,621	100%
Public Safety					
Pumpers (2)	243,992	34,440	-	34,440	14%
Fire Station #1	1,044,114	1,144,993	-	1,144,993	110%
Brush trucks (2)	-	61,340	-	61,340	100%
Rescue Truck	61,340	-	-	-	0%
Information Technology	50,000	-	-	-	0%
Gear	520	35,307	(64)	35,243	6778%
Government Complex	1,600,000	2,496,110	-	2,496,110	156%
Government Complex	100,000	-	97,255	97,255	97%
Senior Citizens Center					
Senior Citizens Center	-	-	21,826	5,281	100%
McDuffie County Hospital					
Ambulances (3)	270,000	234,630	-	234,630	87%
Cardiac monitor	-	41,928	-	41,928	100%
Hospital Expansion	1,000,000	1,000,000	-	1,000,000	100%
Town of Dearing					
Fire Station	-	25,000	-	25,000	100%
Gym Renovations	-	78,331.00	-	78,331.00	100%
Totals	$ 19,371,446	$ 17,189,969	$ 399,570	$ 17,564,779	

See independent auditors' report

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2009-2016
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Project: SPLOST V
McDuffie County/City of Thomson, Georgia
City of Dearing, Georgia
Street and Capital Outlay Projects

Purpose (in funding sequence)	Original Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Funded simultaneously					
City of Thomson					
City Street Resurfacing	700,000	-	44,900	44,900	6%
City Fire Engine	300,000	-	-	-	0%
City Station #2 improvements	100,000	-	-	-	0%
Skate Park	300,000	-	158,850	158,850	19%
Walking Track	25,000	-	-	-	0%
Recreation other	690,000	-	-	-	0%
Land Acquisition for City Parks	108,000	-	-	-	0%
Development Authority					
Land Development	250,000	-	-	-	0%
Land Acquisition	250,000	-	-	-	0%
Thomson Company Redevelopment	250,000	-	-	-	0%
Infrastructure	150,000	-	-	-	0%
Information Technology	50,000	-	-	-	0%
Landscaping/Signage	50,000	-	-	-	0%
McDuffie County					
Government Center Complex					
Government Center	11,510,428	417,425	1,814,924	2,232,349	19%
Water/Sewer					
Water Line Replacement	120,000	-	-	-	0%
Sewer Plant Improvement	1,000,000	-	-	-	0%
Usry Pond Improvement	750,000	-	-	-	0%
Augusta Road Plant Project	1,250,000	-	-	-	0%
Raising Usry Pond Dam	690,000	-	-	-	0%
Roads & Streets					
County Road Resurfacing	1,800,000	-	185,602	185,602	10%
Airport					
Runway Overlay	200,000	-	-	-	0%
Recreation					
Restrooms @ Sweetwater Park Football	75,000	-	-	-	0%
Bleachers for Gym @ Sweetwater Park	57,000	-	-	-	0%
Outdoor Bleachers Cover for Shade	75,000	-	-	-	0%
Walking Track Improvements @ Sweetwater	60,000	-	-	-	0%
Information Technology					
New Computer Applications & Improvements	500,000	-	-	-	0%
Public Safety					
EMS, 2 Ambulances	225,000	-	-	-	0%
County Fire Engine	300,000	-	-	-	0%
County Brush Truck	100,000	-	-	-	0%
County Fire Service Truck	150,000	-	-	-	0%
County Station #4	150,000	-	-	-	0%
McDuffie County Hospital					
New Inpatient Unit (Partial for Debt Service)	3,000,000	-	-	-	0%
Town of Dearing					
City Hall Playground Area & Bill Eubanks Improvement	150,000	-	-	-	0%
Totals	$25,385,428	$417,425	$2,204,276	$2,621,701	

See independent auditors' report

MCDUFFIE COUNTY, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES AND SOURCE AND APPLICATION OF FUNDS
FOR COMMUNITY DEVELOPMENT BLOCK GRANTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Project: Community Development Block Grant
Public Facilities: Community Housing Investment Program
Grant Number: 07m-y-094-1-2970
Commencement of Project : August 2007

Purpose	Original Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Improvements	$287,479	$85,526	$137,128	$222,654	77%
Totals	$287,479	$85,526	$137,128	$222,654	

Project: Community Development Block Grant
Public Facilities: Community Housing Investment Program
Grant Number: 08m-y-094-1-6011
Commencement of Project : September 2008

Purpose	Original Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Improvements	$287,479	$3,453	-	$3,453	1%
Totals	$287,479	$3,453	-	$3,453	

Project: Community Development Block Grant
Public Facilities: Senior Citizens - Addition
Grant Number: 09-cr-5111
Commencement of Project : September 2009

Purpose	Original Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Improvements	$395,209	$26,888	$362,350	$389,238	98%
Totals	$395,209	$26,888	$362,350	$389,238	

See independent auditors' report

See independent auditors' report.