CITY OF JEFFERSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

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 aggregate remaining fund information of the **City of Jefferson, Georgia** as of and for the year ended December 31, 2013, and 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 general accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity'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 aggregate remaining fund information of the City of Jefferson, Georgia as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Multi-Grant Fund 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 Management's Discussion and Analysis on pages 4-16 and Schedules of Funding Progress on page 56 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jefferson, Georgia's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as well as the schedule of expenditures of special purpose local option sales tax proceeds (the "supplementary information") are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as well as the schedule of expenditures of special purpose local option sales tax proceeds are 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 25, 2014 on our consideration of the City of Jefferson, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Jefferson, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 25, 2014

BASIC FINANCIAL STATEMENTS

CITY OF JEFFERSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013

Within this section of the basic financial report for the City of Jefferson, Georgia (the "City"), the City's management is pleased to provide this narrative overview and analysis of the financial activities of the City of Jefferson for the year that ended on December 31, 2013. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements and notes to the financial statements, to enhance their understanding of the activities and financial health of the City of Jefferson.

Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. It should be read in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

The City of Jefferson, Georgia operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the notes to the financial statements are organized to provide explanations and other required disclosures for the City's financial activities.

The City's governmental activities assets exceeded its liabilities and deferred inflows of resources by $10,908,192 (total net position) for the calendar year reported.

- Total net position of governmental activities is comprised of the following:

  (1) Net investment in capital assets of $7,471,358, include capital assets, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets (net of unspent bond proceeds).
  (2) Net position of $1,885,097 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net position of $1,551,737 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

- The City's governmental funds reported total ending fund balance of $12,016,751 this year. This compared to the prior year ending fund balance of $8,006,516 showing an increase of $4,010,235 during the current year.

- At the end of the current calendar year, the unassigned fund balance for the General Fund was $4,757,971 or 76.6% of total General Fund expenditures.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: 1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of net position presenting information that includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid.

An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities include general government, public safety, public works, culture and recreation, and economic and community development. The business-type activities of the City of Jefferson, Georgia include the Solid Waste Collection and the Water and Sewer Treatment Plants.

The government-wide financial statements are presented on pages 17 and 18 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The City reports three kinds of funds:

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

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

The City of Jefferson maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, multi-grant fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements are presented on pages 19 to 23 of this report.

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

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

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

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

The basic proprietary fund financial statements are presented on pages 24 to 26 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City.

Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Jefferson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The agency fund statement of fiduciary assets and liabilities is presented on page 27 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

The notes to the financial statements begin on page 28 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's total net position at calendar year-end is $25,038,935. The following table provides a summary of the City's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	$ 15,449,256	$ 11,101,667	$ 4,889,682	$ 4,719,081	$ 20,338,938	$ 15,820,748
Capital Assets	25,156,148	21,893,092	22,735,930	21,288,975	47,892,078	43,182,067
Total Assets	40,605,404	32,994,759	27,625,612	26,008,056	68,231,016	59,002,815
Deferred outflows of resources:						
Deferred charges on refunding	-	-	69,121	70,258	69,121	70,258
Liabilities:						
Current and other liabilities	865,342	650,210	1,202,329	985,600	2,067,671	1,635,810
Long term debt outstanding	26,331,031	21,779,374	12,361,661	13,013,580	38,692,692	34,792,954
Total Liabilities	27,196,373	22,429,584	13,563,990	13,999,180	40,760,363	36,428,764
Deferred inflows of resources:						
Unearned revenues - property taxes	2,500,839	2,638,907	-	-	2,500,839	2,638,907
Total Deferred inflows of resources	2,500,839	2,638,907	-	-	2,500,839	2,638,907
Net position:						
Net investment in capital assets	7,471,358	5,637,606	11,888,833	10,329,940	19,360,191	15,967,546
Restricted	1,885,097	1,779,159	-	-	1,885,097	1,779,159
Unrestricted	1,551,737	509,503	2,241,910	1,749,194	3,793,647	2,258,697
Total Net Position	$ 10,908,192	$ 7,926,268	$ 14,130,743	$ 12,079,134	$ 25,038,935	$ 20,005,402

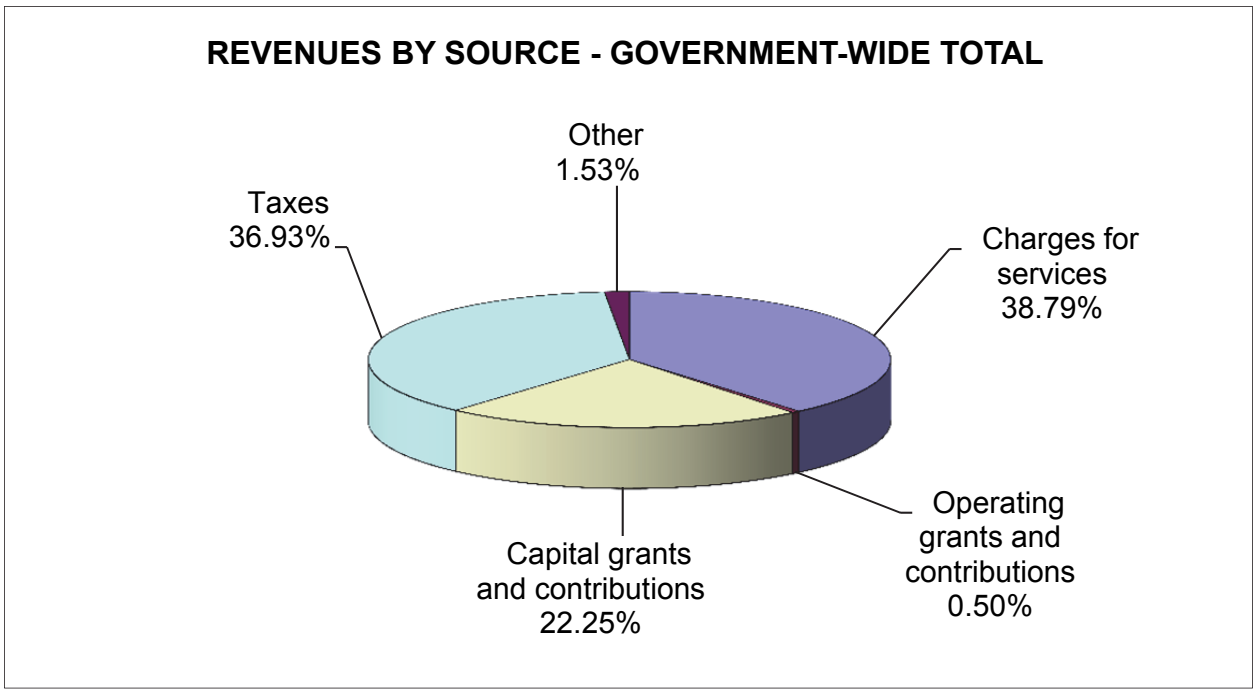
The City reported positive balances in net position for both governmental and business-type activities. During 2013, net position increased $2,981,924 for governmental activities and increased $2,051,609 for business-type activities. The City's overall financial position increased during calendar year 2013.

Note that approximately 62% of the governmental activities' total assets are tied up in capital assets (with 73% of the capital asset cost being depreciable). The City uses these capital assets to provide services to its citizens. Also 82% of the business-type activities assets are tied up in capital assets. Combining governmental activities with business-type activities, the City has invested approximately 70% of its total assets in capital assets, as presented in the Statement of Net Position. Capital assets used in the business-type activities generate revenue for the Water and Sewer Fund.

Summary of Changes in Net Position

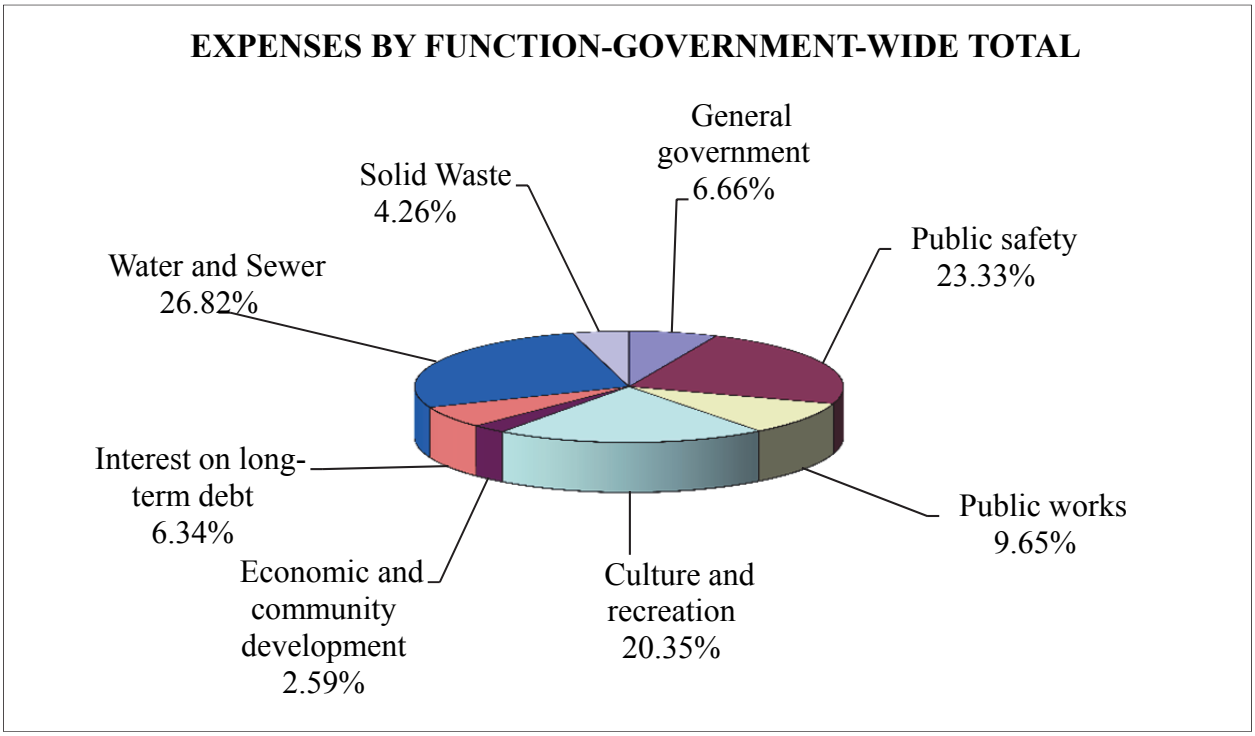
	Governmental Activities		Business-type Activities		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Revenues:						
Program:						
Charges for services	$2,232,572	$1,795,826	$4,596,866	$4,511,341	$6,829,438	$6,307,167
Operating grants and contribution	87,969	41,854	-	-	87,969	41,854
Capital grants and contributions	2,636,662	1,100,353	1,280,581	206,861	3,917,243	1,307,214
General:						
Taxes	6,503,007	5,547,409	-	-	6,503,007	5,547,409
Other	440	210	64	18	504	288
Gain on sale of assets	269,138	2,500	-	-	269,138	2,500
Total revenues	11,729,788	8,488,152	5,877,511	4,718,220	17,607,299	13,206,372
Program Expenses:						
General government	837,543	842,653	-	-	837,543	842,653
Public safety	2,933,920	2,574,105	-	-	2,933,920	2,574,105
Public works	1,212,970	1,320,923	-	-	1,212,970	1,320,923
Culture and recreation	2,559,102	2,349,459	-	-	2,559,102	2,349,459
Economic and community development	325,788	252,916	-	-	325,788	252,916
Interest on long-term debt	796,636	722,402	-	-	796,636	722,402
Water and Sewer	-	-	3,372,529	3,477,284	3,372,529	3,477,284
Solid Waste	-	-	535,278	573,414	535,278	573,414
Total expenses	8,665,959	8,062,458	3,907,807	4,050,698	12,573,766	12,113,156
Revenues over expenses	3,063,829	425,694	1,969,704	667,522	5,033,533	1,093,216
Transfers	(81,905)	14,961	81,905	(14,961)	-	-
Change in net position	2,981,924	440,655	2,051,609	652,561	5,033,533	1,093,216
Beginning net position	7,926,268	7,485,613	12,079,134	11,426,573	20,005,402	18,912,186
Ending net position	$10,908,192	$ 7,926,268	$14,130,743	$12,079,134	$25,038,935	$20,005,402

Total government-wide revenues for 2013 were $17,607,299. These revenues consisted of $6,503,007 in taxes, $3,917,243 in capital grants and contributions, $87,969 in operating grants and contributions, $6,829,438 in charges for services, $504 in other revenues, and $269,138 in gain on sale of assets. Of this amount, $11,729,788 was in governmental activities and $5,877,511 in business-type activities. The chart below depicts further detail of government-wide revenues.



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

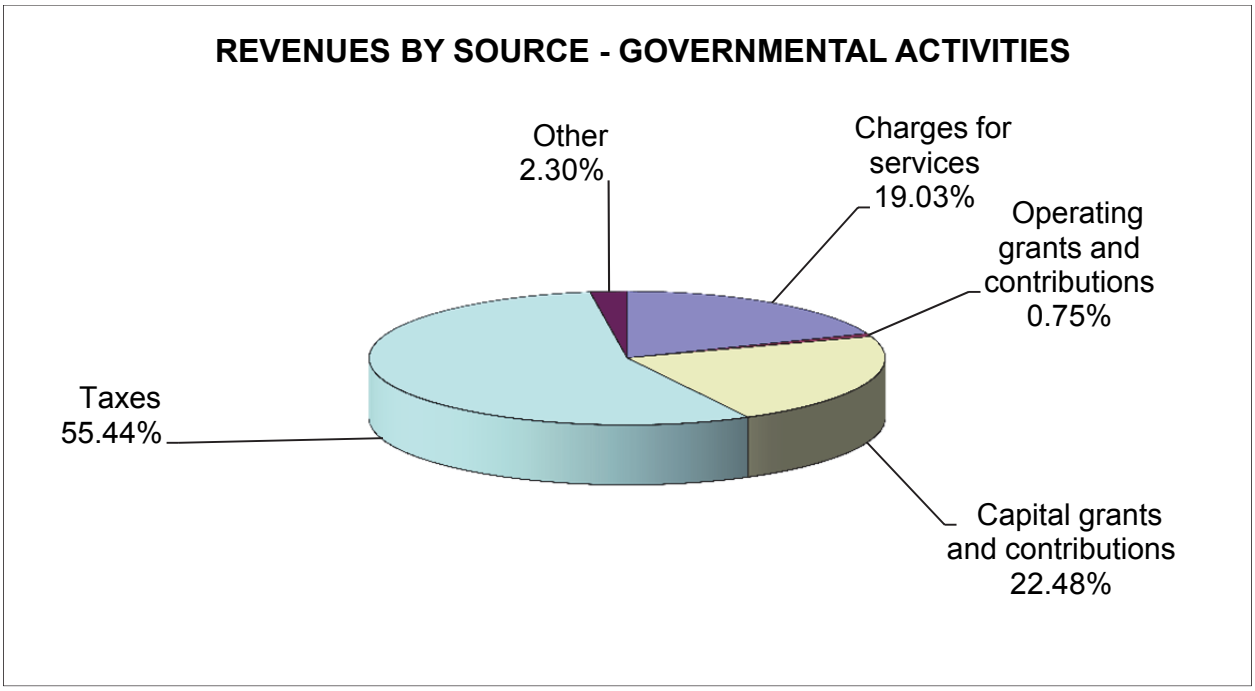
Government-wide expenses for the City were $12,573,766 for 2013, of which $8,665,959 were for governmental activities and $3,907,807 for business-type activities. The chart below depicts further detail of government-wide total expenses.



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

Governmental Activities Revenues

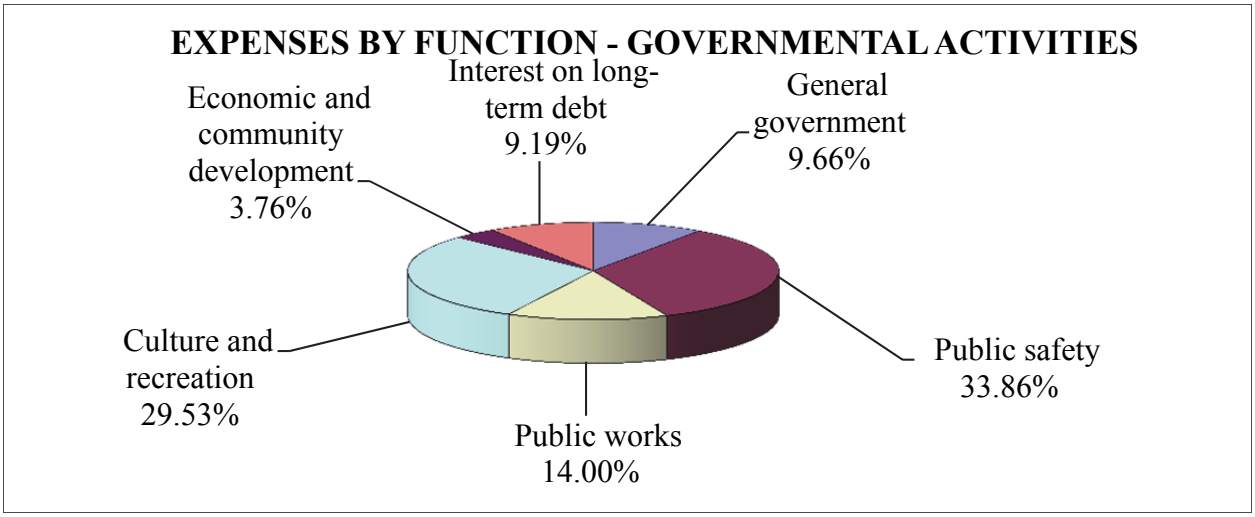
The City's sales and use taxes (which includes the Local Option Sales Tax), one of the General Fund's most significant revenue sources, yielded $495,672 more than in the prior year, due to an increase in the our percentage of distribution of the county-wide sales tax. The total amount of local option sales tax revenue was $1,588,997. The city currently shares 1% taxes on all sales within Jackson County. The Local Option Sales Tax (LOST) is a direct offset to property taxes and is renewed every ten years. The Capital Projects Fund accounts for the other sales tax which is a Special Purpose Local Option Sales Tax (SPLOST) authorized by voter referendum. The SPLOST number four was effective for six years, was approved by the voters on March 15, 2005 with collections starting July 1, 2005 and ended June 30, 2011. The new SPLOST number five, effective for six years, was approved by the voters on November 2, 2010 with collections starting July 1, 2011. The SPLOST tax is for specific capital projects and debt related to capital projects and constitutes a significant portion of the City's ability to fund capital projects in the areas of water and sewerage, road and bridges, recreation, and public safety. A total of $583,158 was expended during 2013 for these capital projects and related debt.



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

Governmental Activities Expenses

Expenses in the governmental activities were $8,665,959 up $603,501 from 2012. The following chart depicts further detail of governmental activities expenses.



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

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

Water and Sewer Fund – The operating revenues in the Water and Sewer Fund increased $74,316 from prior year while non-operating revenues and capital contributions (excluding transfers in) increased by $1,073,766. The increase in non-operating revenue and capital contributions is mainly due to the receipt of grant money for the Water Plant Upgrade Project. Operating expenses decreased by $88,949 from 2012. The decrease in expenses is attributable various expenses decreasing throughout the fund.

Solid Waste Fund – The operating revenue for Solid Waste Fund were up $11,209 from prior year, while operating expenses decreased by $38,136. The revenue in this fund increased due to the receipt of solid waste franchise tax for the first time in 2013. The expense decrease was mainly due to a decrease in the OPEB liability expense recorded in 2013.

FUND ANALYSIS

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $12,016,751 at December 31, 2013 compared to $8,006,516 at December 31, 2012. The increase relates to the following funds.

The increase is due to the Nonmajor Governmental Funds, which increased by $231,736. During the year, the City did not complete various road projects throughout the City as they had done in the previous year. Management is allowing SPLOST funds to accumulate in order to do larger projects in the coming years. The General Fund, fund balance increased by $1,257,894. The increase is due to an increase in the receipt of Local Option Sales Tax, increase in sale of capital assets, increase in charges for services, and an increase in license and permits issued during 2013. The Multi-Grant Fund increased by $96,858 due to grant funds that were given to the City prior to the project being started. The Capital Project Fund also had an increase of $2,423,660, due to the issuance of a new bond for a project. Debt Service Fund changes were nominal.

Of this year-end total, $360,587 is assigned for appropriation of subsequent year's fund balance. There is

$50,000 and $47,472 assigned for improvement of Old Pendergrass Road and Construction of a future new library, respectively. There is $4,757,971 that is unassigned indicating availability for continuing City service delivery requirements. Legally restricted fund balances include $96,858 set aside grant funds for a road project, $679,540 set aside for debt service, $4,678,003 is bond proceeds set aside for approved road projects and Jefferson Station Project, $24,639 is restricted for tourism, $156,756 is restricted for public safety, and $1,164,925 is for use as stated in the SPLOST referendum.

Major Governmental Funds

General Fund – The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by $1,257,894 or 31.8%. The ending unassigned fund balance represents the equivalent of 76.6% of annual expenditures. The increase was due to efforts to control operating costs. Also, the City had an increase in some revenue sources that are driven by population. Jefferson had a 146.6% growth in population per the 2010 Census.

Multi-Grant Fund – The Multi-Grant Fund is used to show grant activity of the City. Fund balance increased by $96,858 from the prior year.

Debt Service – The Debt Service Fund is used to show principal and interest payments made to pay off existing debt. Fund balance increased by $87 from the prior year.

Capital Projects – The Capital Project Fund is used to show payments made toward approved projects for the 2007 Road Bonds and 2013 Jefferson Station Project. Fund balance in this fund increased $2,423,660 due to the issuance of a new bond and payments made on approved projects.

Proprietary Funds

Proprietary fund statements share the same focus as the government-wide financial statements, reporting both short-term and long-term information about financial status. The business-type activities analysis discusses the City's two enterprise funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's revenue budget was amended downwards in 2013 by $121,000 or 1.6%.

Charges for services were decreased by $121,000 due to a reclassification of a revenue that needed to be recognized as a transfer in.

Property taxes came in over budget by $268,556. This was due to City being conservative when budgeting for property tax collection. Due to the declining economy, public officials feared that property tax collection might also see a decrease.

Sales taxes came in over budget by $69,997 due to budget projections being estimated. The City did not have historical numbers to base estimation on. In 2013, the City started receiving a greater percentage of sales tax revenue generated within Jackson County. This increase in percentage was due to the increase in population from the 2010 Census. This number is dependent on sales in area stores.

Franchise fees came in $20,162 over budget. This was the result of receiving additional franchise fees that were not budgeted.

Business taxes came in $34,693 over budget. This was the result of previous year's taxes not being received in a timely manner.

The licenses and permits came in over budget, $124,501, due to the increase in planning and permit fees collected. This number is driven by the issuance of building permits for new homes and new industry developments.

Fines and forfeitures came in slightly under budget by $14,773 due to a decrease in traffic violations and other fines collected being dismissed by the Municipal Court Judge.

Other revenues came in over budget by $228,588, due to the sale of a property easement.

In total, the City recognized 110.8% of the final revenue budget. The General Fund's expenditure budget was increased $23,822 or 0.04%. In total, the City under spent the final expenditure budget by $411,204 or 6.2%.

Differences between the original budget, the final budget, and actual results are shown on page 22.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS: The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2013, were $25,156,148 and $22,735,930; respectively. The change in this net investment was an approximate increase for governmental activities and a decrease for business-type activities. See Note 6 for additional information about changes in capital assets during the calendar year and Note 8 for outstanding debt at the end of the year.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Non-depreciable assets:						
Land	$ 1,659,854	$ 1,613,427	$ 839,450	$ 839,450	$ 2,499,304	$ 2,452,877
Construction in progress	5,229,013	3,269,868	3,003,528	990,783	8,232,541	4,260,651
Total non-depreciable	$ 6,888,867	$ 4,883,295	$ 3,842,978	$ 1,830,233	$ 10,731,845	$ 6,713,528
Depreciable assets:						
Buildings	10,539,445	10,186,107	-	-	10,539,445	10,186,107
Water Distribution	-	-	11,545,558	11,544,808	11,545,558	11,544,808
Sewer Distribution	-	-	16,684,163	16,684,163	16,684,163	16,684,163
Improvements	399,568	399,568	37,020	22,432	436,588	422,000
Machinery and Equipment	3,317,000	3,024,930	570,253	444,870	3,887,253	3,469,800
Infrastructure	10,380,490	8,884,212	-	-	10,380,490	8,884,212
Total depreciable assets	24,636,503	22,494,817	28,836,994	28,696,273	53,473,497	51,191,090
Less accumulated depreciation	6,369,222	5,485,020	9,944,042	9,237,531	16,313,264	14,722,551
Book value – depreciable assets	18,267,281	17,009,797	18,892,952	19,458,742	37,160,233	36,468,539
Percentage depreciated	26%	24%	34%	32%	31%	29%
Total book value	$25,156,148	$21,893,092	$22,735,930	$21,288,975	$47,892,078	$43,182,067

Major capital asset activities in governmental activities in 2013 were:

- Land increased by $46,427 due to the purchase of a piece of property that is associated with the building Regions Bank occupies.

- Construction in progress increased by $1,959,145 due to the Jefferson Station project (new police department and library). Other projects under construction are the MLK Sidewalk Project and Financial Software Project.

- Buildings increase by $353,338 due to the purchase of the building currently occupied by Regions Bank.

- Machinery and equipment increased by $449,616 due to the addition of a new police cars $108,807, the purchase of a brush truck and a new engine for the old brush truck for the street department costing $120,812 and $9,155 respectively, purchase of two fire vehicles and air packs for the fire department, costing $48,884 and $61,308 respectively, and the purchase of a two new vehicles for the recreation department costing $80,000, and two new servers for administration costing $20,650. There was also $157,546 worth of assets removed from the books during the year.

- Infrastructure increased by $1,496,278 due to the MLK Drive Extension and various other smaller road projects.

At December 31, 2013, the depreciable capital assets for governmental activities were 26% depreciated, slightly above the 2012 percentage of 24%. This comparison indicates that the City is replacing its assets at about the same rate as they are depreciating which is a positive indicator.

Major capital asset activities in business-type activities in 2013 were:

- There were additions to construction in progress in the amount of $2,012,745. The projects included Parks Creeks Reservoir and High Rate Water Filter Replacement.

- Additions to Water Distribution in the amount of $750. The project included was the refurbishment of the backwash tank.

- Machinery and equipment increased by $125,383 due to the purchase of a new vehicle, a dump truck, and an excavator.

Long-term Debt

The City's long-term debt increased by approximately $3,899,738 during 2013.

Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue bonds and Intergovernmental contracts payable	$ 21,653,257	$ 15,658,812	$ 11,308,199	$ 12,215,389	$ 32,961,456	$ 27,874,201
Notes payable	249,695	209,236	-	-	249,695	209,236
Capital leases	697,462	2,656,659	121,134	-	818,596	2,656,659
Net pension obligation	-	31,660	-	-	-	31,660
Net OPEB obligation	3,556,154	3,055,340	874,465	751,314	4,430,619	3,806,654
Compensated absences	174,463	167,667	57,863	46,877	232,326	214,544
Total	$ 26,331,031	$ 21,779,374	$ 12,361,661	$13,013,580	$ 38,692,692	$ 34,792,954

During the year, the City issued bonds in relation to the Jefferson Station Project in the amount of $6,710,000 for the purpose of paying off $2,510,000 in outstanding capital lease to the BB&T and $4,200,000 to fund capital improvements for the Jefferson Station project. Additional information on the City's debt is contained in Note 8 beginning on page 43.

ECONOMIC FACTORS

The economies of Jackson County and the City of Jefferson continue to experience moderate growth as the Atlanta market expands northeast up the I-85 corridor. Starting in the 80's, The City of Jefferson has worked hard to develop infrastructure to support commercial and industrial growth. The Mayor and Council work closely with the Jackson County Chamber of Commerce and state-wide developers to bring new commercial and industrial growth to the area. Currently multiple new commercial and residential projects are under construction.

Large Acreage Industrial Parks in Jefferson and the surrounding area include:

1) Walnut Fork Industrial Park
2) McClure Industrial Park
3) Jefferson Mill Business Park
4) Jackson 85 Distribution Park

The Central Jackson Industrial Park serves the needs of smaller acreage businesses and two commercial corridors along the 129 Bypass and Concord Road service the needs of our growing commercial and retail businesses.

The TJX Companies, Inc., the parent company for HomeGoods, TJ Maxx and Marshalls is investing $60 million and currently constructing a new 826,000 sq.ft. distribution facility in the Jackson 85 Distribution Park and will add over 600 jobs.

In the same industrial park, IDI Gazeley, has announced that they will be constructing an approximately 840,000 square-foot state-of-the-art, cross-dock, LEED® Certified Building with 36-foot clear ceiling height as well as offering Opportunity Zone job tax credits. Vertical construction will begin immediately on this 54-acre site, with the building being delivered in the second quarter of 2015. This new facility will be one of the first speculative distribution centers constructed in the Atlanta market since the recession.

Hardee's, Advanced Auto, and Dollar Tree have also joined the list of commercial facilities in Jefferson during the past year.

Top 15 employers in Jackson County in 2013 are listed below:

• Wayne Farms	1100
• Mission Foods	490
• Northridge Medical Center	422
• Baker & Taylor	400
• Kubota Industrial Equipment	400
• Northridge Medical Center	315
• Roper Pump Company	325
• Systemax Inc.	300
• TD Automotive Compressor GA LLC	300
• Tencate Geosynthetics NA	300
• Mayfield Dairy	235
• GENCO/PETCO	217
• Pro Fiew Foods	183
• Kroger	180
• Southeast Toyota	180

Jefferson continues to attract new business and industry. Housing is rebounding with activity in various available subdivisions throughout the city. All of this, along with a good city school system, results in a city with growth on the horizon.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Jefferson's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City's Finance Director at 147 Athens Street, Jefferson, GA 30549.

CITY OF JEFFERSON, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 6,637,518	$ 3,025,736	$ 9,663,254
Receivables, net of allowance for uncollectibles	1,902,494	605,628	2,508,122
Intergovernmental receivable	1,236,043	381,283	1,617,326
Inventory	-	192,218	192,218
Restricted cash and cash equivalents	5,665,505	684,817	6,350,322
Net pension asset	7,696	-	7,696
Capital assets, non-depreciable	6,888,867	3,842,978	10,731,845
Capital assets, depreciable, net of accumulated depreciation	18,267,281	18,892,952	37,160,233
Total assets	40,605,404	27,625,612	68,231,016
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	69,121	69,121
Total deferred outflows of resources	-	69,121	69,121
LIABILITIES			
Accounts payable	355,742	261,328	617,070
Accrued liabilities	509,600	154,842	664,442
Retainage payable	-	171,702	171,702
Unearned revenues	-	350,000	350,000
Customer deposits payable	-	264,457	264,457
Compensated absences, due within one year	135,541	44,953	180,494
Compensated absences, due in more than one year	38,922	12,910	51,832
Net OPEB obligation, due in more than one year	3,556,154	874,465	4,430,619
Intergovernmental contracts payable, due within one year	360,000	-	360,000
Intergovernmental contracts payable, due in more than one year	6,320,000	-	6,320,000
Bonds payable, due within one year	480,000	1,055,000	1,535,000
Bonds payable, due in more than one year	14,493,257	10,253,199	24,746,456
Capital lease payable, due within one year	151,175	30,773	181,948
Capital lease payable, due in more than one year	546,287	90,361	636,648
Notes payable, due within one year	11,506	-	11,506
Notes payable, due in more than one year	238,189	-	238,189
Total liabilities	27,196,373	13,563,990	40,760,363
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues - property taxes	2,500,839	-	2,500,839
Total deferred inflows of resources	2,500,839	-	2,500,839
NET POSITION			
Net investment in capital assets	7,471,358	11,888,833	19,360,191
Restricted for:			
Debt service	679,540	-	679,540
Capital projects	1,024,162	-	1,024,162
Public safety	156,756	-	156,756
Tourism	24,639	-	24,639
Unrestricted	1,551,737	2,241,910	3,793,647
Total net position	$ 10,908,192	$ 14,130,743	$ 25,038,935

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Business-type Activities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 837,543	$ 440,376	$ 52,339	$ -	$ (344,828)	$ -	$ (344,828)
Public safety	2,933,920	728,985	9,958	15,411	(2,179,566)	-	(2,179,566)
Public works	1,212,970	-	-	1,140,122	(72,848)	-	(72,848)
Culture and recreation	2,559,102	781,378	1,200	1,481,129	(295,395)	-	(295,395)
Economic and community development	325,788	281,833	24,472	-	(19,483)	-	(19,483)
Interest on long-term debt	796,636	-	-	-	(796,636)	-	(796,636)
Total governmental activities	8,665,959	2,232,572	87,969	2,636,662	(3,708,756)	-	(3,708,756)
Business-type activities:							
Water and Sewer	3,372,529	4,032,083	-	1,280,581	-	1,940,135	1,940,135
Solid waste	535,278	564,783	-	-	-	29,505	29,505
Total business-type activities	3,907,807	4,596,866	-	1,280,581	-	1,969,640	1,969,640
Total primary government	$ 12,573,766	$ 6,829,438	$ 87,969	$ 3,917,243	$ (3,708,756)	$ 1,969,640	$ (1,739,116)
General revenues:							
Property taxes					3,247,373	-	3,247,373
Sales taxes					1,588,997	-	1,588,997
Franchise taxes					1,135,162	-	1,135,162
Hotel/Motel occupancy tax					32,782	-	32,782
Business taxes					498,693	-	498,693
Unrestricted investment earnings					440	64	504
Gain on sale of capital assets					269,138	-	269,138
Transfers					(81,905)	81,905	-
Total general revenues and transfers					6,690,680	81,969	6,772,649
Change in net position					2,981,924	2,051,609	5,033,533
Net position, beginning of year					7,926,268	12,079,134	20,005,402
Net position, end of year					$ 10,908,192	$ 14,130,743	$ 25,038,935

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

CITY OF JEFFERSON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Major Governmental Funds				Nonmajor	Totals
ASSETS	General	Multi-Grant	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Cash and cash equivalents	$ 5,309,791	$ 88,458	$ -	$ -	$ 1,239,269	$ 6,637,518
Taxes receivable, net	744,820	-	-	-	5,237	750,057
Accounts receivable	1,152,437	-	-	-	-	1,152,437
Intergovernmental receivable	177,657	916,155	-	-	142,231	1,236,043
Due from other funds	830,580	-	-	-	-	830,580
Restricted cash and cash equivalents	-	-	679,540	4,937,235	48,730	5,665,505
Total assets	$ 8,215,285	$ 1,004,613	$ 679,540	$ 4,937,235	$ 1,435,467	$ 16,272,140
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 145,821	$ 80,317	$ -	$ 43,599	$ 86,005	$ 355,742
Accrued liabilities	-	-	-	215,633	-	215,633
Accrued salaries	61,832	-	-	-	-	61,832
Due to other funds	-	827,438	-	-	3,142	830,580
Total liabilities	207,653	907,755	-	259,232	89,147	1,463,787
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue - property taxes	2,500,839	-				2,500,839
Unavailable revenue - property taxes	290,763	-	-	-	-	290,763
Total deferred inflows of resources	2,791,602	-	-	-	-	2,791,602
FUND BALANCES						
Restricted for:						
Debt service	-	-	679,540	-	-	679,540
Tourism	-	-	-	-	24,639	24,639
Public safety	-	-	-	-	156,756	156,756
Capital projects	-	96,858	-	4,678,003	1,164,925	5,939,786
Assigned for:						
Appropriation of subsequent year's fund balance	360,587	-	-	-	-	360,587
Improvement of Old Pendergrass Road	50,000	-	-	-	-	50,000
Future construction of new library	47,472	-	-	-	-	47,472
Unassigned	4,757,971	-	-	-	-	4,757,971
Total fund balances	5,216,030	96,858	679,540	4,678,003	1,346,320	12,016,751
Total liabilities, deferred inflows of resources, and fund balances	$ 8,215,285	$ 1,004,613	$ 679,540	$ 4,937,235	$ 1,435,467	

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 funds.	25,156,148
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	290,763
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(26,555,470)
Net position of governmental activities	$ 10,908,192

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	Major Governmental Funds				Nonmajor Governmental Funds	Totals Governmental Funds
	General	Multi-Grant	Debt Service	Capital Projects		
Revenues						
Taxes:						
Property taxes	$ 2,977,556	$ -	$ -	$ -	$ -	$ 2,977,556
Sales taxes	1,588,997	-	-	-	-	1,588,997
Hotel/Motel occupancy taxes	-	-	-	-	32,782	32,782
Franchise taxes	1,135,162	-	-	-	-	1,135,162
Business taxes	498,693	-	-	-	-	498,693
Licenses and permits	346,501	-	-	-	-	346,501
Intergovernmental	46,906	1,877,247	-	-	770,573	2,694,726
Fines and forfeitures	519,227	-	-	-	83,642	602,869
Charges for services	803,114	-	-	-	-	803,114
Investment earnings	-	-	91	329	20	440
Contributions and donations	29,905	-	-	-	-	29,905
Other revenues	480,088	-	-	-	-	480,088
Total revenues	8,426,149	1,877,247	91	329	887,017	11,190,833
Expenditures						
Current:						
General government	698,206	-	-	-	-	698,206
Public safety	2,342,147	9,958	-	-	52,207	2,404,312
Public works	859,191	588,196	-	-	-	1,447,387
Culture and recreation	2,012,377	1,172,900	-	54,113	-	3,239,390
Economic and community development	294,248	1,200	-	-	10,000	305,448
Capital outlay	-	-	-	2,374,197	139,135	2,513,332
Debt service:						
Principal	1,196	-	3,328,248	-	-	3,329,444
Interest	496	-	775,530	-	-	776,026
Bond issuance costs	-	-	-	141,529	-	141,529
Total expenditures	6,207,861	1,772,254	4,103,778	2,569,839	201,342	14,855,074
Excess (deficiency) of revenues over (under) expenditures	2,218,288	104,993	(4,103,687)	(2,569,510)	685,675	(3,664,241)
Other financing sources (uses):						
Proceeds from sale of capital assets	354,617	-	-	-	-	354,617
Issuance of notes payable	50,000	-	-	-	-	50,000
Capital leases	-	-	-	685,706	-	685,706
Bonds issued	-	-	-	6,710,000	-	6,710,000
Premium on bonds issued	-	-	-	9,456	-	9,456
Discount on bonds issued	-	-	-	(53,398)	-	(53,398)
Transfers in	93,154	-	4,103,774	239,009	-	4,435,937
Transfers out	(1,458,165)	(8,135)	-	(2,597,603)	(453,939)	(4,517,842)
Total other financing sources (uses)	(960,394)	(8,135)	4,103,774	4,993,170	(453,939)	7,674,476
Net change in fund balances	1,257,894	96,858	87	2,423,660	231,736	4,010,235
Fund balances, beginning of year	3,958,136	-	679,453	2,254,343	1,114,584	8,006,516
Fund balances, end of year	$ 5,216,030	$ 96,858	$ 679,540	$ 4,678,003	$ 1,346,320	$ 12,016,751

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

CITY OF JEFFERSON, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2013

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

Net change in fund balances - total governmental funds	$	4,010,235
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		3,348,535
The net effect of various miscellaneous transactions involving capital assets (i.e. sale of capital assets and donated capital assets) is to decrease net position.		(85,479)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		269,817
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(4,072,320)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(488,864)
Change in net position - governmental activities	$	2,981,924

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

CITY OF JEFFERSON, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 2,709,000	$ 2,709,000	$ 2,977,556	$ 268,556
Sales taxes	1,519,000	1,519,000	1,588,997	69,997
Franchise taxes	1,115,000	1,115,000	1,135,162	20,162
Business taxes	464,000	464,000	498,693	34,693
Licenses and permits	222,000	222,000	346,501	124,501
Intergovernmental	34,500	34,500	46,906	12,406
Fines and forfeitures	534,000	534,000	519,227	(14,773)
Charges for services	880,000	759,000	803,114	44,114
Contributions and donations	-	-	29,905	29,905
Other revenues	251,500	251,500	480,088	228,588
Total revenues	7,729,000	7,608,000	8,426,149	818,149
Expenditures:				
Current:				
General government	773,090	773,090	698,206	74,884
Public safety:				
Police	2,081,012	2,081,012	1,866,809	214,203
Fire	520,300	520,047	475,338	44,709
Total public safety	2,601,312	2,601,059	2,342,147	258,912
Public works	909,857	909,045	859,191	49,854
Culture and recreation:				
Recreation	330,427	326,314	308,350	17,964
Parks	1,409,230	1,421,230	1,413,216	8,014
Libraries	283,602	283,602	268,488	15,114
Payments to other agencies	7,500	24,500	22,323	2,177
Total culture and recreation	2,030,759	2,055,646	2,012,377	43,269
Economic and Community Development	280,225	280,225	294,248	(14,023)
Debt service:				
Principal	-	-	1,196	(1,196)
Interest	-	-	496	(496)
Total public safety	-	-	1,692	(1,692)
Total expenditures	6,595,243	6,619,065	6,207,861	411,204
Excess of revenues over expenditures	1,133,757	988,935	2,218,288	1,229,353
Other financing sources (uses):				
Proceeds from sale of capital assets	5,000	481,584	354,617	(126,967)
Issuance of notes payable	-	-	50,000	50,000
Transfers in	17,000	207,950	93,154	(114,796)
Transfers out	(1,591,324)	(2,134,267)	(1,458,165)	676,102
Total other financing sources (uses)	(1,569,324)	(1,444,733)	(960,394)	484,339
Net change in fund balances	(435,567)	(455,798)	1,257,894	1,713,692
Fund balances, beginning of year	3,958,136	3,958,136	3,958,136	-
Fund balances, end of year	$ 3,522,569	$ 3,502,338	$ 5,216,030	$ 1,713,692

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

CITY OF JEFFERSON, GEORGIA

MULTI-GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ -	$ 3,006,187	$ 1,877,247	$ (1,128,940)
Total revenues	-	3,006,187	1,877,247	(1,128,940)
Expenditures:				
Current:				
Public safety	-	10,000	9,958	42
Public works	-	1,077,130	588,196	488,934
Culture and recreation	-	1,917,857	1,172,900	744,957
Economic and community development	-	1,200	1,200	-
Total expenditures	-	3,006,187	1,772,254	1,233,933
Excess of revenues over expenditures	-	-	104,993	104,993
Other financing uses:				
Transfers out	-	-	(8,135)	(8,135)
Total other financing uses	-	-	(8,135)	(8,135)
Net changes in fund balances	-	-	96,858	96,858
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	$ -	$ -	$ 96,858	$ 96,858

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

ASSETS	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	$ 2,910,115	$ 115,621	$ 3,025,736
Accounts receivable, net	514,616	91,012	605,628
Intergovernmental receivable	381,283	-	381,283
Inventory	192,218	-	192,218
Restricted cash	684,817	-	684,817
Total current assets	4,683,049	206,633	4,889,682
NONCURRENT ASSETS			
Capital assets:			
Nondepreciable	3,842,978	-	3,842,978
Depreciable assets, net of accumulated depreciation	18,879,093	13,859	18,892,952
Total noncurrent assets	22,722,071	13,859	22,735,930
Total assets	27,405,120	220,492	27,625,612
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	69,121	-	69,121
Total deferred outflows of resources	69,121	-	69,121
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	222,460	38,868	261,328
Accrued salaries	13,079	745	13,824
Accrued interest	141,018	-	141,018
Unearned revenue	350,000	-	350,000
Retainage payable	171,702	-	171,702
Compensated absences payable, current	43,586	1,367	44,953
Customer deposits payable	264,457	-	264,457
Capital leases payable, current	30,773	-	30,773
Bonds payable, current	1,055,000	-	1,055,000
Total current liabilities	2,292,075	40,980	2,333,055
NONCURRENT LIABILITIES			
Compensated absences payable	12,517	393	12,910
Capital leases payable	90,361	-	90,361
Net OPEB obligation	816,167	58,298	874,465
Bonds payable	10,253,199	-	10,253,199
Total noncurrent liabilities	11,172,244	58,691	11,230,935
Total liabilities	13,464,319	99,671	13,563,990
NET POSITION			
Net investment in capital assets	11,874,974	13,859	11,888,833
Unrestricted	2,134,948	106,962	2,241,910
Total net position	$ 14,009,922	$ 120,821	$ 14,130,743

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds		
OPERATING REVENUES	**Water and Sewer Fund**	**Solid Waste Fund**	**Totals**
Charges for services:			
Water charges	$ 2,648,821	$ -	$ 2,648,821
Sewer charges	1,314,089	-	1,314,089
Refuse collection charges	-	551,702	551,702
Miscellaneous revenue	69,173	13,081	82,254
Total operating revenues	4,032,083	564,783	4,596,866
OPERATING EXPENSES			
Personal services and benefits	966,634	59,802	1,026,436
Purchased and contracted services	764,654	474,407	1,239,061
Supplies	636,869	340	637,209
Depreciation and amortization	694,729	729	695,458
Total operating expenses	3,062,886	535,278	3,598,164
Operating income	969,197	29,505	998,702
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	64	-	64
Interest expense and fiscal agent fees	(309,643)	-	(309,643)
Total non-operating revenues (expenses)	(309,579)	-	(309,579)
Income before contributions and transfers	659,618	29,505	689,123
Capital contributions - tap fees	125,270	-	125,270
Capital contributions - grants	1,155,311	-	1,155,311
Transfers in	179,184	-	179,184
Transfers out	(19,400)	(77,879)	(97,279)
	1,440,365	(77,879)	1,362,486
Change in net position	2,099,983	(48,374)	2,051,609
NET POSITION, beginning of year	11,909,939	169,195	12,079,134
NET POSITION, end of year	$ 14,009,922	$ 120,821	$ 14,130,743

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 3,681,591	$ 566,010	$ 4,247,601
Payments to vendors	(1,193,376)	(475,085)	(1,668,461)
Payments to or on behalf of employees	(837,550)	(50,820)	(888,370)
Net cash provided by operating activities	1,650,665	40,105	1,690,770
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(19,400)	(77,879)	(97,279)
Net cash used in non-capital financing activities	(19,400)	(77,879)	(97,279)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on notes and bonds payable	(899,250)	-	(899,250)
Proceeds from long-term borrowings	125,384	-	125,384
Capital contributions from other funds	179,184	-	179,184
Capital contributions from tap fees	125,270	-	125,270
Capital contributions from other governments	1,155,311	-	1,155,311
Interest paid	(318,989)	-	(318,989)
Purchases of capital assets	(2,138,878)	(14,588)	(2,153,466)
Net cash used in capital and related financing activities	(1,771,968)	(14,588)	(1,786,556)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	64	-	64
Net cash provided by investing activities	64	-	64
Net decrease in cash and cash equivalents	(140,639)	(52,362)	(193,001)
Cash and cash equivalents, beginning of year	3,735,571	167,983	3,903,554
Cash and cash equivalents, end of year	$ 3,594,932	$ 115,621	$ 3,710,553
Reconciliation to the statement of net position			
Cash and cash equivalents	$ 2,910,115	$ 115,621	$ 3,025,736
Restricted cash	684,817	-	684,817
Total	$ 3,594,932	$ 115,621	$ 3,710,553
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 969,197	$ 29,505	$ 998,702
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	694,729	729	695,458
Change in assets and liabilities:			
(Increase) decrease in accounts and intergovernmental receivables	(374,635)	1,227	(373,408)
Decrease in inventory	9,806	-	9,806
Increase (decrease) in accounts payable	30,635	(338)	30,297
Increase in accrued salaries	3,776	153	3,929
Increase in retainage payable	167,706	-	167,706
Increase in compensated absences	10,367	619	10,986
Increase in Net OPEB obligation	114,941	8,210	123,151
Increase in customer deposits payable	24,143	-	24,143
Net cash provided by operating activities	$ 1,650,665	$ 40,105	$ 1,690,770

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2013

ASSETS	Agency Fund
Cash	$ 14,033
Total assets	$ 14,033
LIABILITIES	
Due to other agencies	$ 14,033
Total liabilities	$ 14,033

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Jefferson (the "City") was incorporated in 1806 under a Mayor-Council form of government. The City provides such services as police protection, fire and rescue services, parks and recreation amenities, planning and zoning, municipal court services, public works, water and sewer services, sanitation services, and general and administrative services.

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Units

Blended component units, although also legally separate entities, are in substance, part of the City's operations, and data from these units are combined with the data of the City of Jefferson.

The Public Building Authority of the City of Jefferson was established as a legally separate entity on April 16, 1999. The five (5) members of the Public Building Authority are appointed by the Mayor and City Council and they may also be removed by the Mayor and City Council. Although it is legally separate from the City, the Public Building Authority is reported as if it were a part of the primary government because its sole purpose is to provide a means to issue revenue bonds for buildings owned by the City.

The Downtown Development Authority of the City of Jefferson was established as a legally separate entity on October 9, 2000. The seven (7) members of the Downtown Development Authority are appointed by the Mayor and City Council and they may also be removed by the Mayor and City Council. Although it is legally separate from the City, the Downtown Development Authority is reported as if it were a part of the primary government because its sole purpose is to revitalize and redevelop the central business districts of the City in order to develop and promote for the public good and general welfare trade, commerce, industry, and employment opportunities. As of December 31, 2013, the Downtown Development Authority did not have any material activity during the year other than issuing debt on behalf of the City.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. (For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position will include non-current assets, deferred outflows of resources, non-current liabilities, and deferred inflows of resources. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It is used to account for resources traditionally associated with the City, which are not required legally or by sound financial management to be accounted for in a different fund.

The ***Multi-Grant Fund*** is used to account for the funds received from external sources as they relate to grants awarded to the City. Matching funds, which are the City's responsibility, are also recorded within this fund. These funds are restricted by Federal and State law.

The ***Debt Service Fund*** accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest associated with general government functions.

The ***Capital Projects Fund*** accounts for the acquisition and construction of capital expenditures, other than those accounted for in specific funds, which are not financed by the proprietary funds. Also, this fund is used to account for the proceeds from the issuance of the 2013A and 2013B revenue bonds in the amount of $6,070,000 and $640,000, respectively, which will be used to pay a portion of the costs of prepaying the outstanding principal payments and accrued interest due under the 2012 Installment Sale Agreement and the costs of constructing, installing, and equipping a portion of certain improvements to a portion of the Jefferson Station facilities.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The City aggregates other nonmajor governmental funds in a single column in the fund financial statements.

The City reports the following major enterprise funds:

The ***Water and Sewer Fund*** accounts for the operation of the water and sewerage system including all revenues from sources applicable to the system's operations and all expenses of the operation.

The ***Solid Waste Fund*** accounts for the activities associated with the collection of residential and commercial garbage. Activity is rendered on a user charge basis.

Additionally, the City reports the following fund types:

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

The ***Agency Fund*** is used to account for assets held by the City's Municipal Court until they can be disbursed to other parties.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and *the accrual basis* of accounting, as are the proprietary and fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Other taxes are recognized predominately when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current period, however grant revenues are considered to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, sales taxes, franchise taxes, hotel/motel occupancy taxes, business taxes, licenses, intergovernmental revenue, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year to the extent recognition criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

In accounting and reporting for its proprietary operations, the City applies all Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for goods and services. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds, except the capital projects funds, which adopt project-length budgets. All appropriations lapse at year end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

E. Deposits and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other State; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of State or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

F. Interfund Receivables and Payables

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

G. Inventory

Inventories are valued at lower of cost or market using the first-in, first-out method. When applicable, the cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased.

Note 1. Summary of Significant Accounting Policies (Continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items in both government-wide and fund financial statements.

I. Restricted Assets

Proceeds of various issuances of bonds are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is limited by applicable bond covenants. In addition, monies held in the Confiscated Assets Fund as federal confiscations are restricted until released to the appropriate authority.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Exceptions, include software which has a capitalization threshold of $20,000 and infrastructure which varies from $25,000-$100,000, depending on the nature of the infrastructure: roads, bridges/culverts and parking lots- $100,000; storm drains, sidewalks, bike paths/greenway trails- $50,000; traffic signals- $60,000; water/sewer lines- $25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation. As allowed under GASB Statement No. 34, the City did not capitalize any infrastructure purchased or donated prior to the implementation of GASB Statement No. 34.

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

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings and building improvements	10-60
Machinery, equipment, and vehicles	5-20
Water and sewer treatment facilities	60
Infrastructure	15-50

Estimated useful lives are adjusted by category according to asset longevity to ensure classes of asset are not fully depreciated and still in use.

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows/Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of January 1, 2012. These standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only two (2) types of items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and other sources as these amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. Additionally, the governmental funds balance sheet and the government-wide statement of net position will report unearned property tax revenues as a deferred inflow of resources as the amount represents property taxes which have been received or are receivable as of the balance sheet date but which are meant to fund expenditures for the upcoming year and thus will be recognized as revenue in the period for which they were levied.

L. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The maximum vacation accrual is limited to 30 days. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Note 1. Summary of Significant Accounting Policies (Continued)

M. Long-term Obligations

In the government-wide financial statements and the proprietary funds 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the Fund Equity section (Footnote 1.O). All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

For purposes of calculating net position net investment in capital assets, for the Governmental Activities, the amount of $7,471,358 as shown in the financial statements was determined by taking capital assets ($25,156,148) less total outstanding debt of $22,600,414 (which includes capital leases payable, notes payable, and bonds payable) plus unspent bond proceeds of $4,915,624 reported as part of the restricted cash reported in the Capital Projects Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Equity

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

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

Fund balances are classified as follows:

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

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

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a formal vote of the City Council (passage of a resolution). The same formal action is required to subsequently remove or modify a commitment of fund balance.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not nonspenable, restricted or committed. The City Council has expressly delegated to the City's City Manager and Finance Director the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. In addition, any remaining deficits in the City's governmental funds which remain after all other fund balances have been exhausted are classified as unassigned.

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

Note 1. Summary of Significant Accounting Policies (Continued)

P. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

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

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $26,555,470 difference are as follows:

Intergovernmental contract payable	$ (6,680,000)
Revenue bonds payable	(15,045,000)
Plus: Unamortized premium (to be amortized as interest expense)	(9,456)
Less: Unamortized discount (to be amortized as interest expense)	81,199
Capital lease payable	(697,462)
Notes payable	(249,695)
Accrued interest payable	(232,135)
Compensated absences	(174,463)
Net pension asset	7,696
Net OPEB obligation	(3,556,154)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (26,555,470)

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $3,348,535 difference are as follows:

Capital outlay	$	4,351,342
Depreciation expense		(1,002,807)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$	3,348,535

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $4,072,320 difference are as follows:

Principal repayments:		
Intergovernmental contract payable	$	345,000
Revenue bonds		330,000
Capital leases		2,644,903
Notes payable		9,541
Issuance of bonds		(6,710,000)
Plus: bond issuance premium		(9,456)
Less: bond issuance discount		53,398
Issuance of notes payable		(50,000)
Initiation of capital lease		(685,706)
Net adjustment to decrease *net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities*	$	(4,072,320)

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

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

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $488,864 difference are as follows:

Compensated absences	$	(6,796)
Amortization of discount		(3,387)
Accrued interest		(17,223)
Net pension obligation		39,356
Net OPEB obligation		(500,814)
Net adjustment to decrease *net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities*	$	(488,864)

Note 3. Stewardship, Compliance, and Accountability

Budgetary Information

The appropriated budget is prepared by fund, department, and function. Public hearings are conducted to obtain taxpayer comments. Prior to December 31, each year the budget is legally enacted by passage of an ordinance. The City's department heads may make transfers of appropriations within departmental accounts of a specific fund. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund.

The following funds had departments with excess of actual expenditures over appropriations for the year ended December 31, 2013:

General Fund - Economic and Community Development	14,023
General Fund - Debt Service- Principal	1,196
General Fund - Debt Service- Interest	496
Multi-Grant Fund - Transfers Out	8,135
Debt Service Fund - Debt Service- Interest	9,241

These over expenditures were funded by greater than anticipated revenues and by available fund balance. The City will monitor the budget more closely in the future and amend the budgets as necessary.

Note 4. Deposits

Custodial risk, that is the risk associated with uninsured deposits, uninsured securities, or securities not registered in the City's name, is managed in accordance with the City's policy through a safekeeping agreement with an external party. State Statutes and City policy require all deposits and investments (other than Federal or State instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. All deposits as of December 31, 2013 were properly collateralized.

Note 5. Receivables

The City receives property tax assessments from Jackson County, Georgia. Property taxes are levied on property values assessed as of January 1. Tax bills were levied on all real and personal property and mailed to taxpayers as of October 10. The due date for these taxes was December 20th, and after that date, both penalty and interest are accrued until the taxes are collected. The taxes are subject to lien after March 20th. Property taxes are recorded as receivables and unearned revenues when assessed. Taxes levied in one year are for the subsequent year. Accordingly, property taxes levied during 2013 are for the year 2014. Amount recorded as a receivable as well as amounts collected as of December 31, 2013 related to these taxes are recorded as deferred inflows of resources – unearned property taxes in the fund financial statements and the government wide statement of net position.

Receivables as of year-end for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Multi-Grant	Water and Sewer	Solid Waste	Nonmajor Funds
Receivables:					
Taxes	$ 812,797	$ -	$ -	$ -	$ 5,237
Accounts	1,182,202	-	686,045	121,019	-
Intergovernmental	177,657	916,155	381,283	-	142,231
Less allowance for uncollectibles	(97,742)	-	(171,429)	(30,007)	-
Net total receivables	$ 2,074,914	$ 916,155	$ 895,899	$ 91,012	$ 147,468

Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,613,427	$ 92,965	$ (46,538)	$ 1,659,854
Construction in progress	3,269,868	3,375,519	(1,416,374)	5,229,013
Total assets, not being depreciated	4,883,295	3,468,484	(1,462,912)	6,888,867
Capital assets, being depreciated:				
Buildings	10,186,107	353,338	-	10,539,445
Improvements	399,568	-	-	399,568
Machinery and equipment	3,024,930	449,616	(157,546)	3,317,000
Infrastructure	8,884,212	1,496,278	-	10,380,490
Total assets, being depreciated	22,494,817	2,299,232	(157,546)	24,636,503
Less accumulated depreciation for:				
Buildings	(2,556,074)	(349,607)	-	(2,905,681)
Improvements	(132,182)	(20,957)	-	(153,139)
Machinery and equipment	(2,005,477)	(292,333)	118,605	(2,179,205)
Infrastructure	(791,287)	(339,910)	-	(1,131,197)
Total accumulated depreciation	(5,485,020)	(1,002,807)	118,605	(6,369,222)
Total assets, being depreciated, net	17,009,797	1,296,425	(38,941)	18,267,281
Governmental activities capital assets, net	$ 21,893,092	$ 4,764,909	$ (1,501,853)	$ 25,156,148
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 839,450	$ -	$ -	$ 839,450
Construction in progress	990,783	2,012,745	-	3,003,528
Total assets, not being depreciated	1,830,233	2,012,745	-	3,842,978
Capital assets, being depreciated:				
Water distribution	11,544,808	750	-	11,545,558
Sewer distribution	16,684,163	-	-	16,684,163
Improvements	22,432	14,588	-	37,020
Machinery and equipment	444,870	125,383	-	570,253
Total assets, being depreciated	28,696,273	140,721	-	28,836,994
Less accumulated depreciation for:				
Water distribution	(4,054,691)	(256,185)	-	(4,310,876)
Sewer distribution	(4,804,253)	(404,031)	-	(5,208,284)
Improvements	(5,920)	(1,477)	-	(7,397)
Machinery and equipment	(372,667)	(44,818)	-	(417,485)
Total accumulated depreciation	(9,237,531)	(706,511)	-	(9,944,042)
Total assets, being depreciated, net	19,458,742	(565,790)	-	18,892,952
Business-type activities capital assets, net	$ 21,288,975	$ 1,446,955	$ -	$ 22,735,930

Note 6. Capital Assets (Continued)

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

Governmental activities:		
General government	$	48,062
Public safety		278,460
Public works		341,128
Recreation		325,330
Economic and community development		9,827
Total depreciation expense - governmental activities	$	1,002,807
Business-type activities:		
Water and sewer	$	705,782
Solid waste		729
Total depreciation expense - business-type activities	$	706,511

Construction Commitments

In addition to the liabilities enumerated in the balance sheet at December 31, 2013, the City has contractual commitments on uncompleted construction contracts of approximately $2,967,230 for various projects including improvements to a wastewater transfer facility and improvements to Jefferson Station.

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

The composition of inter-fund balances as of December 31, 2013, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	
General fund	Nonmajor governmental funds	$	3,142
General fund	Multi-Grant fund		827,438
Total		$	830,580

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system, inter-fund goods and services are provided or reimbursable expenditures occur, and payments between funds are made.

Note 7. Inter-fund Receivables, Payables, and Transfers (Continued)

Inter-fund transfers for the year ended December 31, 2013:

	Transfers Out						
Transfers in	General Fund	Multi-Grant Fund	Capital Projects Fund	Water & Sewer Fund	Solid Waste Fund	Nonmajor governmental funds	Total
General Fund	$ -	$ 8,135	$ 40,950	$ 19,400	$ 5,000	$ 19,669	$ 93,154
Debt Service Fund	1,294,432	-	2,556,653	-	-	252,689	4,103,774
Capital Projects Fund	163,733	-	-	-	72,879	2,397	239,009
Water & Sewer Fund	-	-	-	-	-	179,184	179,184
Total	$ 1,458,165	$ 8,135	$ 2,597,603	$ 19,400	$ 77,879	$ 453,939	$ 4,615,121

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due, 2) move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Note 8. Long-term Debt

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Intergovernmental contract payable	$ 7,025,000	$ -	$ (345,000)	$ 6,680,000	$ 360,000
Bonds payable:					
Revenue bonds	8,665,000	6,710,000	(330,000)	15,045,000	480,000
Plus issuance premium	-	9,456	-	9,456	-
Less issuance discount	(31,188)	(53,398)	3,387	(81,199)	-
Net bonds payable	8,633,812	6,666,058	(326,613)	14,973,257	480,000
Notes payable	209,236	50,000	(9,541)	249,695	11,506
Capital leases	2,656,659	685,706	(2,644,903)	697,462	151,175
Net pension obligation	31,660	165,221	(196,881)	-	-
Net OPEB obligation	3,055,340	532,895	(32,081)	3,556,154	-
Compensated absences	167,667	132,399	(125,603)	174,463	135,541
Governmental activities Long-term liabilities	$ 21,779,374	$ 8,232,279	$ (3,680,622)	$ 26,331,031	$ 1,138,222

Note 8. Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 12,155,000	$ -	$ (895,000)	$ 11,260,000	$ 1,055,000
Plus premium	60,389	-	(12,190)	48,199	-
Net bonds payable	12,215,389	-	(907,190)	11,308,199	1,055,000
Capital leases	-	125,384	(4,250)	121,134	30,773
Net OPEB obligation	751,314	131,039	(7,888)	874,465	-
Compensated absences	46,877	47,289	(36,303)	57,863	44,953
Business-type activities Long-term liabilities	$ 13,013,580	$ 303,712	$ (955,631)	$ 12,361,661	$ 1,130,726

For governmental activities, compensated absences and the Net OPEB obligations are predominately liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the Water and Sewer Fund and the Solid Waste Fund and the Net OPEB obligation is liquidated by the Water and Sewer Fund.

Intergovernmental Contracts Payable

Governmental Activities

The City of Jefferson entered into an intergovernmental contract, dated August 1, 2007, with Jackson County in which the County agreed to provide funds to the City for road projects in the City limits and the City agreed to repay to the County the principal amount of $7,985,000 and interest with rates ranging from 3.75% to 4.75%. The amount of the intergovernmental contracts payable outstanding as of December 31, 2013 is $6,680,000.

Note 8. Long-term Debt (Continued)

Governmental Activities (Continued)

Revenue Bonds

On April 1, 2007, the City of Jefferson Public Building Authority issued 2007A and 2007B refunding revenue bonds in the amount of $8,620,000 and $660,000, respectively, to refund a portion of the City of Jefferson Public Building Authority 2002 and 2005 notes and the 2004 general obligation Park and Recreation Facilities bond series and the City of Jefferson Public Building Authority Fire Station Project Series 1999.

The net proceeds of the refunding revenue bond issuance were irrevocably deposited in escrow with Regions Bank, as escrow agent. The escrow obligations will bear interest and will be scheduled to mature at times sufficient to pay the principal and interest on the refunding Fire Station project bonds until January 2019, the earliest date of redemption. At December 31, 2013, the amount of the defeased bonds outstanding is $980,000 and neither the escrow account nor the defeased bonds are recorded on the City's Statement of Net Position.

The refunding bonds, maturing in April 2030, have interest rates that range from 3.6% to 5.0%. The amount of refunding revenue bonds outstanding at December 31, 2013 is $8,335,000.

On October 1, 2013, the City of Jefferson Public Building Authority issued 2013A and 2013B revenue bonds in the amount of $6,070,000 and $640,000, respectively, to pay a portion of the costs of prepaying the outstanding principal payments and accrued interest due under the 2012 Installment Sale Agreement and the costs of constructing, installing, and equipping a portion of certain improvements to a portion of the Jefferson Station facilities.

The revenue bonds, maturing in April 2033, have interest rates that range from 2.0% to 4.1%. The amount of revenue bonds outstanding at December 31, 2013 is $6,710,000.

Business-type Activities

On May 14, 2009, the City issued Refunding Revenue Bonds (Water and Sewer Facilities Project) in the amount of $6,375,000 for the purpose of refunding $3,935,000 of the Series 1998 Water and Sewer Revenue Bonds outstanding and $2,751,473 in outstanding loans to the Georgia Environmental Finance Authority. The outstanding balance of these revenue bonds at December 31, 2013 is $3,980,000.

On May 16, 2012, the City issued Revenue Bonds (Water and Sewer Facilities Project) in the amount of $7,560,000 for the purpose of paying off $6,346,122 in outstanding loans to the Georgia Environmental Finance Authority and $1,213,878 to fund capital improvements for the Jefferson Station project. These bonds carry interest rates ranging from 1.45% to 3.25% which are payable on January 15 and July 15 of each year and matures on January 15, 2032. The outstanding balance of these revenue bonds at December 31, 2013 is $7,280,000.

Note 8. Long-term Debt (Continued)

Annual debt service requirements to maturity for intergovernmental contracts payable are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2014	$ 360,000	$ 292,114
2015	375,000	276,814
2016	390,000	262,283
2017	405,000	246,683
2018	420,000	229,875
2019-2023	2,395,000	868,455
2024-2027	2,335,000	272,861
Total	$ 6,680,000	$ 2,449,085

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	$ 480,000	$ 540,793	$ 1,055,000	$ 292,208
2015	635,000	526,185	1,085,000	261,695
2016	655,000	504,930	1,120,000	230,845
2017	685,000	482,200	1,145,000	201,370
2018	700,000	456,805	1,165,000	170,849
2019-2023	3,860,000	1,915,389	2,945,000	573,824
2024-2028	4,610,000	1,153,277	2,385,000	224,975
2029-2032	3,420,000	272,420	360,000	22,749
Total	$ 15,045,000	$ 5,851,999	$ 11,260,000	$ 1,978,515

Notes Payable

Governmental Activities

On July 21, 2009, the GEFA Board awarded the City of Jefferson a $545,000 loan with 60% principal forgiveness. The proceeds of the loan were used for the Civic Center Parking Lot (Green) project. The outstanding balance of these notes payable at December 31, 2013 is $200,891.

On April 15, 2013, the Department of Community Affairs awarded the City of Jefferson a $50,000 loan. The proceeds of the loan were used for the renovation of the building at 55 College Street in downtown Jefferson. The outstanding balance of these notes payable at December 31, 2013 is $48,804.

Note 8. Long-term Debt (Continued)

The debt service requirements to maturity on the City's notes payable are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2014	$ 11,506	$ 6,863
2015	11,826	6,543
2016	12,155	6,214
2017	12,494	5,875
2018	12,843	5,526
2019-2023	86,989	21,926
2024-2028	61,655	10,885
2029-2031	40,227	1,848
Total	$ 249,695	$ 65,680

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of recreation equipment, 15 Lee Street building and land, police vehicles, and a fire truck, which are used in governmental activities. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. The fire truck lease has an original amount of $250,886, matures March 15, 2014, bears an interest rate of 3.27%, and requires quarterly principal and interest payments of $13,576. A vehicle lease has an original amount of $65,203, matures April 24, 2014, bears an interest rate of 2.96% and requires quarterly payments of principal and interest in the amount of $5,671. The recreation equipment lease has an original amount of $60,205, matures January 24, 2014, bears an interest rate of 1.5% and requires annual payments of principal and interest in the amount of $15,620. The brush truck lease has an original amount of $120,812, matures December 9, 2018, bears an interest rate of 2.7% and requires quarterly payments of principal and interest in the amount of $6,478. The recreation van lease has an original amount of $17,500, matures February 19, 2016, bears an interest rate of 3.25% and requires quarterly payments of principal and interest in the amount of $1,536. The recreation bus lease has an original amount of $62,500, matures February 19, 2016, bears an interest rate of 3.25% and requires quarterly payments of principal and interest in the amount of $5,487. Another vehicle lease has an original amount of $33,175, matures December 9, 2016, bears an interest rate of 2.7% and requires quarterly payments of principal and interest in the amount of $2,887. Another vehicle lease has an original amount of $36,270, matures August 16, 2016, bears an interest rate of 2.85% and requires quarterly payments of principal and interest in the amount of $3,157. Another vehicle lease has an original amount of $36,965, matures August 16, 2016, bears an interest rate of 2.85% and requires quarterly payments of principal and interest in the amount of $3,217. The fire vehicle lease has an original amount of $32,500, matures August 16, 2016, bears an interest rate of 2.85% and requires quarterly payments of principal and interest in the amount of $2,829. The 15 Lee Street Project lease has an original amount of $345,960, matures December 20, 2023, bears an interest rate of 4.2% and requires monthly payments of principal and interest in the amount of $2,594 and a final payment of principal and interest in the amount of $142,759.

Note 8. Long-term Debt (Continued)

At December 31, 2013, the outstanding balances on these leases are $13,490; $15,052; $11,215; $120,812; $13,283; $47,439; $33,175; $33,286; $33,924; $29,826; and $345,960, respectively, and the cost and accumulated depreciation of the assets acquired under capital lease are $1,062,000 and $132,178, respectively.

The City has also entered into lease agreements as lessee for financing the acquisition of water and sewer equipment, which are used in business-type activities. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. The excavator lease has an original amount of $30,070, matures August 16, 2016, bears an interest rate of 2.85%, and requires quarterly principal and interest payments of $2,617. The water and sewer truck lease has an original amount of $21,572, matures August 16, 2016, bears an interest rate of 2.85%, and requires quarterly principal and interest payments of $1,878. The dump truck lease has an original amount of $73,742, matures December 9, 2018, bears an interest rate of 2.7%, and requires quarterly principal and interest payments of $3,954. At December 31, 2013, the outstanding balances on these leases are $27,595; $19,797; and $73,742, respectively, and the cost and accumulated depreciation of the assets acquired under capital lease are $125,384 and $13,178, respectively.

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

Year Ending December 31,	Governmental Activities	Business-type Activities
2014	$ 174,034	$ 33,795
2015	133,497	33,795
2016	103,222	29,300
2017	57,040	15,816
2018	57,040	15,816
2019-2023	295,874	-
	820,707	128,522
Less: interest	(123,245)	(7,388)
Total	$ 697,462	$ 121,134

Conduit Debt

On August 1, 2007, the City of Jefferson Public Building Authority (the "Authority") issued $48,580,000 in Series 2007A and Series 2007B Revenue Bonds on behalf of Jackson County (the "County") to provide funds for the construction of major road projects in the County and within the City. The Series 2007 Bonds are special limited obligations of the Authority and thus the City is not obligated directly for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Total amount of these bonds outstanding as of December 31, 2013 is $26,730,000.

Note 9. Pension Plan

Plan Description

The City, as authorized by the City Council, has established a non-contributory defined benefit pension plan (The City of Jefferson Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. City Council has the governing authority to establish and amend from time to time, the contribution rates of the employer and its Plan members. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, employees working a minimum of thirty hours per week are eligible for participation after one year of continuous service. Employees are vested after five years of credited service. Elected officials are vested immediately.

At July 1, 2013, the date of the most recent actuarial valuation, there were 121 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	21
Terminated vested participants not yet receiving benefits	26
Active vested employees	52
Active nonvested employees	22
Total	121

Funding Policy

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2013, the actuarially determined contribution rate was 6.81% of covered payroll.

Note 9. Pension Plan (Continued)

Annual Pension Cost

For 2013, the City's recommended contribution was $162,766 and actual contribution totaled $204,577. The recommended contribution was determined as part of the July 1, 2012 actuarial valuations using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increases of 3.5%. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this Plan year. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

The City's actuarially required contribution, pension cost, and decrease in net pension obligation for the year ended December 31, 2013, were computed as follows:

Actuarially required contribution	$ 162,766
Interest	2,455
Annual pension cost	165,221
Actual contributions made	(204,577)
Decrease in net pension obligation	(39,356)
Net pension obligation, December 31, 2012	31,660
Net pension asset, December 31, 2013	$ (7,696)

The information presented below is based on the annual actuarial valuation as of July 1, 2013. Additional funding progress history is presented in the required supplementary section.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2013	$ 2,772,762	$ 2,990,904	$ 218,142	92.71 %	$ 2,641,226	8.26 %

Note 9. Pension Plan (Continued)

Annual Pension Cost (Continued)

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2013.

The assumptions used in the July 1, 2013 actuarial valuation are as follows:

Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.5% plus age and service based merit increases
Cost-of-living Adjustment	0.0%
Amortization Method	Closed level dollar for remaining unfunded liability.
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.

The chart below shows the annual pension cost for the current year and prior two years along with the percentage actually contributed by the City.

Year Ended December 31,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
2013	$ 165,221	$ 204,577	123.8 %	$ (7,696)
2012	158,108	155,831	98.6	31,660
2011	156,764	154,651	98.7	29,383

Note 10. Other Post-employment Benefits

Plan Description

The City of Jefferson Post-Retirement Health Plan (the "OPEB Plan") is a single-employer defined benefit post-retirement health care and dental plan, or other post-employment benefit (OPEB) Plan. The City has not elected to advance fund the Plan, but rather maintains the Plan on a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. As a result, the OPEB plan does not issue a stand-alone financial report.

At January 1, 2012, the date of the most recent actuarial valuation, there were 83 participants consisting of the following:

Retirees	6
Active employees not yet eligible to retire	77
Total	83

Benefits

Eligible retirees and former employees are offered the same health, prescription drug, and dental coverage as active employees. The City pays 100% of the retiree premium for the PPO or POS health insurance plan and 100% of the premium for the dental plan. Retirees cannot add spouses or dependents to the City's insurance plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year for the PPO plan and $1,000 for the POS plan. There is an unlimited lifetime maximum for the PPO plan and POS plan.

Eligibility

Employees are eligible for Other Post-Employment Benefits provided that the employee retires from active employment and satisfies one of the following:

1. Attainment of age 62 and the completion of 15 years of service; or
2. Completion of 30 years of continuous service

City Contributions

The annual required contribution for the current year was determined as part of the January 1, 2012, actuarial valuation. The actuarial assumptions included:

Actuarial Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Not applicable
Assumed Rate of Return on Investments	4.0%
Healthcare Cost Trend Rate – PPO and POS Plans	8.0%
Healthcare Cost Trend Rate – Dental Plan	5.0%
Ultimate Healthcare Cost Trend Rate – PPO and POS Plans	5.0%
Ultimate Healthcare Cost Trend Rate – Dental Plan	4.0%
Year of Ultimate Trend Rate	2021
Amortization Method	Level dollar, closed
Remaining Amortization Period	30 years

Note 10. Other Post-employment Benefits (Continued)

City Contributions (Continued)

The following is a schedule of funding progress using the projected unit credit cost method. As of the most recent valuation date, January 1, 2012, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2012 *	$ -	$ 3,662,682	$ 3,662,682	- %	N/A	N/A %

* - Most recent actuarial valuation date

N/A – Not available

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2012.

The City meets the requirements for using the alternative measurement method as permitted by Governmental Accounting Standards Board Statement (GASB) 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The City used the services of an actuary to determined its annual OPEB cost and net OPEB obligation. The actuary followed the basic parameters of GASB 45 in determining the OPEB liability and required contribution amounts.

Annual OPEB Cost

The City's actuarially determined contribution, OPEB cost and increase in net OPEB obligation for the year ended December 31, 2013, is as follows:

Annual required contribution	$ 663,933
Interest adjustment	152,266
Amortization adjustment	(152,266)
Annual OPEB cost	663,933
Contributions made	(39,968)
Increase in net OPEB obligation	623,965
Net OPEB obligation, beginning of year	3,806,654
Net OPEB obligation, end of year	$ 4,430,619

Note 10. Other Post-employment Benefits (Continued)

Annual OPEB Cost (Continued)

The recommended contribution was determined as part of the January 1, 2012 actuarial valuation. The chart below shows the annual pension cost for the current year, along with the percentage actually contributed by the City. The Council established and may amend the funding policy for the OPEB Plan.

Schedule of Employer Costs and Contributions

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of ARC Contributed	Net OPEB Obligation
December 31, 2011	$ 1,065,570	$ 25,930	2.43 %	$ 3,179,993
December 31, 2012	663,933	37,272	5.61	3,806,654
December 31, 2013	663,933	39,968	6.02	4,430,619

Note 11. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in the twelve county northeast Georgia area, is a member of the Northeast Georgia Regional Commission (RC) and is required to pay annual dues thereto. During the current year ended December 31, 2013, the City paid $9,432 in such dues. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of a RC. RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RC. Separate financial statements may be obtained from the Northeast Georgia Regional Commission, 305 Research Drive, Athens, Georgia 30605.

Note 12. Related Organizations

The Jefferson Housing Authority (the “Authority”) is an independent non-profit corporation. The City’s Council is responsible for appointing the board members of the Jefferson Housing Authority. However, the City has no further accountability for the Authority. The Authority issues its own financial statements and the separate statements may be obtained from the Jefferson Housing Authority, 29 Jefferson Terrace, Jefferson, Georgia 30549.

Note 13. Risk Management

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

Note 13. Risk Management (Continued)

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

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

Settled claims in the past three (3) years have not exceeded insurance coverage.

Note 14. Contingent Liabilities

Litigation:
The City is involved in pending lawsuits in the normal course of the City's business. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grant Contingencies:
The City has received grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

Note 15. Hotel/Motel Occupancy Tax

The City imposes a hotel/motel tax on lodging facilities within the City. The tax is assessed at 5%. Revenues were $32,782 for the year ended December 31, 2013. Of this amount 60%, or $19,669, was transferred to the General Fund in accordance with O.C.G.A. 48-13-51. The remaining 40%, or $13,113, was, or will be, used to promote tourism.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JEFFERSON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN AND OPEB
SCHEDULES OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule of Funding Progress - Retirement Plan (Pension)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2013	$ 2,772,762	$ 2,990,904	$ 218,142	92.71 %	$ 2,641,226	8.26 %
7/1/2012	2,594,115	2,761,454	167,339	93.94	2,327,992	7.19
7/1/2011	2,489,288	2,718,675	229,387	91.56	2,129,981	10.77
7/1/2010	2,332,687	2,551,938	219,251	91.41	2,202,288	9.96

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2009	$ -	$ 5,868,938	$ 5,868,938	- %	$ N/A	N/A %
1/1/2012 *	-	3,662,682	3,662,682	-	N/A	N/A

Note: See assumptions used for the Schedule of Funding Progress in Note 10 to the financial statements.

* Most recent actuarial valuation date

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Hotel/Motel Fund – This fund is used to account for the occupancy tax collected by the City from area hotels and motels, and distributed based upon State statute. Funds are restricted by State laws.

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

Capital Projects Fund

Capital Projects Funds are used to account for the acquisition and construction of major items, such as buildings, infrastructure, parks, streets, and other major capital facilities.

SPLOST Fund – This fund accounts for the acquisition and construction of capital expenditures provided by a one-cent special local option sales tax approved by voters.

CITY OF JEFFERSON, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

ASSETS	Special Revenue Funds: Hotel/ Motel	Special Revenue Funds: Confiscated Assets	Capital Projects Fund: SPLOST	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 22,544	$ 161,849	$ 1,054,876	$ 1,239,269
Taxes receivable	5,237	-	-	5,237
Intergovernmental receivable	-	-	142,231	142,231
Restricted cash	-	48,730	-	48,730
Total assets	$ 27,781	$ 210,579	$ 1,197,107	$ 1,435,467
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ 53,823	$ 32,182	$ 86,005
Due to other funds	3,142	-	-	3,142
Total liabilities	3,142	53,823	32,182	89,147
FUND BALANCES				
Restricted for:				
Capital projects	-	-	1,164,925	1,164,925
Tourism	24,639	-	-	24,639
Public safety	-	156,756	-	156,756
Total fund balances	24,639	156,756	1,164,925	1,346,320
Total liabilities and fund balances	$ 27,781	$ 210,579	$ 1,197,107	$ 1,435,467

CITY OF JEFFERSON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Hotel/ Motel	Confiscated Assets	SPLOST	
Revenues:				
Hotel/Motel occupancy taxes	$ 32,782	$ -	$ -	$ 32,782
Fines and forfeitures	-	83,642	-	83,642
Intergovernmental	-	-	770,573	770,573
Investment earnings	-	20	-	20
Total revenues	32,782	83,662	770,573	887,017
Expenditures:				
Current:				
Public safety	-	40,057	12,150	52,207
Economic and community development	10,000	-	-	10,000
Capital outlay	-	-	139,135	139,135
Total expenditures	10,000	40,057	151,285	201,342
Excess of revenues over expenditures	22,782	43,605	619,288	685,675
Other financing uses:				
Transfers out	(19,669)	(2,397)	(431,873)	(453,939)
Total other financing uses	(19,669)	(2,397)	(431,873)	(453,939)
Net change in fund balances	3,113	41,208	187,415	231,736
Fund balances, beginning of year	21,526	115,548	977,510	1,114,584
Fund balances, end of year	$ 24,639	$ 156,756	$ 1,164,925	$ 1,346,320

CITY OF JEFFERSON, GEORGIA
HOTEL/MOTEL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Hotel/Motel occupancy taxes	$ 20,000	$ 29,670	$ 32,782	$ 3,112
Total revenues	20,000	29,670	32,782	3,112
Expenditures:				
Current:				
Economic and community development	8,000	10,000	10,000	-
Total expenditures	8,000	10,000	10,000	-
Excess of revenues over expenditures	12,000	19,670	22,782	3,112
Other financing uses:				
Transfers out	(12,000)	(19,670)	(19,669)	1
Total other financing uses	(12,000)	(19,670)	(19,669)	1
Net changes in fund balances	-	-	3,113	3,113
Fund balances, beginning of year	21,526	21,526	21,526	-
Fund balances, end of year	$ 21,526	$ 21,526	$ 24,639	$ 3,113

CITY OF JEFFERSON, GEORGIA
CONFISCATED ASSETS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Fines and forfeitures	$ 30,000	$ 42,538	$ 83,642	$ 41,104
Investment earnings	-	-	20	20
Total revenues	30,000	42,538	83,662	41,124
Expenditures:				
Current:				
Public safety	30,000	40,140	40,057	83
Total expenditures	30,000	40,140	40,057	83
Excess of revenues over expenditures	-	2,398	43,605	41,207
Other financing uses:				
Transfers out	-	(2,398)	(2,397)	1
Total other financing uses	-	(2,398)	(2,397)	1
Net changes in fund balances	-	-	41,208	41,207
Fund balances, beginning of year	115,548	115,548	115,548	-
Fund balances, end of year	$ 115,548	$ 115,548	$ 156,756	$ 41,207

CITY OF JEFFERSON, GEORGIA
DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Investment earnings	$ -	$ -	$ 91	$ 91
Total revenues	-	-	91	91
Expenditures:				
Debt service:				
Principal	1,054,343	3,564,343	3,328,248	236,095
Interest	719,636	766,289	775,530	(9,241)
Total expenditures	1,773,979	4,330,632	4,103,778	226,854
Deficiency of revenues under expenditures	(1,773,979)	(4,330,632)	(4,103,687)	226,945
Other financing sources:				
Transfers in	1,773,979	4,330,632	4,103,774	(226,858)
Total other financing sources	1,773,979	4,330,632	4,103,774	(226,858)
Net change in fund balances	-	-	87	87
Fund balances, beginning of year	679,453	679,453	679,453	-
Fund balances, end of year	$ 679,453	$ 679,453	$ 679,540	$ 87

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2013

SPLOST IV:	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures
Roads, streets, bridges, and storm water management facilities	$ 1,426,221	$ 1,492,963	$ 1,423,803	$ 69,160	$ 1,492,963
Cultural, historical and recreation facilities	740,894	776,979	776,979	-	776,979
Public safety facilities	55,567	59,486	56,930	2,556	59,486
Water and sewer facilities	1,481,788	1,559,884	1,559,885	-	1,559,885
SPLOST IV Total	$ 3,704,470	$ 3,889,312	$ 3,817,597	$ 71,716	$ 3,889,313
SPLOST V:					
Roads, streets, bridges, and storm water management facilities	$ 1,179,588	$ 1,179,588	$ -	$ 69,975	$ 69,975
Cultural, historical and recreation facilities	1,626,853	1,626,853	367,346	252,689	620,035
Public safety facilities	81,651	81,651	-	9,594	9,594
Water and sewer facilities	1,179,588	1,179,588	24,827	179,184	204,011
SPLOST V Total	$ 4,067,680	$ 4,067,680	$ 392,173	511,442	$ 903,615
Total SPLOST Expenditures				$ 583,158	

Reconciliation of the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds to the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds:

Current Expenditures - Public Safety (Repairs & Maintenance)	$ 12,150
Capital Outlay	139,135
Transfer Out (see note below)	431,873
Total	$ 583,158

Note: The transfer out from the SPLOST Fund to the Debt Service Fund was made to pay part of the debt service payments on the Park and Recreation Facilities Bonds (which were refunded by the 2007 A&B Refunding Revenue Bonds). The transfer out from the SPLOST Fund to the Water and Sewer Fund was made to pay part of the Wastewater Transfer/Collection Project and Parks Creek Reservoir Project.

AGENCY FUND

Agency funds are used to account for assets held by the City as an agent for individuals or other agencies.

Municipal Court Fund – To account for the collection and disbursement of funds by the Municipal Court.

CITY OF JEFFERSON, GEORGIA

MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	December 31, 2012	Additions	Deductions	December 31, 2013
ASSETS				
Cash	$ 17,495	$ 164,152	$ 167,614	$ 14,033
Total assets	$ 17,495	$ 164,152	$ 167,614	$ 14,033
LIABILITIES				
Due to other agencies	$ 17,495	$ 164,152	$ 167,614	$ 14,033
Total liabilities	$ 17,495	$ 164,152	$ 167,614	$ 14,033

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Jefferson, Georgia** (the "City") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2013-001, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Jefferson, Georgia's Response to the Finding

The City of Jefferson, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Jefferson, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 25, 2014

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Jefferson, Georgia's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Jefferson, Georgia's major federal programs for the year ended December 31, 2013. The City of Jefferson, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Jefferson, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jefferson, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Jefferson, Georgia's compliance.

Basis for Qualified Opinion on the Appalachian Local Development District Assistance Grant

As described in the accompanying schedule of findings and questioned costs, the City of Jefferson, Georgia did not comply with requirements regarding CFDA 23.009 Appalachian Local Development District Assistance Grant as described in finding number 2013-002 for the Davis Bacon Act. Compliance with such requirements is necessary, in our opinion, for the City of Jefferson, Georgia to comply with the requirements applicable to that program.

Qualified Opinion on the Appalachian Local Development District Assistance Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Jefferson, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Appalachian Local Development District Assistance Grant for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Jefferson, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013.

Other Matters

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Jefferson, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Jefferson, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson, Georgia's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, as item 2013-002, to be a material weakness.

The City of Jefferson, Georgia's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Jefferson, Georgia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope or our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 25, 2014

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Grantor/Pass-Through Program Title	CFDA Number	Agency or Pass-through Grantor Number	Expenditures
U.S. Department of Commerce			
Direct Award			
Investment for Public Works and Economic Development Facilities	11.300	04-01-06477	$ 1,001,383
Total U.S. Department of Commerce			1,001,383
U.S. Department of Housing and Urban Development			
Passed through the Georgia Depaartment of Community Affairs			
CDBG - EIP Systemax Grant	14.228	11q-x-078-2-5433	153,927
Total U.S. Department of Housing and Urban Development			153,927
Appalachian Regional Commission			
Passed through Georgia Department of Transportation			
Appilachian Local Development District Assistance Grant	23.009	CSAPD-0008-00(565)	604,832
Total Appalachian Regional Commission			604,832
Total Expenditures of Federal Awards			$ 1,760,142

See accompanying note to Schedule of Expenditures of Federal Awards.

CITY OF JEFFERSON, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jefferson, Georgia (the "City") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	X yes ____ no
Significant deficiencies identified?	____ yes X no
Noncompliance material to financial statements noted?	____ yes X no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	X yes ____ no
Significant deficiencies identified?	____ yes X none reported
Type of auditor's report issued on compliance for major programs	Qualified – Appalachian Local Development Assistance CFDA # 23.009 Unmodified – Investment for Public Works and Economic Development Facilities CFDA # 11.300
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	X yes ____ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
11.300	Investment for Public Works and Economic Development Facilities
23.009	Appalachian Local Development Assistance

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

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS

2013-001 Segregation of Duties - Repeat

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: The size of the City's accounting and administrative staff precluded internal controls that would be preferred if the office staff were large enough, to provide optimum segregation of duties. Appropriate segregation of duties was not noted within the following areas of the City: cash receipting, recording and reconciliation process; revenue and receivable recording; accounts payable and expense/expenditure recording; personnel and payroll recording; grant recording; inventory and capital asset maintenance; and debt and debt service expenditures.

Context/Cause: Although the small size of the City's staff limits the segregation of duties, it is important that incompatible duties be assigned to different individuals and/or compensating controls implemented. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction.

Effects: Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We recommend the City segregate duties and/or implement compensating controls in the key areas noted above.

Auditee's Response: We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties.

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2013-002 Davis Bacon Act

Program: Appalachian Regional Commission (CFDA No. 23.009)
CFDA Program Title: Appalachian Local Development District Assistance Grant
Grant Number: CSAPD-0008-00(565)

Criteria: Non-federal entities shall include in their construction contracts, subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contacts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Condition: Internal controls were not sufficient to enable the City to obtain the weekly certified payrolls as required.

Context/Cause: During our testing, we were not able to obtain the certified payroll documents from the City for the one contractor used for the activity of this program.

Effects: The City did not obtain the weekly certified payrolls, and as such, the City was non-compliant with the requirements of the Davis Bacon Act.

Questioned Costs: $555,358.

Recommendation: Certified payroll reports, when the Davis Bacon Act applies, should be obtained from contractors prior to payment of the invoice.

Auditee's Response: We concur. The City has implemented procedures to ensure all certified payroll information is being obtained.

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION IV
PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None reported.