CITY OF JACKSON, GEORGIA

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014 AND INDEPENDENT AUDITOR'S REPORT

CITY OF JACKSON, GEORGIA

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June 18, 2015

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of Jackson, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the **City of Jackson, Georgia**, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City as of December 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of projects constructed with special sales tax proceeds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015, on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 301,355	$ 4,574,749	$ 4,876,104
Investments	614,433	6,711,338	7,325,771
Accounts Receivable, Net	97,050	493,141	590,191
Intergovernmental Receivables	109,339		109,339
Internal Balances	183,228	(183,228)	-
Inventories		300,757	300,757
Prepaid Expenses	27,373	18,248	45,621
Other Receivables	24,508	51,323	75,831
Restricted Assets			
Cash and Cash Equivalents	1,255,196	362,428	1,617,624
Capital Assets, Net of Accumulated Depreciation			
Land	1,548,219	3,713,633	5,261,852
Land Improvements	425,834	33,441	459,275
Infrastructure	237,719		237,719
Buildings and Improvements	1,128,252		1,128,252
Machinery and Equipment	729,995		729,995
Structures, Equipment and Lines		4,492,785	4,492,785
Construction in Progress		12,720	12,720
Total Assets	6,682,501	20,581,335	27,263,836
Liabilities			
Accounts Payable	44,451	372,955	417,406
Other Accrued Liabilities	10,564	20,050	30,614
Customers' Deposits		292,190	292,190
Capital Leases	91,688	17,723	109,411
Compensated Absences	25,609	6,825	32,434
Long-Term Liabilities			
Net Pension Obligation	62,883	32,531	95,414
Capital Leases	81,193	46,647	127,840
Compensated Absences	76,828	20,474	97,302
Total Liabilities	393,216	809,395	1,202,611
Net Position			
Net Investment in Capital Assets	3,897,138	8,188,209	12,085,347
Restricted for Capital Projects	1,255,196		1,255,196
Unrestricted	1,136,951	11,583,731	12,720,682
Total Net Position	$6,289,285	$19,771,940	$26,061,225

See accompanying notes which are an integral part of these financial statements.

CITY OF JACKSON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenue: Charges for Services	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government							
Governmental Activities							
General Government	$1,006,491		$ 122,012	$804,614	$ (79,865)		$ (79,865)
Law Enforcement	1,402,474	$ 3,698	243,422		(1,162,750)		(1,162,750)
Fire	559,880	2,521	142,094		(420,307)		(420,307)
Street	794,749	711	1,134	13,210	(781,116)		(781,116)
Cemetery	29,938		40,250		10,312		10,312
Municipal Court	88,401				(88,401)		(88,401)
Veterans Memorial Park	15,510		7,405		(8,105)		(8,105)
Vehicle Maintenance	(2,235)				2,235		2,235
Interest on Long-Term Debt	6,930	(6,930)					
Total Governmental Activities	3,902,138	-	556,317	817,824	(2,527,997)	$ -	(2,527,997)
Business-Type Activities							
Water and Sewerage System	1,143,566		1,266,960			123,394	123,394
Sanitation System	195,658		234,652			38,994	38,994
Electric System	4,672,008		5,159,555			487,547	487,547
Total Business-Type Activities	6,011,232	-	6,661,167	-	-	649,935	649,935
Total Primary Government	$9,913,370	$ -	$7,217,484	$817,824	(2,527,997)	649,935	(1,878,062)
	General Revenues						
	Taxes						
	Property				74,873		74,873
	Local Option Sales				1,017,925		1,017,925
	Franchise				69,231		69,231
	Beer, Wine and Distilled Spirits				133,943		133,943
	Insurance Premium				272,209		272,209
	Real Estate Transfer				10,609		10,609
	Municipal Licenses				20,119		20,119
	Hotel/Motel				15,520		15,520
	Unrestricted Investment Earnings				4,826	85,330	90,156
	Transfers				975,417	(975,417)	-
	Total General Revenues and Transfers				2,594,672	(890,087)	1,704,585
	Change in Net Position				66,675	(240,152)	(173,477)
	Net Position-Beginning				6,222,610	20,012,092	26,234,702
	Net Position-Ending				$ 6,289,285	$19,771,940	$26,061,225

See accompanying notes which are an integral part of these financial statements.

CITY OF JACKSON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Capital Projects Fund	Special Revenue Fund (Nonmajor)	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$ 301,355	$1,255,196		$1,556,551
Investments	614,433			614,433
Accounts Receivable	97,050			97,050
Intergovernmental Receivables	109,339			109,339
Due from Other Funds	233,953			233,953
Prepaid Expenses	27,373			27,373
Other Receivables	24,508			24,508
Total Assets	$1,408,011	$1,255,196	$ -	$2,663,207
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 44,451			$ 44,451
Due to Other Funds	50,725			50,725
Other Accrued Liabilities	10,564			10,564
Total Liabilities	105,740	$ -	$ -	105,740
Fund Balances				
Restricted for Capital Projects		1,255,196		1,255,196
Unassigned	1,302,271			1,302,271
Total Fund Balances	1,302,271	1,255,196	-	2,557,467
Total Liabilities and Fund Balances	$1,408,011	$1,255,196	$ -	$2,663,207

See accompanying notes which are an integral part of these financial statements.

CITY OF JACKSON, GEORGIA
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

Total Fund Balances-Governmental Funds	$2,557,467
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	4,070,019
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated Absences	(102,437)
Capital Lease Payable	(172,881)
Net Pension Obligation	(62,883)
Net Position of Governmental Activities	$6,289,285

See accompanying notes which are an integral part of these financial statements.

CITY OF JACKSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Capital Projects Fund	Special Revenue Fund (Nonmajor)	Total Governmental Funds
Revenues				
Taxes				
Property	$ 74,872			$ 74,872
Local Option Sales	1,017,925			1,017,925
Franchise	69,231			69,231
Beer, Wine and Distilled Spirits	133,943			133,943
Insurance Premium	272,209			272,209
Real Estate Transfer	10,609			10,609
Municipal Licenses	20,119			20,119
Hotel/Motel			$ 15,520	15,520
Fines and Forfeitures	140,096			140,096
Licenses and Permits	117,079			117,079
Contributions	140,160			140,160
Intergovernmental	257,660	$ 663,520		921,180
Investment Earnings	4,826	934		5,760
Miscellaneous	54,693			54,693
	2,313,422	664,454	15,520	2,993,396
Expenditures				
Current				
General Government	710,018	77,115		787,133
Law Enforcement	1,320,082			1,320,082
Fire	531,652			531,652
Street	664,571	186,813		851,384
Cemetery	24,270			24,270
Municipal Court	77,271			77,271
Veterans Memorial Park	6,355			6,355
Vehicle Maintenance	(2,235)			(2,235)
Debt Service				
Principal	110,137			110,137
Interest and Other Charges	6,930			6,930
Capital Outlay				
General Government	153,011			153,011
Law Enforcement	85,974			85,974
Street	228,114			228,114
Municipal Court	4,898			4,898
Veterans Memorial Park	14,539			14,539
	3,935,587	263,928	-	4,199,515
Excess Revenues (Expenditures)	(1,622,165)	400,526	15,520	(1,206,119)
Other Financing Sources (Uses)				
Capital Leases	85,974			85,974
Transfers In (Out)	1,369,431	(364,834)	(15,520)	989,077
Sale of Capital Assets	12,263			12,263
	1,467,668	(364,834)	(15,520)	1,087,314
Net Change in Fund Balances	(154,497)	35,692	-	(118,805)
Fund Balances-Beginning	1,456,768	1,219,504	-	2,676,272
Fund Balances-Ending	$ 1,302,271	$1,255,196	$ -	$ 2,557,467

See accompanying notes which are an integral part of these financial statements.

CITY OF JACKSON GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net Change in Fund Balances-Governmental Funds	$(118,805)

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded in the current period.

General Government	$153,011	
Law Enforcement	85,974	
Street	228,114	
Municipal Court	4,898	
Veterans Memorial Park	14,539	486,536

Depreciation expense on capital assets is reported in the government-wide statement of activities but does not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in governmental funds. This is the amount of depreciation expense recorded in the current period.	(281,226)
Contribution of capital assets to the electric system.	(13,661)
The issuance of long-term debt provides current financial resources to governmental funds but increases long-term liabilities in the government-wide statement of net position. This is the amount of long-term debt issued in the current period.	(85,974)
Repayment of the principal of long-term debt is an expenditure in the governmental funds but reduces long-term liabilities in the government-wide statement of net position. This is the amount of debt repaid in the current period.	110,137
In the government-wide statement of activities, the gain (loss) on the sale of capital assets is reported. However, in the governmental funds, only the sales proceeds are reported as an increase in financial resources; therefore, the change in net assets differs from the change in fund balance by the carrying value of the capital assets disposed.	(19,734)
Compensated absences are not accrued in governmental funds; however, they are reported as long-term liabilities in the government-wide statement of net position. This amount represents the increase in the amount of compensated absences.	(4,729)
Net pension obligations are not accrued in governmental funds; however, they are reported as long-term liabilities in the government-wide statement of net assets. This amount represents the increase in the amount of net pension obligations.	(5,869)
Change in Net Position of Governmental Activities	$ 66,675

See accompanying notes which are an integral part of these financial statements.

CITY OF JACKSON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Electric System	Sanitation System	Water and Sewerage System	Total
Assets				
Current Assets				
Cash and Cash Equivalents	$ 2,793,365		$ 1,781,384	$ 4,574,749
Investments	4,775,054		1,936,284	6,711,338
Accounts Receivable, Net	378,950	$19,816	94,375	493,141
Other Receivables	49,414		1,909	51,323
Due from Other Funds	223,547		42,190	265,737
Inventories	229,860		70,897	300,757
Prepaid Expenses	9,124		9,124	18,248
	8,459,314	19,816	3,936,163	12,415,293
Noncurrent Assets				
Restricted Assets				
Cash and Cash Equivalents	240,689		121,739	362,428
Capital Assets				
Land	4,065		3,709,568	3,713,633
Land Improvements			105,349	105,349
Construction in Progress			12,720	12,720
Structures, Equipment and Lines	2,748,090		9,251,548	11,999,638
Accumulated Depreciation	(2,290,172)		(5,288,588)	(7,578,760)
	702,672	-	7,912,336	8,615,008
Total Assets	9,161,986	19,816	11,848,499	21,030,301
Liabilities				
Current Liabilities				
Accounts Payable	328,863		44,093	372,956
Due to Other Funds	228,118		220,847	448,965
Compensated Absences	1,493		5,332	6,825
Capital Lease Obligations	17,723			17,723
Sales Tax Payable	19,898			19,898
Customers' Deposits	190,885		101,305	292,190
Other	152			152
Noncurrent Liabilities				
Accrued Pension Obligation	9,568		22,963	32,531
Compensated Absences	4,479		15,995	20,474
Capital Lease Obligations	46,647			46,647
Total Liabilities	847,826	-	410,535	1,258,361
Net Position				
Net Investment in Capital Assets	397,613		7,790,597	8,188,210
Unrestricted	7,916,547	19,816	3,647,367	11,583,730
Total Net Position	$ 8,314,160	$19,816	$11,437,964	$19,771,940

See accompanying notes which are an integral part of these financial statements.

CITY OF JACKSON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Electric System	Sanitation System	Water and Sewerage System	Total
Operating Revenues				
Charges for Sales and Services	$5,056,481	$234,652	$ 1,263,488	$ 6,554,621
Miscellaneous	103,074		3,472	106,546
	5,159,555	234,652	1,266,960	6,661,167
Operating Expenses				
Costs of Sales and Services	3,981,237			3,981,237
Administration	571,705	195,658	633,669	1,401,032
Supplies	54,134		256,769	310,903
Utilities	1,655		23,637	25,292
Depreciation	61,067		229,491	290,558
	4,669,798	195,658	1,143,566	6,009,022
Net Operating Income	489,757	38,994	123,394	652,145
Nonoperating Revenues (Expenses)				
Interest Income	57,818		27,512	85,330
Interest Expense	(2,210)			(2,210)
	55,608	-	27,512	83,120
Income Before Transfers	545,365	38,994	150,906	735,265
Capital Contributions	13,660			13,660
Transfers In			24,925	24,925
Transfers Out	(772,836)	(39,938)	(201,228)	(1,014,002)
Change in Net Position	(213,811)	(944)	(25,397)	(240,152)
Net Position-Beginning	8,527,971	20,760	11,463,361	20,012,092
Net Position-Ending	$8,314,160	$ 19,816	$11,437,964	$19,771,940

See accompanying notes which are an integral part of these financial statements.

CITY OF JACKSON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Electric System	Sanitation System	Water and Sewerage System	Total
Cash Flows From (To) Operating Activities				
Receipts from Customers for Goods and Services	$ 5,146,895	$ 235,596	$1,286,890	$ 6,669,381
Payments to Vendors for Goods and Services	(4,371,550)	(195,658)	(624,577)	(5,191,785)
Payments to Employees for Services	(265,823)		(288,708)	(554,531)
	509,522	39,938	373,605	923,065
Cash Flows To Noncapital Financing Activities				
Transfers to Other Funds	(772,836)	(39,938)	(201,228)	(1,014,002)
Cash Flows From (To) Capital and Related Financing Activities				
Transfers from Other Funds			24,925	24,925
Principal Payments on Debt	(17,212)			(17,212)
Interest Payments on Debt	(2,210)			(2,210)
Purchases of Capital Assets			(44,275)	(44,275)
	(19,422)	-	(19,350)	(38,772)
Cash Flows From Investing Activities				
Interest on Investments	57,818		27,512	85,330
Sale of Temporary Cash Investments	(34,275)		(17,374)	(51,649)
	23,543	-	10,138	33,681
Net Increase (Decrease) in Cash and Cash Equivalents	(259,193)	-	163,165	(96,028)
Cash and Cash Equivalents-Beginning	3,293,247	-	1,739,958	5,033,205
Cash and Cash Equivalents-Ending	$ 3,034,054	$ -	$1,903,123	$ 4,937,177
Classified As				
Current Assets	$ 2,793,365		$1,781,394	$ 4,574,749
Restricted Assets	240,789		121,739	362,428
	$ 3,034,054	$ -	$1,903,123	$ 4,937,177
Supplemental Disclosure				
Capital Assets Transferred from the General Fund	$ 13,660	$ -	$ -	$ 13,660

See accompanying notes which are an integral part of these financial statements.

CITY OF JACKSON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Electric System	Sanitation System	Water and Sewerage System	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Net Operating Income	$489,757	$38,994	$123,394	$652,145
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities				
Depreciation	61,067		229,491	290,558
Change in				
Accounts Receivable	(10,105)	944	4,160	(5,001)
Other Receivables	(9,312)		9,985	673
Inventories	(18,666)			(18,666)
Prepaid Expenses	(9,124)		(9,124)	(18,248)
Accounts Payable	1,853		13,854	15,707
Accrued Pension Contribution	1,004		2,409	3,413
Accrued Salaries Payable	(7,437)		(9,167)	(16,604)
Compensated Absences Payable	3,729		2,818	6,547
Sales Tax Payable	(169)			(169)
Customers' Deposits	6,925		5,785	12,710
	19,765	944	250,211	270,920
Net Cash Provided by Operating Activities	$509,522	$39,938	$373,605	$923,065

See accompanying notes which are an integral part of these financial statements.

(1) Summary of Significant Accounting Policies

The Financial Reporting Entity

The City of Jackson, Georgia (hereinafter the City) was incorporated by the General Assembly of Georgia by the enactment of a charter effective December 26, 1826.

City government is conducted by a nonpartisan mayor and council. The council is composed of five elected members. Council members serve staggered four-year terms.

The City provides numerous municipal services authorized by its charter and operates the following major utilities: water and sewer and electric and sanitation.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

For financial reporting purposes, the City includes all funds and account groups over which it exercises financial accountability.

The following entities are controlled by the City:

- Downtown Development Authority
- Board of Appeals
- Tree Board

However, none of the entities maintain financial statements, and financial activity is immaterial and included within the general fund, as applicable. Accordingly, they are not separately presented in the accompanying financial statements.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "what" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

(1) Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus. However, in the fund financial statements, the measurement focus differs by fund types as follows:

All governmental funds are accounted for using a current financial resources measurement focus. Within this measurement focus, only current assets and liabilities generally are included on the balance sheet. Operating statements of these funds present sources/increases (i.e., revenues and other financing sources) and uses/decreases (i.e., expenditures and other financing uses) of available spendable financial resources during a given period. These funds use fund balances as their measurements of available spendable financial resources at the end of the period.

All proprietary funds utilize a flow of economic resources measurement focus. Within this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial positions, and cash flows. Proprietary fund equity is classified as net position. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized as soon as they are earned, and expenses are recognized when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange occurs.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they become "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after the year-end and available to pay obligations of the current period. Expenditures, including capital outlay, are recognized in the accounting period in which the related fund liability is incurred.

Intergovernmental revenues, such as local option sales tax, and police fines and assessments imposed by the courts and associated with the current fiscal period are both considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. The City does not assess property taxes. Interest from various investments is substantially reported on a monthly basis as received. All other revenue items are considered to be measurable and available only when cash is received by the City.

All proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Differences exist between the governmental activities columns reported in the government-wide statements and the corresponding total columns reported in the fund financial statements. The differences are the result of the use of different measurement focuses between the respective statements. As stated above, the government-wide financial statements present governmental activities on the economic resources measurement focus while the fund financial statements present governmental funds on the current financial resources measurement focus. Additional detailed information about the reconciling items can be found on pages 6 and 8.

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and statement of activities) display information about the reporting government as a whole. They include all funds of the reporting entity. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees and charges to external parties for goods or services.

The fund financial statements reflect the activities of the City's individual funds. Funds are organized into two categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City (i.e., the general fund). Other funds must be reported as major funds if they meet both of the criteria listed below. In addition, the City may report as major funds whatever other individual funds they believe to be of particular importance to the financial statement users (i.e., public interest).

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

As a general rule, the effects of internal activity have been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges between the City's general fund and proprietary funds. Eliminations of these charges would distort the direct costs and program revenues for the various functions concerned.

Program revenues are derived directly from a particular program or from parties other than the City's taxpayers. Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided as well as capital grants and contributions. All taxes are included in general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses and typically include interest revenue, sewer bond fees and interest expense. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(1) Summary of Significant Accounting Policies (Continued)

Description of Funds

The City uses funds to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The City reports the following major governmental funds:

General Fund - The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund - The capital projects fund is the fund in which the City accounts for the proceeds of special purpose sales tax revenue to be used primarily for construction and improvement of the City's utility systems and construction and repair of the City's roads, streets and bridges.

The City reports the following major proprietary funds:

Water and Sewerage Fund - accounts for the operations and maintenance of the City's water and wastewater services to the residents and businesses of the City.

Electric Fund - accounts for the operations and maintenance of the City's electricity services to the residents and businesses of the City.

Sanitation Fund - accounts for the operations of the City's sanitation services to the residents and businesses of the City.

The City has one nonmajor fund, a special revenue fund, that is used to account for hotel/motel taxes collected and paid.

Cash

Cash is considered to include all cash and cash equivalents, including restricted amounts. Cash equivalents are highly liquid instruments which, at the time of purchase, mature in three months or less.

Investments

Investments consist of various certificates of deposit and U. S. Government obligations. In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, certificates of deposit are recorded at amortized cost and government obligations are recorded at fair market value, which approximates cost.

(1) Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Georgia laws (O.C.G.A. 36-83-4 and 36-82-7) authorize investments in the following:

- Obligations of states.
- Obligations issued by the U.S. government.
- Obligations fully insured or guaranteed by the U.S. government or by an agency of the United States government.
- Obligations of any corporation of the U. S. government.
- Prime bankers' acceptances.
- A local government investment pool established by Georgia law (O.C.G.A. 36-83-8).
- Repurchase agreements.
- Obligations of other political subdivisions of Georgia.
- Certificates of deposit.
- Certain mutual funds whose investments are limited to bonds or other obligations of the U. S. government or of subsidiary corporations of the U.S. government which are fully guaranteed by such government.
- SEC registered mutual funds.

Inventories

In the general fund, inventories are considered immaterial. Accordingly, expendable supplies have been recorded as expenditures at the time individual items were purchased with no provision being made to record inventories on the balance sheet for informational purposes. Inventories for the proprietary funds are stated at cost using the first-in, first-out method of valuation.

Accounts Receivable

In the government-wide financial statements, accounts receivable consist of all revenues earned at year-end and not yet received. Within business-type activities, receivables consist of amounts due from residents and businesses of the City for utility and sanitation usage.

Interfund Receivables, Payables and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(1) Summary of Significant Accounting Policies (Continued)

Bad Debts

An allowance for doubtful accounts is maintained within the general and proprietary funds as a percentage of accounts receivable based on prior years' experience. As of December 31, 2014, the allowance is reported as follows:

General Fund	$ 45,667
Proprietary Funds	80,590
	$126,257

Property Tax

For 2014, the City did not assess any property taxes against the various properties located within its boundaries. The last year of property tax assessment by the City was 1976.

Restricted Assets and Reserves

Primary Government

Certain resources set aside in the governmental funds are classified as restricted assets because their use is limited by special purpose local option sales tax agreements to construction projects.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000. Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their fair market value when donated. Interest costs on debt incurred for the construction of capital assets are capitalized net of interest earned on the invested proceeds of construction debt over the same period. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Preliminary and interim costs incurred by governmental and proprietary funds for capital projects are reported as "construction in progress." Costs related to abandoned projects are expensed when the project is abandoned.

General infrastructure assets acquired prior to October 1, 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003.

(1) Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Capital assets are depreciated over their estimated useful lives using the straight-line method. These estimated useful lives are as follows:

Asset Class	Years
Furniture and Fixtures	5 to 7
Machinery and Equipment	3 to 10
Lines and Mains	50
Buildings	10 to 50
Infrastructure	20
Land Improvements	20

Compensated Absences

Annual leave is earned by all permanent City employees at varying rates depending on length of shift. Leave may be accumulated and carried over to a maximum of 240 hours for employees who work 8-hour shifts, 360 hours for those who work 12-hour shifts and up to 720 hours for those who work 24-hour shifts. In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the City records the cost of annual leave when the leave is earned. This cost is accrued in the government-wide and proprietary fund financial statements.

Sick leave is earned by all full-time City employees at the rate of 10 hours per month regardless of length of shift. All employees can accumulate up to 360 hours. Any accumulation over this amount is forfeited. Employees leaving the City are not entitled to payment for accumulated sick leave. In accordance with GASB Statement 16, the City does not accrue sick leave because employees do not receive "termination payments" upon leaving the City.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Fund Equity-Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets, which consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other debt attributable to the acquisition, construction or improvement of these assets.

(1) Summary of Significant Accounting Policies (Continued)

Fund Equity-Classifications (Continued)

Restricted net position, which consists of net assets with constraints on their use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position is total net position less net investment in capital assets and restricted net position.

In the fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained.

Restricted - Amounts that can be spent only for specific purposes because of the City charter, the City code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action by City council ordinance or resolution.

Assigned - Amounts that are designed for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by the City council.

Unassigned - All amounts not included in other spendable classifications.

The City's policy with respect to the use of restricted and unrestricted net position is to first apply available restricted resources toward expenses. In governmental funds, the policy is to first apply available restricted fund balances toward expenditures and then use committed and assigned fund balances before using unassigned fund balances.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures. Actual results could differ from those estimates.

Indirect Expense Allocation

Interest on long-term debt within the governmental activities of the City is allocated based upon the primary use of the asset which is being financed.

(2) Stewardship, Compliance and Accountability

Generally accepted accounting principles require certain disclosures as part of the notes to the financial statements. The disclosures include the following:

Excess of expenditures over appropriations in individual funds for which budgets were adopted. For the year ended December 31, 2014, an excess existed in general government, fire and capital outlay for the general fund in the amounts of $12,739, $32,687 and $435,375, respectively. This overexpenditure was funded by decreasing actual expenditures within other areas of City government and transfers from other funds.

(3) Cash and Investments

As of December 31, 2014, cash and investments were comprised of the following:

Cash and Cash Equivalents	$ 4,876,104
Restricted Cash Assets and Equivalents	1,617,624
Investments	
Certificates of Deposit	7,325,771
	$13,819,499

(4) Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may be lost. The City's policy with respect to custodial credit risk is to comply with Georgia Law (O.C.G.A. 45-8-12) by requiring the custodian to provide collateral of not less than 110 percent of the public funds on deposit less the amount of deposit insurance. Amounts secured by collateral held by the pledging financial institution's agent but not held in the City's name are considered to be at risk. As of December 31, 2014, all of the City's bank balances were either covered by federally insured deposit insurance or were collateralized with securities pledged by the financial institutions.

(5) Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

Primary Government

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities					
Capital Assets Not Being Depreciated					
Land	$ 1,548,219	$ -	$ -	$ -	$ 1,548,219
Capital Assets Being Depreciated					
Land Improvements	576,960	19,437			596,397
Infrastructure	321,620				321,620
Buildings and Improvements	1,629,367	153,011			1,782,378
Machinery and Equipment	2,254,208	314,089	(35,747)	(68,306)	2,464,244
Total Capital Assets Being Depreciated	4,782,155	486,537	(35,747)	(68,306)	5,164,639
Less Accumulated Depreciation for					
Land Improvements	(144,413)	(26,150)			(170,563)
Infrastructure	(71,036)	(12,865)			(83,901)
Buildings and Improvements	(603,586)	(50,540)			(654,126)
Machinery and Equipment	(1,613,235)	(191,671)	16,012	54,645	(1,734,249)
Total Accumulated Depreciation	(2,432,270)	(281,226)	16,012	54,645	(2,642,839)
Total Capital Assets Being Depreciated, Net	2,349,885	205,311	(19,735)	(13,661)	2,521,800
Governmental Activities Capital Assets, Net	$ 3,898,104	$ 205,311	$(19,735)	$(13,661)	$ 4,070,019
Business-Type Activities					
Capital Assets Not Being Depreciated					
Land	$ 3,713,633				$ 3,713,633
Construction in Progress	12,720				12,720
Total Capital Assets Not Being Depreciated	3,726,353	$ -	$ -	$ -	3,726,353
Capital Assets Being Depreciated					
Land Improvements	105,349				105,349
Structures, Equipment and Lines	11,887,057	44,275		68,306	11,999,638
Total Capital Assets Being Depreciated	11,992,406	44,275	-	68,306	12,104,987
Less Accumulated Depreciation for					
Land Improvements	(70,115)	(1,793)			(71,908)
Structures, Equipment and Lines	(7,163,442)	(288,765)		(54,645)	(7,506,852)
Total Accumulated Depreciation	(7,233,557)	(290,558)	-	(54,645)	(7,578,760)
Total Capital Assets Being Depreciated, Net	4,758,849	(246,283)	-	13,661	4,526,227
Business-Type Activities Capital Assets, Net	$ 8,485,202	$(246,283)	$ -	$ 13,661	$ 8,252,580

(5) Capital Assets

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

Governmental Activities	
General Government	$ 28,732
Law Enforcement	80,724
Fire	22,875
Street	121,831
Cemetery	5,668
Municipal Court	12,241
Veterans Memorial Park	9,155
	$281,226
Business-Type Activities	
Water and Sewerage System	$229,491
Electric System	61,067
	$290,558

(6) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2014 is as follows:

Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewerage System	$ 7,368
	Electric Fund	226,585
Water and Sewerage System	Electric Fund	1,533
	General Fund	40,657
Electric System	General Fund	10,068
	Water and Sewerage System	213,479
		$499,690

These balances resulted from short-term loans between funds.

(6) Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers in (out) for the year ended December 31, 2014 are as follows:

	General Fund	Capital Projects Fund	Special Revenue Fund	Electric System	Sanitation System	Water and Sewerage System
General Fund		$(237,952)	$(15,520)	$(849,400)		$(266,559)
Special Revenue Fund	$ 15,520					
Capital Projects Fund	237,952			33,841		93,041
Electric System	849,400	(33,841)			$(39,938)	(2,785)
Water and Sewerage System	266,559	(93,041)		2,785		
Sanitation System				39,938		
	$1,369,431	$(364,834)	$(15,520)	$(772,836)	$(39,938)	$(176,303)

Transfers between the electric, sanitary, special revenue, water and sewerage and the general fund were primarily made to fund operations. Transfers from the capital projects fund to the water and sewerage fund were made to record additions and improvements to various infrastructure.

(7) Capital Leases and Long-Term Debt

Capital Leases

The City has entered into a master lease agreement with the Georgia Municipal Association, Inc. which allows the City to lease various equipment for periods ranging from 36 to 120 months. The leases provide for renewal and/or purchase options and are recorded as capital leases. Renewals occurring after the initial lease period are generally for no more than one year. Purchase options allow for the purchase of the leased property at any time during the lease term for an amount which approximates the fair market value at the date the purchase option is exercised. Should a lease continue until expiration, the City has an option to purchase the equipment for the sum of $1. Equipment acquired under these leases has been capitalized at the present value of the future minimum lease payments. Interest rates for all leases average approximately five percent.

As of December 31, 2014, the assets acquired through capital leases are as follows:

	Total Government Activities	Total Business-Type Activities
Machinery and Equipment	$1,124,841	$ 194,836
Accumulated Depreciation	(798,538)	(113,396)
	$ 326,303	$ 81,440

(7) Capital Leases and Long-Term Debt (Continued)

Primary Government

Debt Service Requirements

The following summarizes the debt service requirements for long-term debt as of December 31, 2014:

	Maturities				
	2015	**2016**	**2017**	**2018**	**Total**
Principal Maturities					
Governmental Activities					
Capital Lease Agreements	$ 91,688	$57,902	$23,291		$172,881
Business-Type Activities					
Capital Lease Improvements	17,723	18,250	18,792	$9,605	64,370
Total Principal Maturities	109,411	76,152	42,083	9,605	237,251
Interest Requirements					
Governmental Activities					
Capital Lease Agreements	4,769	2,143	320		7,232
Business-Type Activities					
Capital Lease Improvements	1,698	1,171	629	106	3,604
Total Interest Requirements	6,467	3,314	949	106	10,836
Total Primary Government Requirements	$115,878	$79,466	$43,032	$9,711	$248,087

Long-term liability activity for the year ended December 31, 2014 is as follows:

	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Due Within One Year**
Governmental Activities					
Capital Leases Payable	$197,044	$ 85,974	$(110,137)	$172,881	$ 91,688
Compensated Absences	97,708	22,296	(17,567)	102,437	25,609
Total Governmental Activities	$294,752	$108,270	$(127,704)	$275,318	$117,297
Business-Type Activities					
Capital Lease Payable	$ 81,582		$ (17,212)	$ 64,370	$ 17,723
Compensated Absences	20,752	$ 7,200	(653)	27,299	6,825
Total Business-Type Activities	$102,334	$ 7,200	$ (17,865)	$ 91,669	$ 24,548

For the governmental activities, compensated absences are generally liquidated by the general fund.

(8) Risk Management

There are various claims pending against the City for which damages are sought. Although the ultimate disposition of these proceedings is not presently determinable, management does not believe that adverse determinations in any or all of such proceedings will have a material adverse effect upon the financial condition of the City.

The City is exposed to various risks of loss relative to torts, personal property (e.g., theft, damage and destruction) and injury to employees for which the City carries commercial insurance coverage. Loss relative to these risks is limited to the $1,000 per occurrence deductible provided for in the insurance contracts. No material losses have been experienced by the City within the last three years.

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the City contract and in accordance with the Workers' Compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

(9) Pension

Plan Description

All full-time employees with one or more years of service participate in the City of Jackson Retirement Plan, a noncontributory defined benefit pension plan which was established and is operated under the authority of the Georgia General Assembly (O.C.G.A. Title 47, Chapter 5) and is maintained through the Georgia Municipal Employees Benefit System (GMEBS). The plan is an agent multiple employer PERS which provides retirement, disability and death benefits to its participants. Plan benefits are set by and may be amended by the City. Plan financial information is provided in an annual report prepared for GMEBS and available from the City.

(9) Pension (Continued)

Funding Policy and Annual Contribution

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is $213,695. This minimum contribution has been determined as the sum of (1) the normal cost (including administrative expenses), (2) the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability, and (3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The GMEBS board of trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the employer contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable state funding standards.

For the year ended December 31, 2014, the recommended contribution (pension cost) totaled $271,007. The net pension obligation is determined as follows as of December 31:

	2014	2012
Actuarially Determined Contribution (A)	**$ 256,502**	$ 254,121
Interest on Net Pension Obligation	**6,675**	3,816
Adjustment to (A)	**7,830**	3,788
Annual Pension Contribution	**271,007**	261,725
Contributions Made	**(261,725)**	(224,831)
Increase in Net Pension Obligation	**9,282**	36,894
Net Pension Obligation-Beginning of Year	**86,132**	49,238
Net Pension Obligation-End of Year	**$ 95,414**	$ 86,132
Calculations		
Interest		
Net Pension Obligation-Beginning of Year	**$ 86,132**	$ 49,238
Interest Rate	**7.75%**	7.75%
Adjustment to (A)		
Net Pension Obligation-Beginning of Year	**86,132**	49,238
Amortization Factor	**11**	13

(9) Pension (Continued)

Funding Policy and Annual Contribution (Continued)

Following is the three-year trend information for the City's pension plan for the year ended December 31:

Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2014	$271,007	97%	$95,414
2013	261,725	86%	86,132
2012	223,831	86%	49,238

The required contribution was determined as part of the July 1, 2014 actuarial valuation using the projected unit credit cost method. The actuarial assumptions as of July 1, 2014 included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 3.5 percent plus age and service-based merit increases and (c) 3.5 percent per year COLAs. The actuarial value of Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The Plan's unfunded actuarial accrued liability is being amortized on a closed-level dollar basis. The remaining amortization period as of December 31, 2014 was eleven years.

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the Plan was 89.73 percent funded. The actuarial accrued liability for benefits was $7,122,050, and the actuarial value of assets was $6,390,662, resulting in an unfunded actuarial accrued liability (UAAL) of $731,388. The covered payroll (annual payroll of active employees covered by the Plan) was $1,877,536, and the ratio of the UAAL to the covered payroll was 38.95 percent.

The schedule of funding progress presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits:

	2014	2013	2012
Actuarial Valuation Date	**7-1-14**	7-1-13	7-1-12
Actuarial Value of Plan Assets	**$6,390,662**	$6,132,607	$5,953,719
Actuarial Accrued Liability	**7,122,050**	6,637,129	6,313,235
Total Unfunded Actuarial Liability (Funding Excess)	**731,388**	504,522	359,516
Funded Ratio	**89.73%**	92.40%	94.31%
Ratio of Unfunded (Excess) to Covered Payroll	**38.95%**	25.69%	19.00%
Annual Covered Payroll	**1,877,536**	1,964,083	1,892,264
Total Payroll	**2,346,862**	2,255,957	2,173,083

(10) Special Purpose Local Option Sales Tax

Series 2001

The City has received all available funds related to the 2001 special purpose sales tax. Remaining funds will be used for construction and improvement of the City's combined utility system (water, sewer and electrical) and for construction and repair of the City's roads, streets and bridges. Expenditures for the year ended December 31, 2014 totaled $119,155. As of December 31, 2014, funds totaling $183,577 have been received and not disbursed. These funds are part of the City's capital projects fund.

Series 2006

The City is entitled to receive certain special purpose local option sales tax proceeds collected by Butts County, Georgia as part of the County's Series 2006 General Obligation Sales Tax Bonds. The total amount allocated to the City is $3,300,000 and the City received the entire amount during 2006. Funds will be used for improvements to the City's water and sewer system and its roads and bridges. Expenditures for the year ended December 31, 2014 totaled $495,068. As of December 31, 2014, all funds received have been disbursed.

Series 2012

The City is entitled to receive 25 percent of certain special purpose local option sales tax proceeds collected by Butts County, Georgia, after certain debt service requirements have been satisfied. Funds will be used for improvements to the City's water, sewer and electrical systems and certain municipal infrastructure. As of December 31, 2014, funds totaling $663,520 have been received. Expenditures for the year ended December 31, 2014 totaled $14,539. These funds are accounted for within the capital projects fund.

(11) Hotel/Motel Tax

During the year ended December 31, 2014, the City collected $15,520 in hotel/motel tax revenue. The City complied with the requirements of O.C.G.A. 48-13-51 by expending 90 percent of the hotel/motel tax revenue collected to promote tourism, conventions and trade shows.

(12) Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in the six county McIntosh Trail area, is a member of the Three Rivers Regional Commission and is required to pay annual dues thereto. A separately issued financial report is available and may be obtained from the Three Rivers Regional Commission.

O.C.G.A. 50-8-34 sets forth the organizational structure of RCs, and O.C.G.A. 50-8-39-1 provides that the member governments are liable for any debts or obligation of an RC. Each member government is represented on the RC board. The City is a member of the RC.

(13) Related Organizations

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. As of December 31, 2014, the City of Jackson Housing Authority is deemed to be a related organization. The Authority operates to improve the housing conditions within the City. The City assists in the appointment of one of the members of the governing body of the Authority but has no significant influence over the management, budget or policies of the Authority. The Authority reports independently, and audited financial statements are available from the Authority.

(14) Joint Membership

The City is a member of the Municipal Electrical Authority of Georgia (MEAG) and purchases all the electricity sold by its electric department through this entity. Part of the purchase price of the electricity includes funding for various reserves. MEAG maintains separate balances of all participants and, accordingly, the City has been allocated various reserved amounts. Following is a summary of the reserved balances as of December 31, 2014:

Credit Support Operating Reserve	
Restricted for Rate Stabilization and Other Hardship Purposes	$ 1,290
Flexible Operating Reserves	
Unrestricted Funds to be Allocated for Rebates Due to the City	1,645,595
Debt Service Reserves	
Restricted for City's Share of MEAG Bond Indebtedness. Amount is Held in Escrow and Being Returned to the City by 2018	884,087
Restricted for City's Share of Indebtedness Related to Plant Vogle Which is Scheduled to Begin Operations in 2036	939,421

Due to the uncertainty of the City's future share of indebtedness, the above amounts have not been recorded within the accompanying financial statements.

(15) Subsequent Events

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 18, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Positive (Negative)
Revenues				
Taxes				
Property			$ 74,872	$ 74,872
Local Option Sales	$ 1,060,000	$ 1,060,000	1,017,925	(42,075)
Franchise	62,000	62,000	69,231	7,231
Beer, Wine and Distilled Spirits	135,000	135,000	133,943	(1,057)
Insurance Premium	250,000	250,000	272,209	22,209
Real Estate Transfer	2,000	2,000	10,609	8,609
Municipal Licenses	31,000	31,000	20,119	(10,881)
Fines and Forfeitures	140,000	140,000	140,096	96
Licenses and Permits	119,300	119,300	117,079	(2,221)
Contributions	1,000	1,000	140,160	139,160
Intergovernmental	293,600	293,600	257,660	(35,940)
Investment Earnings	16,000	16,000	4,826	(11,174)
Miscellaneous	71,800	71,800	54,693	(17,107)
	2,181,700	2,181,700	2,313,422	131,722
Expenditures				
Current				
General Government	679,579	697,279	710,018	(12,739)
Law Enforcement	1,347,705	1,346,005	1,320,082	25,923
Fire	497,465	498,965	531,652	(32,687)
Street	679,344	675,344	664,572	10,772
Cemetery	31,500	31,500	24,270	7,230
Municipal Court	92,697	92,697	77,271	15,426
Veterans Memorial Park	15,000	15,000	6,355	8,645
Vehicle Maintenance			(2,235)	2,235
Debt Service				
Principal	114,000	114,000	110,137	3,863
Interest and Other Charges	9,000	9,000	6,930	2,070
Capital Outlay				
General Government	3,000		153,011	(153,011)
Law Enforcement	13,000	8,500	85,974	(77,474)
Fire	14,000	14,000		14,000
Street	10,000	10,000	214,453	(204,453)
Municipal Court			4,898	(4,898)
Veterans Memorial Park	5,000	5,000	14,539	(9,539)
	3,511,290	3,517,290	3,921,927	(404,637)
Excess Expenditures	(1,329,590)	(1,335,590)	(1,608,505)	(272,915)
Other Financing Sources				
Capital Leases			85,974	85,974
Transfers In	1,324,090	1,330,090	1,355,771	25,681
Sale of Capital Assets	5,500	5,500	12,263	6,763
	1,329,590	1,335,590	1,454,008	118,418
Net Change in Fund Balances	-	-	(154,497)	(154,497)
Fund Balances-Beginning	1,456,768	1,456,768	1,456,768	-
Fund Balances-Ending	$ 1,456,768	$ 1,456,768	$ 1,302,271	$(154,497)

(1) Budgetary Information

Annual appropriated budgets are adopted for the general, special revenue and enterprise funds. Project length budgets are adopted for the capital projects fund. Governmental fund and proprietary fund budgets are prepared on the modified accrual and accrual basis, respectively, and are consistent with the requirements of generally accepted accounting principles. All annual appropriations lapse at the end of the fiscal year.

Appropriated budgets are compiled by the mayor and department heads and are approved by City council. Budgetary control is maintained at the department level.

Department heads, with the approval of the mayor, may transfer appropriations within their department. Interdepartmental transfers require the approval of City council.

The City council may, by a majority vote, amend the annual budget(s).

(2) Nonmajor Funds

In the notes to the financial statements, the City has described its major funds. As of December 31, 2014, the only nonmajor governmental fund maintained by the City is the special revenue fund. This fund accounts for the hotel/motel taxes collected.

SPECIAL PURPOSE LOCAL OPTION SALES TAX-2001, 2006 AND 2012

CITY OF JACKSON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX PROCEEDS-2001, 2006 AND 2012
FOR THE YEAR ENDED DECEMBER 31, 2014

Projects	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Butts County General Obligation Sales Tax Bonds, Series 2001, (Total $5,910,000), City of Jackson Proportionate Share					
Initially Funded by Bond Proceeds					
Construction and Improvements to Combined Utility System (Water, Sewer and Electrical)	$1,600,000	$1,299,264	$ 54,949	$1,354,213	84.64%
From Sales Tax Proceeds After Payment of Debt Service					
Construction and Repair of Roads, Streets and Bridges	300,000	298,004	1,996	300,000	100%
	$1,900,000	$1,597,268	$ 56,945	$1,654,213	
Butts County General Obligation Sales Tax Bonds, Series 2006, (Total $25,000,000), City of Jackson Proportionate Share					
Initially Funded by Bond Proceeds					
Improvements to					
Water and Sewer System	*	$1,174,165	$ 55,216	$1,229,381	
Roads and Bridges	*	1,967,190	103,429	2,070,619	
	$3,300,000	$3,141,355	$158,645	$3,300,000	100%
Butts County Special Local Option Sales Tax, Series 2012, City of Jackson Proportionate Share					
Improvements to					
Water, Sewer and Electrical System	$1,500,000			$ -	0%
Road, Street and Sidewalk	1,061,843		$ 14,539	14,539	1.37%
Various Infrastructure	800,000			-	0%
	$3,361,843	$ -	$ 14,539	$ 14,539	

*Bond referendum did not provide a breakdown of total.

CITY OF JACKSON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX PROCEEDS-2001, 2006 AND 2012
SUMMARY OF EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

	From Sales Tax Proceeds	From Additional Investment Earnings	Total Expenditures
Butts County General Obligation Sales Tax			
Series 2001	$ 56,945	$ 62,210	$119,155
Series 2006	158,645	336,423	495,068
Series 2012	14,539		14,539
	$230,129	$398,633	$628,762
Capital Projects Fund Expenditures			
General Government			$ 77,115
Street			186,813
			263,928
Transfer for Capital Expenditures			
General Government			237,952
Enterprise Funds			126,882
			364,834
			$628,762