

# INTRODUCTORY SECTION



December 31, 2010

To the Honorable Chairman,  
Members of the Board of Commissioners, and  
Citizens of Columbia County, Georgia:

The Comprehensive Annual Financial Report (CAFR) of Columbia County, Georgia, (the County) for the year ended June 30, 2010, was prepared by the Columbia County Financial Services Division and is hereby submitted. This CAFR is being formally submitted as required by the Official Code of Georgia Annotated, Section 36-81-7 and Rule 15c2-12 of the Securities Exchange Act of 1934. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the County as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain a reasonable understanding of the County's financial affairs have been included.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control process is designed to provide reasonable, but not absolute, assurance that this objective is met.

Mauldin & Jenkins, LLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Columbia County's MD&A can be found immediately following the report of the independent auditor.

### **PROFILE OF THE GOVERNMENT**

Columbia County, established in 1790 and named in honor of Christopher Columbus, is located in the Central Savannah River Area of Georgia approximately 135 miles east of Atlanta and five miles northwest of Augusta/Richmond County. The 290 square mile county is bounded on the north by Thurmond Lake and the Savannah River (separating Columbia County from Lincoln County, Georgia, and McCormick and Edgefield Counties, South Carolina), on the south and east by Augusta/Richmond County, and on the west by McDuffie County.

A five-member Board of Commission governs Columbia County. The Board is comprised of one chairman, elected county wide, and four commissioners, each elected from a separate commission district serving four year staggered terms. A County Administrator, who is appointed by and responsible to the Board, directs the daily operation of the County. Services provided to the approximately 112,000 residents include: public safety (Sheriff's Office, detention center, E911, fire), emergency services, community services, public works, planning and development, and other general governmental services. The County also provides water, sewer, and storm water services to the public.

### **FINANCIAL REPORTING ENTITY**

The financial reporting entity includes all activities and functions of the primary government (i.e., Columbia County, Georgia) as well as all related component units, if any. "Financial Accountability" is the benchmark used to determine which legally separate entities represent component units of the primary government. Blended component units, although legally separate entities, are, in substance, an integral part of the primary government's operations and, therefore, are included as part of the primary government.

The Development Authority of Columbia County and the Columbia County Board of Health are reported as discretely presented component units in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions. The Development Authority serves to promote, pursue, and implement economic development in the County. The Board of Health serves to operate the public health department of the County.

### **LOCAL ECONOMY**

Columbia County has remained a leader in the State during the last several years of economic instability throughout the country. Our unemployment rate of 6.8% is well below our benchmark counties, the state, and the nation. For twelve years, the County has been able to balance the budget without a millage increase. This year, not only was our General Fund budget was balanced and reduced by 4%, but the millage rate was also lowered by .25 mills.

One of our major accomplishments in 2010 was presenting our credentials to the bond rating agencies Standards & Poor's (S&P), Moody's, and Fitch. This was done in anticipation of selling bonds for improvements to the water system and refinancing existing water bonds at a lower interest rate. The County sold revenue bonds totaling \$34.785 million to finance new capital water improvements and refinanced \$25.945 million of existing revenue bonds. The total savings for the new projects and the refunding are approximately \$4.4 million for water customers based on our improved bond rating which reduced interest rate expenses.

Fitch raised the County's general obligation bond rating to AAA. This is a reflection of years of fiscal responsibility, and we are one of only four Georgia counties (i.e., Cobb, Forsyth, and Gwinnett) to have a General Obligation (GO) AAA rating. This national recognition of our credit worthiness is even more impressive in this time of economic downturn.

Fitch's rating rationale to upgrade the County's GO Bond Rating to AAA includes:

- The County's continued strong financial performance and stable economy.
- Financial operations are impressive, highlighted by consistent operating surpluses, robust reserve levels, and conservation financial policies.
- The area economy continues to broaden slowly and has remained relatively stable during the economic downturn with below-average unemployment, above-average wealth levels, and minimal housing pressures.
- Debt levels are low with rapid amortization, and current resources provide a substantial portion of capital funding.

The chart below illustrates the County's Water & Sewer and GO Bond rating history.

Water and Sewerage Revenue Bonds			
Date	Moody's	S&P	Fitch
September 2010	Aa2	AA+	AA+
April 2010	Aa2	AA	AA
October 2004	Aa3	AA	AA

In addition, Fitch upgraded the Water & Sewerage System's prior lien to "AAA"

General Obligation Bonds			
Date	Moody's	S&P	Fitch
September 2010	Aa1	AA+	AAA
April 2010	Aa1	AA+	AA+
February 2009	Aa2	AA+	AA
January 2007	Aa2	AA	AA
September 2006	Aa3	AA	AA
October 2004	A1	AA-	AA-
May 2001	A1	AA-	AA-
May 2000	A1	A+	AA-
October 1998	A1	A+	A+

Columbia County joins Cobb County and Gwinnett County as the only other counties in the State of Georgia to be rated "AAA" by Fitch

Note: Cells shaded in blue indicate a ratings upgrade

For the 12<sup>th</sup> year in a row, the County received the *Certificate of Achievement in Financial Reporting*. We also received the *Distinguished Budget Presentation Award* for the first time. Both of these awards are given by the Government Finance Officers Association.

Blend our fiscally responsible government, excellent schools, mild weather, and premier quality of life and you can see why our population is growing at an average of 2.23% each year. Even with the severe downturn in the nation's economy, we are issuing more building permits for homes than we have in the last two years.

Recognitions:

- Over the past few years, MONEY Magazine has recognized the County in the following categories: *Best Place to Live in the U.S.A.* (#32 in 2005 and #76 in 2007), *Best Place for Job Growth* (#19 in 2008), *Best Place for Affordable Homes in the U.S.A.* (#9 in 2008), and *Best Small Towns in the U.S.A* (#63 in 2009).

- In August 2009, the *Family Circle* magazine named Evans, GA *One of the 10 Best Towns for Families*.
- In 2010, the Southeastern Tourism Society named the *Oliver and Hardy Festival* one of the *Top 20 Festivals to Attend*, and Columbia County placed 7<sup>th</sup> in the 2010 Digital Counties Survey for populations under 150,000.

In the November 2008 elections, the citizens passed our 2011-2016 SPLOST referendum that included approximately \$26 million in bonded projects. These projects join others currently being funded from the 2006-2010 SPLOST and 2006 GO bond referendum for infrastructure. Columbia County funds almost all capital projects through these funding sources. With the current economic down-swing, we are finding that we are completing construction projects at below expected costs due to very competitive bidding.

Building. New home construction in the County is continuing with single family homes averaging \$170,000. Area homebuilders continue to make application for subdivision plats and building permits. Permits for new single-family home construction decreased slightly in 2008 but rebounded to 652 in 2009 and 742 in 2010. Permits for commercial projects have declined in both 2009 (i.e., 54) and 2010 (i.e., 21).

Population. Columbia County has been known as the bedroom community for the city of Augusta. This continues to be true, but we are establishing an ever greater economic base and have become a popular destination for retirees. Our golf course/residential communities are flourishing by offering a variety of housing types and amenities. The County's continued annual growth rate of 2.23% and high quality of life are bringing in citizens from all walks of life and from all areas of the world – a welcome diversity.

Medical. Medical facilities and practices are expanding and offer many choices for our citizens. Three of the four hospitals in Augusta have expanded into Columbia County, and the fourth hospital has applied to build a trauma center in the population center of Columbia County which would be a valuable asset.

A significant medical corridor continues to develop on Belair Road with University Hospital doubling the size of their current facility. Many physicians, including the area's largest OB/GYN practice, have moved from downtown Augusta which allows their personnel to enjoy working close to their patients and their own homes. The area hospitals have also invested in the community by providing a free outdoor concert by the Symphony of Augusta which thousands attend as well as supporting many community activities.

Development. Retail and commercial entities are opening up, and sales tax figures illustrate that Columbia County citizens are spending more of their effective buying income in the County. The County has strived to provide needed infrastructure for proposed projects and works well with the building community.

The activity level for retail and commercial development is ongoing with much growth along the major transportation thoroughfares of Washington Road, Belair Road, Interstate 20 intersections, and Fury's Ferry Road. Several small shopping centers have been built recently at Evans-to-Locks and Fury's Ferry Roads, Riverwood off William Few Parkway, and Columbia and Hereford Farm Roads, and an expanded choice of shops and restaurants is now available.

A large 650+ acre retail/industrial/governmental center adjacent to I-20 called The Gateway is under development. A Wal-Mart anchors the initial retail development on 55 acres, and several additional stores opened this year. The County has acquired 50 acres with an option for 100 more in the Gateway

for County facilities and parks. Funding in the current SPLOST is being used to improve this site by expanding the entrance road to the County property. A public/private partnership is being considered as well as other uses for the property.

Transportation. Transportation is a top priority, and the Georgia DOT is working closely with the County to ensure safety and adequate roadways. The biggest project in our future 2011-2016 SPLOST (Special Purpose Local Option Sales Tax) is a \$39.3 million road widening project that the County is building because GA DOT does not have the funding. The intersection improvement at Fury's Ferry and Hardy-McManus is under design, and the new camera system on stoplights on the main traffic arteries is greatly improving the flow of traffic and will soon be expanded.

## **MAJOR INITIATIVES**

**Recreation/Parks.** Wildwood Park hosts 42 major fishing tournaments annually and is also the home of the PDGA International Disc Golf Center that brings in several large tournaments a year.

The new Blanchard Woods Park offers five soccer fields and a cross-country track as well as other amenities. The County was selected to host the 2012 and 2013 NCAA Division II Men's and Women's Soccer Tournament at Blanchard Woods Park, and the finals will be televised.

Reed Creek Park Interpretive Center provides an educational venue for the area and is increasing in size as greenspace is being acquired. The pedestrian bridge was expanded this year, and classes for all ages are available year-round.

The groundbreaking and initial construction began for a new Evans Towne Center Park October 2010. This 8.68 acre park is across the street from the Government and Judicial Centers in the heart of the population center and will become the venue for many community events and passive recreation activities.

**Public Safety.** Funds from the 2006-2010 SPLOST, 2006 GO Bond, and 2011-2016 SPLOST have been dedicated to building and equipping fire stations throughout the County. The new fire training facility, greatly expanded number of stations, increased number of full-time firefighters, and equipment have enabled the Martinez-Columbia Fire Rescue to provide excellent service in all areas of the County. This has lowered the County's ISO rating and greatly lowered the homeowner insurance rates in the rural areas of the County.

The County's highly-accredited Sheriff's Office has been most effective in providing a peaceful and safe environment for our citizens. The Sheriff is also responsible for the Detention Center. A new dormitory for the Detention Center funded by a bond to be repaid by the 2011-2016 SPLOST is under construction and will be completed in December 2010.

**1% Special Purpose Local Option Sales Tax (SPLOST) – 2006-2010.** The 2006-2010 SPLOST is in its last year. Other projects completed this year but not previously mentioned include the paving of seven dirt roads, audio/visual up-fit for the Jabez Hardin Performing Arts Theater, pavilions and playground in the Memorial Gardens, additional parking at the Evans Government Center, and a multi-use expansion at the Canal Headgates. All Tier I and II projects have been funded, and it is anticipated that \$15,725,826 will be collected for Tier III projects.

**1% Special Purpose Local Option Sales Tax (SPLOST) – 2011-2016.** In these times of great financial upheaval, it was most remarkable that Columbia County citizens passed a future SPLOST in 2008. As part of this renewal, a \$39 million General Obligation bond was also passed to begin funding and construction of urgently needed projects. One of the objectives of passing the future SPLOST two years early was to ensure that sufficient time and planning was given to each project, so they would be ready when funding became available. The following projects have been completed with these funds: State Patrol Post, water lines on Freeman Harris, Swint, and Winfield/Mistletoe Roads, three fire stations, and three fire pumpers. An animal services facility and health department are under construction.

**Columbia County Community Broadband Utility (C<sup>3</sup>BU).** On March 2, 2010, Columbia County received a federal stimulus grant to fund 75% of an \$18 million county-wide “middle mile” broadband project. Broadband is the transmission of information simultaneously over various types of media, such as internet access and voice-over-internet phone service. Reliable and fast broadband is a critical component in developing high-quality business and residential communities. The project is being supported by several local and regional entities, including MCG, Knology, Georgia Public Web, the Columbia County Board of Education, and the Development Authority.

The County is providing the needed matching funds through its 2006-2010 SPLOST. Construction of seven communication towers and the burying of more than 200 miles of fiber optic cable will begin in December 2010 and will create a redundant infrastructure to facilitate competitive broadband services in county areas with limited or no broadband availability.. The County will provide fiber to all County buildings and schools and will lease space to service providers who, in turn, will provide the link from the County’s infrastructure to homes and businesses. Space on the communication towers can be leased as well, so it is anticipated that the C<sup>3</sup>BU will be self-sufficient. The construction of this project must be completed within three years.

## **LONG-TERM FINANCIAL PLANNING**

The budget for fiscal year 2011 provides funding to maintain current levels of service, with no increase in the millage rate, while reducing operating costs and capital outlay where possible. The budget for all funds reflects a decrease from the fiscal year 2010 adopted budget of \$7,176,842, or -4.15%. This decrease is due to (1) uncertainty in revenue collections resulting from changes in state legislation and the sluggish economy, (2) completion of capital projects, and (3) maturing debt.

The decrease in General Fund expenditures consists of a decrease in personnel costs of 0.40%, a decrease in new personnel requests of 100.00%, a decrease in operating expenditures of 13.28%, and a decrease in capital requests of 5.43%.

Growth in the property tax digest is projected to be flat. However, the budget was prepared and balanced using a 4% decrease in property tax revenues due to the economic uncertainty and ongoing changes in state legislation. Any actual growth in the property tax revenues will be added to the contingency fund.

Uncertainty still surrounds Local Option Sales Tax revenues. Although we have experienced a slight increase over the past few months, calendar year 2009 was completed with a decrease of 5.26% from the prior calendar year. Therefore, the budget was prepared and balanced using a 5% decrease in sales tax revenues.

The County established a Management Review Team to analyze all position vacancies to determine if replacement is necessary. The County will continue utilizing this tool in the future to examine position vacancies and organizational restructurings. Budgeted savings attributable to position vacancies and organizational restructurings for fiscal year 2010 were \$236,000. Actual savings as of June 30, 2010,

were \$1,158,966. Staff has utilized such management tools as division restructuring, function reassignment, attrition, and elimination of positions to achieve savings. Budgeted savings for fiscal year 2011 are \$258,000, which we plan to exceed.

On June 16, 2009, the BOC approved extending the Flexible Work Schedule program for fiscal year 2010. The purpose of the program is to reduce energy and fuel costs, increase customer service, and improve employee morale. Because different employees are off on different days, equipment and vehicle sharing has been implemented thus allowing us to decrease the size of the fleet. Unplanned absences and requests for personal time off have greatly diminished. This program is still in effect for fiscal year 2011 and will be evaluated annually for continuation.

The County experienced a steady decline in sales tax revenues during calendar year 2009 as a direct result of current economic conditions. Total collections for the year decreased 5.26% from the previous year. Although we have seen an increase in recent months, the budget was prepared using a 5% reduction in sales tax collections. Budget adjustments may be necessary due to the uncertainty of these collections.

In April 2009, the internal auditors evaluated the current fee structure of the street lights assessment included on the property tax bills to fund operations of the Street Lights Fund as well as disbursements made from this fund. Based on this review, staff determined that revenues received do not cover the expenses incurred and, therefore, the rate should be increased from \$43 to \$54 effective with the 2009 property tax assessments. On June 15, 2010, the BOC voted to further increase the rate to \$57 effective with the 2010 property tax assessments.

In an ongoing effort to reduce costs in the face of declining revenues from state and local sources, staff will continue to explore options for an "Early Retirement Incentive Plan".

### **RELEVANT FINANCIAL POLICIES**

The accumulation of reserves protects the County from uncontrollable increases in expenditures, extraordinary losses, unforeseen reductions in revenues, or a combination of these items. It also allows for prudent replacement and financing of capital construction and replacement projects.

The following criteria shall be used in determining the total amount of fund balance to maintain, unless otherwise specified by legal or contractual requirements.

<b>Category</b>	<b>Days of Operations</b>	<b>% of Budget</b>	<b>Action</b>
Minimum Operating Reserve	100	27%	Use funds for unforeseen contingencies
Preferred Designations	101-160	28-43%	Use funds for one-time expenses such as capital projects or land acquisition or one-time transfers to other funds
Maximum Designations	161-180	44-49%	Use funds to prevent tax hikes or to permit millage rate reduction
Excess	181	50%	Use funds to reduce debt

Because of the County's healthy fund balance level, we were able to transfer \$1 million for start-up costs related to establishing the Communications Utility during fiscal year 2010. Also, the BOC was able to reduce the 2010 millage rate by .25 mills.

Fund Balance in the General Fund as of June 30, 2010, totaled \$29.6 million. Of this total, \$12.9 million is unreserved and undesignated. The BOC has approved the following designations be established totaling \$10 million:

- Catastrophic Leave \$2.5 million
- Employee Medical Plan \$500,000
- Renewal & Extension \$3 million
- Economic Incentives \$2 million
- Fleet Fund \$1 million

The accumulation of reserves also protects the Water Utility from uncontrollable increases in expenditures, extraordinary losses, unforeseen reductions in revenues, or a combination of these items. It also allows for prudent replacement and financing of capital construction and replacement projects. The following reserves are not reflected on the financial statements but are maintained within total net assets by the Water Utility for management purposes.

- A. **Reserve for Debt Service:** This reserve shall be established to protect bond holders and to preserve a good credit rating. Valuation depends on actual requirements to pay bond obligations, but shall be no less than 1.1 times the annual net income available for debt service.
- B. **Reserve for Operations:** An operating reserve shall be established in the Water Utility to provide for operating contingencies in either revenues or expenditures, and to provide adequate funds to operate without short-term borrowing. This reserve, which should provide funds for 100 to 180 days of operations, may be used as required by authority of the Board. To determine the current funding level divide the current operating reserve by the result obtained from dividing the annual fund budget by 365 days.
- C. **Renewal and Extension:** This reserve is the residual balance of total fund balance less the above designated reserves. This reserve shall be used only for “one-time” unbudgeted expenditures (those that will not create a recurring burden on the operational budget) and after a rational determination that all other reserves are adequate.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Columbia County, Georgia, for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the twelfth consecutive year that the County achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report could not have been accomplished without the support and cooperation of elected officials, County administration, other County departments, external auditors, and the efficient, dedicated efforts of the entire staff of the Finance Department. Credit must be given to the County

Administrator and the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of Columbia County's finances.

Respectfully submitted,

A handwritten signature in black ink that reads "Leanne C. Reece". The signature is written in a cursive style with a large initial 'L' and 'R'.

Leanne C. Reece, CPA  
Director of Financial Services

**COLUMBIA COUNTY, GEORGIA  
PRINCIPAL OFFICIALS  
June 30, 2010**

**ELECTED OFFICIALS**

**BOARD OF COMMISSIONERS**

Ron C. Cross, Chairman  
Ronald L. Thigpen, Vice Chairman, District 1

District 2	James E. Allen, III
District 3	J. Charles Allen, Jr.
District 4	A. Scott Dean

**CONSTITUTIONAL OFFICERS**

Tax Commissioner	Kay Allen
Clerk of Court	Cindy Mason
Magistrate Court Judge	Bobby Christine
Probate Court Judge	Pat Hardaway
Sheriff	Clay Whittle
Coroner	Vernon Collins

**APPOINTED OFFICIALS**

County Administrator	Steve Szablewski
Deputy County Administrator	Scott Johnson
Director of Financial Services	Leanne C. Reece
Director of Development Services	Richard Harmon
Director of Community and Leisure Services	Barry Smith
Director of Water and Sewerage Services	William C. Clayton
Director of Construction and Maintenance Services	Matt Schlachter
Director of Emergency and Operation Services	Pamela P. Tucker
County Clerk	Erin Hall
County Attorney	Douglas D. Batchelor, Jr.

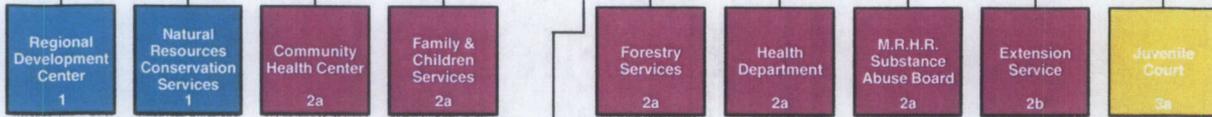
A

Columbia County Electorate

B



C



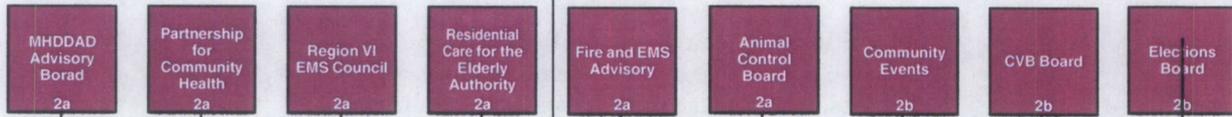
D



E



F



County Administrator 3

G



H



I



A. Citizens of Columbia County

B. Elected and Constitutional Officials

C. State supported services and organizations

D. Regional Partnerships

E. Local Partnerships

F. County Boards and Authorities

G. County Administrator and direct reports

H. Committees that report to the Board of Commission

I. County Divisions

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Columbia County  
Georgia

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

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



A stylized, handwritten signature in black ink, appearing to be "J.R. Emer".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emer".

Executive Director