CITY OF JEFFERSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

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FINANCIAL SECTION

MAULDIN & JENKINS

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Jefferson, Georgia** as of and for the year ended December 31, 2015, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jefferson, Georgia as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 9 and 16, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of January 1, 2015. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

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 4-17, the Schedule of Changes in the City's Net Pension Liability and Related Ratios on page 62, the Schedule of City Contributions on page 63 and Schedule of Funding Progress on page 64 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, 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 48-8-121, 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 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 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 28, 2016 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 28, 2016

CITY OF JEFFERSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

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, 2015. 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $12,263,931 (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 $9,533,066, 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 $1,648,210 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net position of $1,082,655 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 $9,949,104 this year. This compared to the prior year ending fund balance of $9,186,840 showing an increase of $762,264 during the current year.

- At the end of the current calendar year, the unassigned fund balance for the General Fund was $4,634,492 or 70.9% 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 18 and 19 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 (7) 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 and Debt Service Fund, all of which are considered to be major funds. Data from the other five (5) 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 20 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 $29,511,938. The following table provides a summary of the City's net position:

Summary of Net Position

Primary Government:	Governmental Activities		Business-type Activities		Total	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
Assets:						
Current and other assets	$ 13,522,930	$ 12,374,813	$ 7,688,650	$ 4,998,011	$ 21,211,580	$ 17,372,824
Capital Assets	27,156,746	27,980,108	30,365,305	23,437,800	57,522,051	51,417,908
Total Assets	40,679,676	40,354,921	38,053,955	28,435,811	78,733,631	68,790,732
Deferred outflows of resources	912,049	962,249	86,709	100,110	998,758	1,062,359
Liabilities:						
Current and other liabilities	484,637	450,764	1,069,722	977,196	1,554,359	1,427,960
Long term debt outstanding	25,822,943	26,544,230	19,794,789	11,613,715	45,617,732	38,157,945
Total Liabilities	26,307,580	26,994,994	20,864,511	12,590,911	47,172,091	39,585,905
Deferred inflows of resources	3,020,214	2,634,415	28,146	-	3,048,360	2,634,415
Net position:						
Net investment in capital assets	9,533,066	9,177,157	14,306,566	13,550,666	23,839,632	22,727,823
Restricted	1,648,210	1,756,619	-	-	1,648,210	1,756,619
Unrestricted	1,082,655	753,985	2,941,441	2,394,344	4,024,096	3,148,329
Total Net Position	$ 12,263,931	$ 11,687,761	$ 17,248,007	$ 15,945,010	$ 29,511,938	$ 27,632,771

The City reported positive balances in net position for both governmental and business-type activities. During 2015, net position increased $576,170 for governmental activities and increased $1,302,997 for business-type activities. The City's overall financial position increased during calendar year 2015.

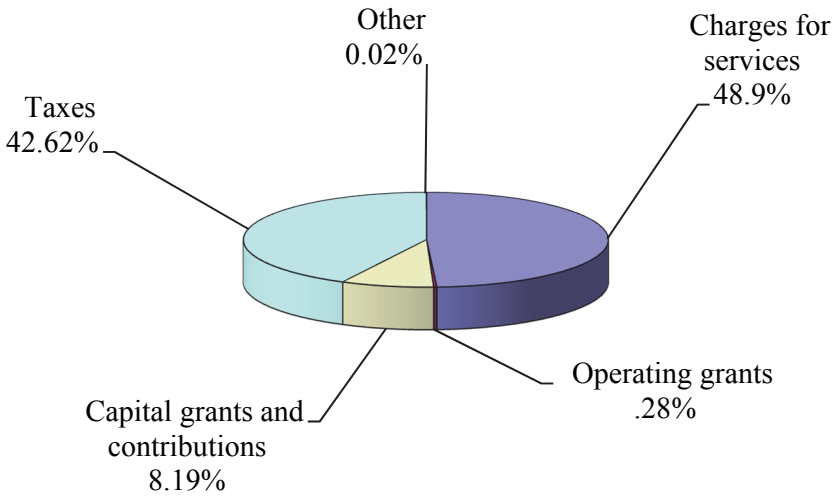
Note that approximately 67% of the governmental activities' total assets are tied up in capital assets (with 93% of the capital asset cost being depreciable). The City uses these capital assets to provide services to its citizens. Also 80% of the business-type activities assets are tied up in capital assets. Combining governmental activities with business-type activities, the City has invested approximately 73% 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	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
Revenues:						
Program:						
Charges for services	$2,328,205	$2,205,647	$5,196,370	$5,053,263	$7,524,575	$7,258,910
Operating grants and contribution	42,723	96,106	-	-	42,723	96,106
Capital grants and contributions	797,940	2,240,923	461,999	614,857	1,259,939	2,855,780
General:						
Taxes	6,557,967	6,421,806	-	-	6,557,967	6,421,806
Other	185	355	196	74	381	429
Gain on sale of assets	2,842	-	-	-	2,842	-
Total revenues	9,729,862	10,964,837	5,658,565	5,668,194	15,388,427	16,633,031
Program Expenses:						
General government	699,175	988,246	-	-	699,175	988,246
Public safety	3,232,895	2,976,623	-	-	3,232,895	2,976,623
Public works	1,248,635	1,235,076	-	-	1,248,635	1,235,076
Culture and recreation	2,775,586	2,625,742	-	-	2,775,586	2,625,742
Economic and community development	413,043	297,646	-	-	413,043	297,646
Interest on long-term debt	683,522	1,008,061	-	-	683,522	1,008,061
Water and Sewer	-	-	3,879,422	3,501,551	3,879,422	3,501,551
Solid Waste	-	-	576,982	548,734	576,982	548,734
Total expenses	9,052,856	9,131,394	4,456,404	4,050,285	13,509,260	13,181,679
Revenues over expenses	677,006	1,833,443	1,202,161	1,617,909	1,879,167	3,451,352
Transfers	(100,836)	(378,352)	100,836	378,352	-	-
Change in net position	576,170	1,455,091	1,302,997	1,996,261	1,879,167	3,451,352
Beginning net position, as previously reported	11,687,761	10,908,192	15,945,010	14,130,743	27,632,771	25,038,935
Restatement –see footnotes 16/17	-	(675,522)	-	(181,994)	-	(857,516)
Ending net position	$12,263,931	$11,687,761	$17,248,007	$15,945,010	$29,,511,938	$27,632,771

Total government-wide revenues for 2015 were $15,388,427. These revenues consisted of $6,557,967 in taxes, $1,259,939 in capital grants and contributions, $42,723 in operating grants and contributions, $7,524,575 in charges for services, and $381 in other revenues. Of this amount, $9,729,862 was in governmental activities and $5,658,565 in business-type activities. The chart below depicts further detail of government-wide revenues.

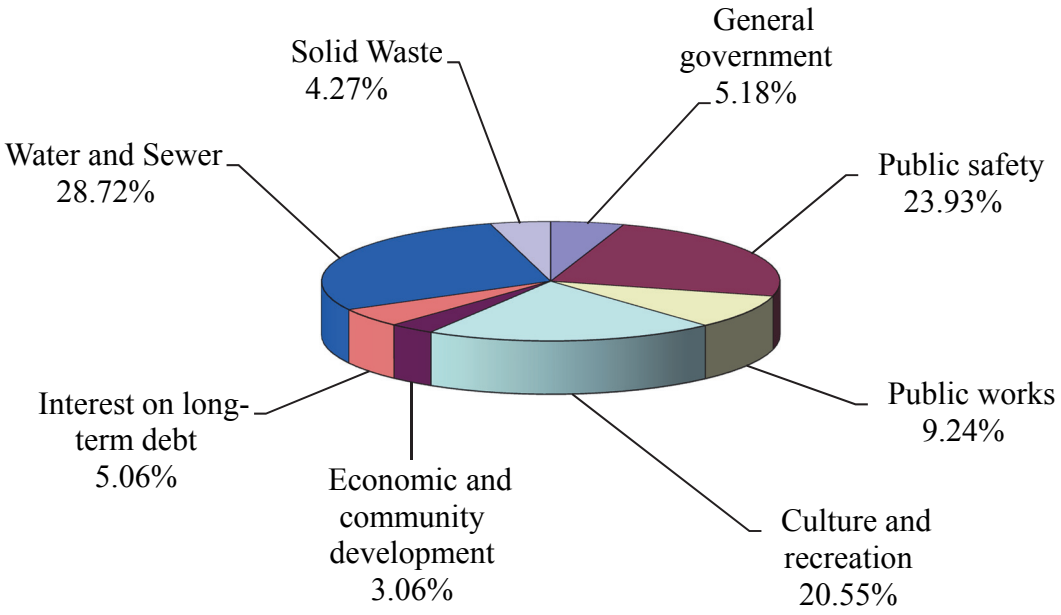
REVENUES BY SOURCE - GOVERNMENT-WIDE ACTIVITY



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

Government-wide expenses for the City were $13,509,260 for 2015, of which $9,052,856 were for governmental activities and $4,456,404 for business-type activities. The chart below depicts further detail of government-wide total expenses.

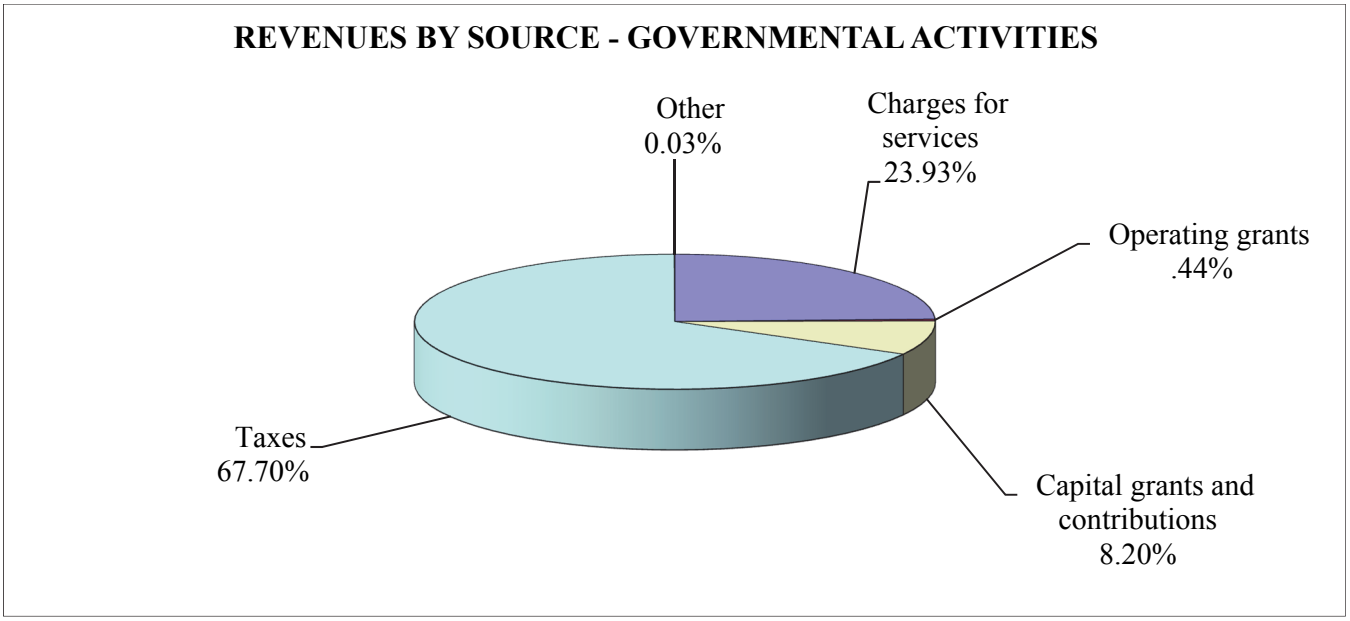
EXPENSES BY FUNCTION-GOVERNMENT-WIDE ACTIVITY



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

Governmental Activities Revenues

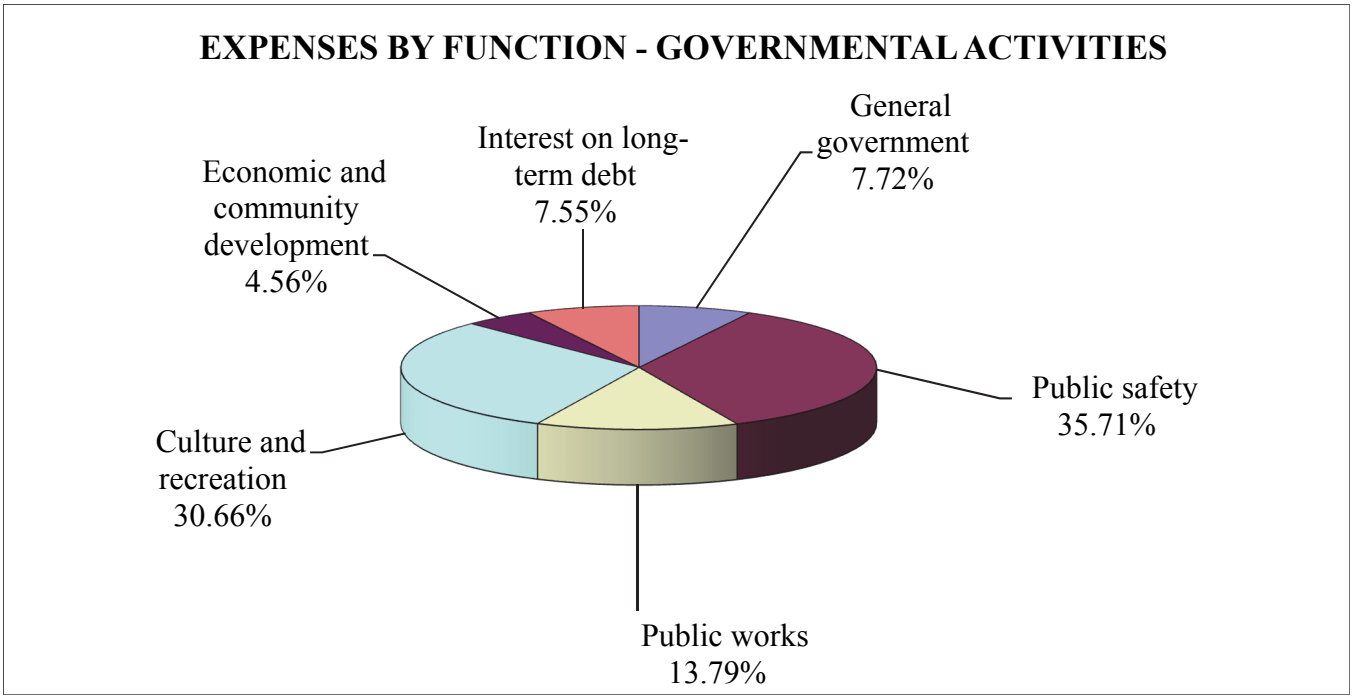
The City's sales and use taxes (which includes the Local Option Sales Tax), one of the General Fund's most significant revenue sources, yielded $38,554 less than in the prior year, due to an decrease in sales throughout the County. The total amount of local option sales tax revenue was $1,457,636. The 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 $817,443 was expended during 2015 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 $9,052,856 down $78,538 from 2014. 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 $104,318 from prior year while non-operating revenues and capital contributions (excluding transfers in) decreased by $152,736. The decrease in non-operating revenue and capital contributions is mainly due to the decrease in grant money received in the current year. Operating expenses increased by $94,888 from 2014. The increase in expenses is attributable to the increase in water purchases from Jackson County Water & Sewer Authority. The City's water plant had to be shut down in order to do upgrades scheduled at the plant.

Solid Waste Fund – The operating revenue for Solid Waste Fund were up $38,789 from prior year, while operating expenses increased by $28,248. The revenue in this fund increased due to receipt of more solid waste franchise tax and increase in customer base. The expense increase was mainly due to an increase in customer base.

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 $9,949,104 at December 31, 2015 compared to $9,186,840 at December 31, 2014. The increase relates to the General Fund.

The General Fund contributed to the increase by decreasing the transfer to Water and Sewer Fund by $166,225.

Of this year-end total, $888,386 is assigned for appropriation of subsequent year's fund balance. There is $682,326 assigned for various purposes. There is $4,634,492 that is unassigned indicating availability for continuing City service delivery requirements. Legally restricted fund balances include $73,128 set aside grant funds for a road project, $444,606 set aside for debt service, $2,095,303 is bond proceeds set aside for approved road projects and Jefferson Station Project, $32,559 is restricted for tourism, $113,216 is restricted for public safety, and $984,701 is for use as stated in the SPLOST referendum. There is also $79,518 committed for downtown development projects.

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 $892,284 or 16.79%. The ending unassigned fund balance represents the equivalent of 70.9% of annual expenditures. The increase was due to a decrease in funds necessary to meet debt obligations and decrease in funds transferred to other funds for capital improvement. Otherwise, revenues and expenditures remained fairly flat between 2014 and 2015.

Debt Service – The Debt Service Fund is used to show principal and interest payments made to pay off existing debt. Fund balance decreased slightly by $3,088 from the prior year.

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 2015 by $93,426 or -1.1%.

Charges for services were decreased by $148,435 due to a reclassification of a revenue that needed to be recognized as a transfer in. Licenses and permits were increased by $45,143 because of an increase in building permits. An increase in fines and forfeitures were due to an increase in collections of the technology fee. Contributions and donations also were increased due to receiving various donations throughout the year.

Property taxes came in over budget by $43,562. This was due to City being conservative when budgeting for property tax collection. Due to the economy, public officials fear that property tax collection might not be collected at 100%.

Sales taxes came in over budget by $40,153 due to budget projections being estimated. This number is dependent on sales in area stores.

Franchise fees came in $65,589 over budget. This was the result of receiving additional franchise fees that were not budgeted.

Business taxes came in $71,605 over budget. This was mainly due to the increased amount of insurance premium taxes received by the City.

The licenses and permits came in over budget, $11,970, due to the increase business license fees collected. This number is driven by the number of business and liquor licenses issued during the year.

Fines and forfeitures came in under budget by $40,769 due to a fines and forfeitures collected being based on the number of traffic violations and other fines being issued. The number of violations was less than was projected.

Contributions and donations came in slightly under budget by $7,899.

Other revenues came in slightly over budget by $13,988.

In total, the City recognized 105.8% of the final revenue budget. The General Fund's expenditure budget was increased $100,714 or 1.4%. An increase of $17,140 was in police due to an increase in purchasing technology, using the technology funds collected. Additionally, parks budget increased by $30,000 to allow for the purchase of previously leased grounds equipment. Economic and community development budget increased by $45,143 to allow for an additional employee due to the increase in building within the City. Lastly, payment to other agencies increased by $8,431 due to more resources being used for the community theater. In total, the City under spent the final expenditure budget by $616,166 or 8.6%.

Differences between the original budget, the final budget, and actual results are shown on page 23.

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, 2015, were $27,156,746 and $30,365,305; respectively. The change in this net investment was a decrease of approximate $823,000 for governmental activities and an increase of approximately $6,928,000 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	
	2015	2014 (restated)	2015	2014	2015	2014 (restated)
Non-depreciable assets:						
Land	$ 1,563,073	$ 1,563,073	$ 8,108,011	$ 984,477	$ 9,671,084	$ 2,547,550
Construction in progress	1,056,330	772,921	1,859,682	1,505,166	2,916,012	2,278,087
Total non-depreciable	$ 2,619,403	$ 2,335,994	$ 9,967,693	$ 2,489,643	$ 12,587,096	$ 4,825,637
Depreciable assets:						
Buildings	18,644,346	18,644,346	-	-	18,644,346	18,644,346
Water Distribution	-	-	14,460,809	14,225,864	14,460,809	14,225,864
Sewer Distribution	-	-	16,756,231	16,756,231	16,756,231	16,756,231
Improvements	408,068	399,568	37,020	37,020	445,088	436,588
Machinery and Equipment	3,605,206	3,472,908	600,090	583,499	4,205,296	4,056,407
Infrastructure	10,620,763	10,564,800	-	-	10,620,763	10,564,800
Total depreciable assets	33,278,383	33,081,622	31,854,150	31,602,614	65,132,533	64,684,236
Less accumulated depreciation	8,741,040	7,437,508	11,456,538	10,654,457	20,197,578	18,091,965
Book value – depreciable assets	24,537,343	25,644,114	20,397,612	20,948,157	44,934,955	46,592,271
Percentage depreciated	26%	22%	36%	34%	31%	28%
Total book value	$27,156,746	$27,980,108	$30,365,305	$23,437,800	$57,522,051	$51,417,908

Major capital asset activities in governmental activities in 2015 were:

- Construction in progress increased by $283,409 due to a project underway to upgrade sidewalks and drainage on MLK Jr Drive.

- Improvements increase by $8,500 due to the erection of a permanent fence at the recreation facility.

- Machinery and equipment increased by $161,877 due to the addition of four new police cars costing $127,615, the purchase of tasers for the police department costing $16,053, two new copiers were purchased, one for police and the other for administration costing $10,260, and new servers for administration department costing $7,949.

- Infrastructure increased by $55,963 due to an upgrade to Mallard's Landing entrance.

At December 31, 2015, the depreciable capital assets for governmental activities were 26% depreciated, slightly above the 2014 percentage of 22%. 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 2015 were:

- Land increased by $7,123,534 due to the purchase of multiple parcels that are associated with the Parks Creek Reservoir project.

- There was an increase in construction in progress in the amount of $354,516. The increase was due to various projects being started and not completed in 2015.

- Additions to Water Distribution in the amount of $234,945. The projects included the Elder Drive water line extension and upgrade to the water line a Peach Hill Drive.

- Machinery and equipment increased by $16,591 due to the purchase of new software and server.

Long-term Debt and Obligations

The City's long-term debt and obligations increased by approximately $7,460,000 during 2015.

Long-term Debt and Obligations

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
Revenue bonds and Intergovernmental contracts payable	$ 20,491,549	$ 21,629,284	$ 18,304,976	$ 10,242,291	$ 38,796,525	$ 31,871,575
Notes payable	-	-	21,312	-	21,312	-
Capital leases	-	-	58,724	90,361	58,724	90,361
Net pension liability	597,658	699,358	193,824	226,806	791,482	926,164
Net OPEB obligation	4,574,371	4,055,260	1,162,976	997,195	5,737,347	5,052,455
Compensated absences	159,365	160,328	52,977	57,062	212,342	217,390
Total	$ 25,822,943	$ 26,544,230	$ 19,794,789	$11,613,715	$ 45,617,732	$ 38,157,945

During the year, the City issued bonds for the purpose of acquiring, constructing, installing and equipping certain improvements to its sewer system and acquiring certain real property for the purpose of constructing a reservoir. The City also borrowed $21,312 for the purpose of improvements to the I-85 wastewater treatment plant. Beginning long-term debt and obligations balances were restated to record the net pension liability as the result of implementing GASB 68/71 related to pension plans. 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 along 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 warehouse/distribution 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.

INDUSTRIAL AND RESIDENTIAL ACTIVITY

Currently, the 840,000 IDI Gazeley speculative building is in lease negotiations with a new company coming into the Georgia market. This deal should be completed by the fall of 2016. This will exhaust the available speculative building inventory in the city until later this year.

Rickett Benckiser, who recently changed its name to RB, manufactures and distributes products for the Health, Hygiene, and Home markets. There new operation completed this year is up and running with a new 707,000 sf. packaging and distribution facility employing 80 and will be adding another 40+ employees.

Pattillo Construction Company is building a new 450,000 sf. speculative building in the McClure Industrial Park. This building can be used for either manufacturing or Distribution. The walls are up and they are currently putting on the roof trusses. The building should be completed by the 4th quarter. Additionally, Pattillo is extending Thomas Drive through the park, which will open up over one hundred acres to new development.

Trammel Crow is building two new speculative buildings in the Jefferson Mill Industrial Park of 820,000 sf. and 250,000 sf. The slabs have been poured and these buildings will be available in the fourth quarter of 2016 or first quarter of 2017. There is also a third pad which will accommodate another 850,000 sf. building at a later date.

Top 20 employers in Jackson County in 2015 are listed below:

• Wayne Farms	1100
• Carter's/Oshkosh	1000
• Northridge Medical Center	422
• Bed, Bath & Beyond	900
• Kubota Industrial Equipment	700
• TD Automotive Compressor GA LLC	650
• Northridge Medical Center	422
• Baker & Taylor, Inc.	400
• Toyota Industrial Compressors of America	350
• Roper Pump Co.	325
• Systemax Inc.	300
• TenCate Geosynthetics NA	300
• Mayfield Dairy	235
• Pro View Foods, LLC	183
• Kroger	180
• Southeast Toyota Distributors	180
• Signature Foods	155
• Buhler Quality Yarns Corporation	150
• Athens Stonecasting Corporation	130
• Shiloh Industries	127

On the Residential side, new housing permits continue to double one year to the next. There were 80 new homes in 2015, and 102 new permits as of the end of May 2016. New phases of existing subdivisions are being opened as well as a rash of annexations to bring new properties into the city as new housing developers get back into the business. We expect new housing starts to continue their torrid pace for the next several years.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF JEFFERSON, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	$ 7,391,852	$ 4,363,006	$ 11,754,858	$ 112,694
Receivables, net of allowance for uncollectibles	3,239,993	671,549	3,911,542	850
Intergovernmental receivable	314,306	99,568	413,874	-
Inventory	-	238,925	238,925	-
Prepaid items	387	-	387	-
Restricted cash and cash equivalents	2,576,392	2,315,602	4,891,994	-
Capital assets, non-depreciable	2,619,403	9,967,693	12,587,096	92,965
Capital assets, depreciable, net of accumulated depreciation	24,537,343	20,397,612	44,934,955	316,475
Total assets	40,679,676	38,053,955	78,733,631	522,984
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	772,566	41,474	814,040	-
Pension plan contributions subsequent to measurement date	139,483	45,235	184,718	-
Total deferred outflows of resources	912,049	86,709	998,758	-
LIABILITIES				
Accounts payable	232,822	196,399	429,221	34,026
Accrued liabilities	251,815	206,639	458,454	460
Retainage payable	-	30,803	30,803	-
Unearned revenues	-	350,000	350,000	-
Customer deposits payable	-	285,881	285,881	-
Compensated absences, due within one year	140,552	46,723	187,275	-
Compensated absences, due in more than one year	18,813	6,254	25,067	-
Net OPEB obligation, due in more than one year	4,574,371	1,162,976	5,737,347	-
Intergovernmental contracts payable, due within one year	390,000	-	390,000	-
Intergovernmental contracts payable, due in more than one year	825,000	-	825,000	-
Bonds payable, due within one year	705,000	1,430,000	2,135,000	-
Bonds payable, due in more than one year	18,571,549	16,874,976	35,446,525	-
Capital lease payable, due within one year	-	28,032	28,032	18,364
Capital lease payable, due in more than one year	-	30,692	30,692	292,943
Notes payable, due within one year	-	-	-	3,025
Notes payable, due in more than one year	-	21,312	21,312	39,896
Net pension liability, due in more than one year	597,658	193,824	791,482	-
Total liabilities	26,307,580	20,864,511	47,172,091	388,714
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues - property taxes	2,933,426	-	2,933,426	-
Pension plan experience differences	3,593	1,165	4,758	-
Net difference between projected and actual pension plan investment earnings	38,287	12,417	50,704	-
Pension plan assumption changes	44,908	14,564	59,472	-
Total deferred inflows of resources	3,020,214	28,146	3,048,360	-
NET POSITION				
Net investment in capital assets	9,533,066	14,306,566	23,839,632	55,212
Restricted for:				
Debt service	444,606	-	444,606	-
Capital projects	1,057,829	-	1,057,829	-
Public safety	113,216	-	113,216	-
Tourism	32,559	-	32,559	-
Unrestricted	1,082,655	2,941,441	4,024,096	79,058
Total net position	$ 12,263,931	$ 17,248,007	$ 29,511,938	$ 134,270

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

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	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Downtown Development Authority
Primary government:								
Governmental activities:								
General government	$ 699,175	$ 287,850	$ 13,756	$ -	$ (397,569)	$ -	$ (397,569)	$ -
Public safety	3,232,895	767,921	-	15,929	(2,449,045)	-	(2,449,045)	-
Public works	1,248,635	-	-	461,935	(786,700)	-	(786,700)	-
Culture and recreation	2,775,586	882,774	28,967	320,076	(1,543,769)	-	(1,543,769)	-
Economic and community development	413,043	389,660	-	-	(23,383)	-	(23,383)	-
Interest on long-term debt	683,522	-	-	-	(683,522)	-	(683,522)	-
Total governmental activities	9,052,856	2,328,205	42,723	797,940	(5,883,988)	-	(5,883,988)	-
Business-type activities:								
Water and Sewer	3,879,422	4,594,598	-	461,999	-	1,177,175	1,177,175	-
Solid waste	576,982	601,772	-	-	-	24,790	24,790	-
Total business-type activities	4,456,404	5,196,370	-	461,999	-	1,201,965	1,201,965	-
Total primary government	$ 13,509,260	$ 7,524,575	$ 42,723	$ 1,259,939	$ (5,883,988)	$ 1,201,965	$ (4,682,023)	-
Component unit:								
Downtown Development Authority	$ 37,482	$ 65,702	$ -	$ -	$ -	$ -	$ -	$ 28,220
General revenues:								
Property taxes					3,091,185	-	3,091,185	-
Sales taxes					1,653,653	-	1,653,653	-
Franchise taxes					1,198,089	-	1,198,089	-
Hotel/Motel occupancy tax					34,435	-	34,435	-
Business taxes					580,605	-	580,605	-
Unrestricted investment earnings					185	196	381	-
Gain on sale of capital assets					2,842	-	2,842	-
Transfers					(100,836)	100,836	-	-
Total general revenues and transfers					6,460,158	101,032	6,561,190	-
Change in net position					576,170	1,302,997	1,879,167	28,220
Net position, beginning of year, as restated					11,687,761	15,945,010	27,632,771	106,050
Net position, end of year					$ 12,263,931	$ 17,248,007	$ 29,511,938	$ 134,270

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

CITY OF JEFFERSON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

ASSETS	Major Governmental Funds: General	Major Governmental Funds: Debt Service	Nonmajor Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	$ 6,295,500	$ -	$ 1,096,352	$ 7,391,852
Taxes receivable, net	1,941,593	-	3,752	1,945,345
Accounts receivable	1,294,648	-	-	1,294,648
Intergovernmental receivable	172,881	-	141,425	314,306
Due from other funds	2,252	-	-	2,252
Prepaid items	387	-	-	387
Restricted cash and cash equivalents	-	444,606	2,131,786	2,576,392
Total assets	$ 9,707,261	$ 444,606	$ 3,373,315	$ 13,525,182
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 160,666	$ -	$ 72,156	$ 232,822
Accrued salaries	79,439	-	-	79,439
Due to other funds	-	-	2,252	2,252
Total liabilities	240,105	-	74,408	314,513
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	2,933,426	-	-	2,933,426
Unavailable revenue - property taxes	328,139	-	-	328,139
Total deferred inflows of resources	3,261,565	-	-	3,261,565
FUND BALANCES				
Nonspendable - Prepaid items	387	-	-	387
Restricted for:				
Debt service	-	444,606	-	444,606
Tourism	-	-	32,559	32,559
Public safety	-	-	113,216	113,216
Capital projects	-	-	3,153,132	3,153,132
Committed for:				
Downtown development projects	-	-	-	-
Assigned for:				
Appropriation of subsequent year's fund balance	888,386	-	-	888,386
Improvement of Old Pendergrass Road	50,000	-	-	50,000
Future improvements of new library	46,825	-	-	46,825
Jefferson community theater	28,609	-	-	28,609
Tree bank	23,476	-	-	23,476
Police technology	33,259	-	-	33,259
Planning and development	500,157	-	-	500,157
Unassigned	4,634,492	-	-	4,634,492
Total fund balances	6,205,591	444,606	3,298,907	9,949,104
Total liabilities, deferred inflows of resources, and fund balances	$ 9,707,261	$ 444,606	$ 3,373,315	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	27,156,746
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.	328,139
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.	(544,963)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(24,625,095)
Net position of governmental activities	$ 12,263,931

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, 2015

	Major Governmental Funds		Nonmajor Governmental Funds	Totals Governmental Funds
	General	Debt Service		
Revenues				
Taxes:				
Property taxes	$ 3,021,162	$ -	$ -	$ 3,021,162
Sales taxes	1,653,653	-	-	1,653,653
Hotel/Motel occupancy taxes	-	-	34,435	34,435
Franchise taxes	1,198,089	-	-	1,198,089
Business taxes	580,605	-	-	580,605
Licenses and permits	361,239	-	-	361,239
Intergovernmental	13,756	-	797,940	811,696
Fines and forfeitures	496,231	-	52,272	548,503
Charges for services	1,158,475	-	-	1,158,475
Investment earnings	20	30	135	185
Contributions and donations	28,967	-	-	28,967
Other revenues	259,988	-	-	259,988
Total revenues	8,772,185	30	884,782	9,656,997
Expenditures				
Current:				
General government	742,771	-	-	742,771
Public safety	2,392,874	-	66,335	2,459,209
Public works	847,185	-	95,791	942,976
Culture and recreation	2,231,920	-	1,500	2,233,420
Economic and community development	323,057	-	10,000	333,057
Capital outlay	-	-	332,607	332,607
Debt service:				
Principal	-	1,075,000	-	1,075,000
Interest	-	677,699	-	677,699
Total expenditures	6,537,807	1,752,699	506,233	8,796,739
Excess (deficiency) of revenues over (under) expenditures	2,234,378	(1,752,669)	378,549	860,258
Other financing sources (uses):				
Proceeds from sale of capital assets	2,842	-	-	2,842
Transfers in	175,645	1,749,581	86,860	2,012,086
Transfers out	(1,520,581)	-	(592,341)	(2,112,922)
Total other financing sources (uses)	(1,342,094)	1,749,581	(505,481)	(97,994)
Net change in fund balances	892,284	(3,088)	(126,932)	762,264
Fund balances, beginning of year, as restated	5,313,307	447,694	3,425,839	9,186,840
Fund balances, end of year	$ 6,205,591	$ 444,606	$ 3,298,907	$ 9,949,104

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, 2015

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

Net change in fund balances - total governmental funds	$	762,264
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 depreciation exceeded capital outlays in the current period.		(823,362)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		70,023
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.		1,075,000
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.		(507,755)
Change in net position - governmental activities	$	576,170

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, 2015

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 2,977,600	$ 2,977,600	$ 3,021,162	$ 43,562
Sales taxes	1,613,500	1,613,500	1,653,653	40,153
Franchise taxes	1,132,500	1,132,500	1,198,089	65,589
Business taxes	509,000	509,000	580,605	71,605
Licenses and permits	304,126	349,269	361,239	11,970
Intergovernmental	14,900	14,900	13,756	(1,144)
Fines and forfeitures	534,000	537,000	496,231	(40,769)
Charges for services	1,024,000	875,565	1,158,475	282,910
Contributions and donations	30,000	36,866	28,967	(7,899)
Investment earnings	-	-	20	20
Other revenues	246,000	246,000	259,988	13,988
Total revenues	8,385,626	8,292,200	8,772,185	479,985
Expenditures:				
Current:				
General government	811,479	811,479	742,771	68,708
Public safety:				
Police	2,123,244	2,140,384	1,870,539	269,845
Fire	591,142	591,142	522,335	68,807
Total public safety	2,714,386	2,731,526	2,392,874	338,652
Public works	928,274	928,274	847,185	81,089
Culture and recreation:				
Recreation	354,718	354,718	318,550	36,168
Parks	1,529,734	1,559,734	1,534,657	25,077
Libraries	368,203	368,203	338,756	29,447
Payments to other agencies	32,500	40,931	39,957	974
Total culture and recreation	2,285,155	2,323,586	2,231,920	91,666
Economic and Community Development	313,965	359,108	323,057	36,051
Total expenditures	7,053,259	7,153,973	6,537,807	616,166
Excess of revenues over expenditures	1,332,367	1,138,227	2,234,378	1,096,151
Other financing sources (uses):				
Proceeds from sale of capital assets	8,500	8,500	2,842	(5,658)
Transfers in	24,200	174,200	175,645	1,445
Transfers out	(1,665,040)	(1,780,433)	(1,520,581)	259,852
Total other financing sources (uses)	(1,632,340)	(1,597,733)	(1,342,094)	255,639
Net change in fund balances	(299,973)	(459,506)	892,284	1,351,790
Fund balances, beginning of year, as restated	5,313,307	5,313,307	5,313,307	-
Fund balances, end of year	$ 5,013,334	$ 4,853,801	$ 6,205,591	$ 1,351,790

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
ASSETS	Water and Sewer Fund	Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	$ 4,209,325	$ 153,681	$ 4,363,006
Accounts receivable, net	579,502	92,047	671,549
Intergovernmental receivable	99,568	-	99,568
Inventory	238,925	-	238,925
Restricted cash	2,315,602	-	2,315,602
Total current assets	7,442,922	245,728	7,688,650
NONCURRENT ASSETS			
Capital assets:			
Nondepreciable	9,967,693	-	9,967,693
Depreciable assets, net of accumulated depreciation	20,386,671	10,941	20,397,612
Total noncurrent assets	30,354,364	10,941	30,365,305
Total assets	37,797,286	256,669	38,053,955
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	41,474	-	41,474
Pension plan contributions subsequent to measurement date	42,873	2,362	45,235
Total deferred outflows of resources	84,347	2,362	86,709
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	152,705	43,694	196,399
Accrued salaries	17,153	1,044	18,197
Accrued interest	188,442	-	188,442
Unearned revenue	350,000	-	350,000
Retainage payable	30,803	-	30,803
Compensated absences payable, current	46,129	594	46,723
Customer deposits payable	285,881	-	285,881
Capital leases payable, current	28,032	-	28,032
Bonds payable, current	1,430,000	-	1,430,000
Total current liabilities	2,529,145	45,332	2,574,477
NONCURRENT LIABILITIES			
Compensated absences payable	6,174	80	6,254
Capital leases payable	30,692	-	30,692
Notes payable	21,312	-	21,312
Net OPEB obligation	1,085,444	77,532	1,162,976
Bonds payable	16,874,976	-	16,874,976
Net pension liabiity	183,703	10,121	193,824
Total noncurrent liabilities	18,202,301	87,733	18,290,034
Total liabilities	20,731,446	133,065	20,864,511
DEFERRED INFLOWS OF RESOURCES			
Pension plan experience differences	1,104	61	1,165
Net difference between projected and actual pension plan investment earnings	11,769	648	12,417
Pension plan assumption changes	13,804	760	14,564
Total deferred inflows of resources	26,677	1,469	28,146
NET POSITION			
Net investment in capital assets	14,295,625	10,941	14,306,566
Unrestricted	2,827,885	113,556	2,941,441
Total net position	$ 17,123,510	$ 124,497	$ 17,248,007

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, 2015

	Business-type Activities - Enterprise Funds		
OPERATING REVENUES	**Water and Sewer Fund**	**Solid Waste Fund**	**Totals**
Charges for services:			
Water charges	$ 3,085,140	$ -	$ 3,085,140
Sewer charges	1,440,944	-	1,440,944
Refuse collection charges	-	578,568	578,568
Miscellaneous revenue	68,514	23,204	91,718
Total operating revenues	4,594,598	601,772	5,196,370
OPERATING EXPENSES			
Personal services and benefits	998,881	62,480	1,061,361
Purchased and contracted services	782,126	512,271	1,294,397
Supplies	738,091	772	738,863
Depreciation and amortization	791,915	1,459	793,374
Total operating expenses	3,311,013	576,982	3,887,995
Operating income	1,283,585	24,790	1,308,375
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	196	-	196
Interest expense, fiscal agent fees, and bond issuance costs	(568,409)	-	(568,409)
Total non-operating (expenses)	(568,213)	-	(568,213)
Income before contributions and transfers	715,372	24,790	740,162
Capital contributions - tap fees	384,796	-	384,796
Capital contributions - intergovernmental	77,203	-	77,203
Transfers in	271,696	-	271,696
Transfers out	(150,000)	(20,860)	(170,860)
	583,695	(20,860)	562,835
Change in net position	1,299,067	3,930	1,302,997
NET POSITION, beginning of year, as restated	15,824,443	120,567	15,945,010
NET POSITION, end of year	$ 17,123,510	$ 124,497	$ 17,248,007

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, 2015

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 4,510,870	$ 594,905	$ 5,105,775
Payments to vendors	(1,539,575)	(511,642)	(2,051,217)
Payments to or on behalf of employees	(850,308)	(52,367)	(902,675)
Net cash provided by operating activities	2,120,987	30,896	2,151,883
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(150,000)	(20,860)	(170,860)
Net cash used in non-capital financing activities	(150,000)	(20,860)	(170,860)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on notes and bonds payable	(1,116,637)	-	(1,116,637)
Proceeds from long-term borrowings	8,591,312	-	8,591,312
Premiums from long-term borrowings	600,215	-	600,215
Capital contributions from other funds	271,696	-	271,696
Capital contributions from tap fees	384,796	-	384,796
Capital contributions from other governments	77,203	-	77,203
Interest paid	(344,471)	-	(344,471)
Bond issuance costs paid	(163,355)	-	(163,355)
Purchases of capital assets	(7,729,586)	-	(7,729,586)
Net cash provided by capital and related financing activities	571,173	-	571,173
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	196	-	196
Net cash provided by investing activities	196	-	196
Net increase in cash and cash equivalents	2,542,356	10,036	2,552,392
Cash and cash equivalents, beginning of year	3,982,571	143,645	4,126,216
Cash and cash equivalents, end of year	$ 6,524,927	$ 153,681	$ 6,678,608
Reconciliation to the statement of net position			
Cash and cash equivalents	$ 4,209,325	$ 153,681	$ 4,363,006
Restricted cash	2,315,602	-	2,315,602
Total	$ 6,524,927	$ 153,681	$ 6,678,608
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 1,283,585	$ 24,790	$ 1,308,375
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	791,915	1,459	793,374
Change in assets and liabilities:			
Increase in accounts and intergovernmental receivables	(99,487)	(6,867)	(106,354)
Increase in inventory	(31,893)	-	(31,893)
Increase in accounts payable	17,553	1,401	18,954
Increase in accrued salaries	2,099	150	2,249
Decrease in retainage payable	(5,018)	-	(5,018)
Decrease in compensated absences	(3,271)	(814)	(4,085)
Increase in Net OPEB obligation	154,729	11,052	165,781
Increase in customer deposits payable	15,759	-	15,759
Decrease in pension related items	(4,984)	(275)	(5,259)
Net cash provided by operating activities	$ 2,120,987	$ 30,896	$ 2,151,883

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, 2015

ASSETS	Agency Fund
Cash	$ 17,156
Total assets	$ 17,156
LIABILITIES	
Due to other agencies	$ 17,156
Total liabilities	$ 17,156

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 units. 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 Unit - Based upon criteria set forth by Governmental Accounting Standards Board (GASB) 61 "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and 34," the accompanying financial statements present the City and its component unity, entities for which the City is considered to be financially accountable. 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 purpose is to provide a means to issue revenue bonds for buildings owned by the City. The Authority has issued bonds for other third parties and some for the County which are all considered conduit debt.

Discretely Presented Component Unit - The Downtown Development Authority of the City of Jefferson (the "DDA") was established in 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. These individuals are business owners, property owners and citizens who have a vested interest in the development of Downtown Jefferson. The DDA is responsible for the economic development and business recruitment in Jefferson's downtown business district, which expands a half mile radius from the center of downtown. The Downtown Development Authority is reported in the City's financial statements as a discretely presented component unit. Financial information with regard to the Downtown Development Authority can be obtained directly from the City, City Hall, 147 Athens Street, Athens, Georgia 30549. Separate financial statements for the Downtown Development Authority are not prepared.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

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

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

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

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

The City reports the following major governmental funds:

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

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

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 either legally restricted or committed to expenditures for particular purposes.

The ***Capital Projects Fund*** accounts for the acquisition and construction of capital assets, other than those accounted for in specific funds, which are not financed by the proprietary funds.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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, 2015, 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

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. One of the items that qualifies for reporting in this category is the deferred loss on refunding reported in the government-wide and proprietary fund statement of net position. A deferred loss 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 several 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.

The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of Plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources. These items are reported in the government-wide financial statements and also in the fund level financial statements for the City's proprietary funds.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 $9,533,066 as shown in the financial statements was determined by taking capital assets ($27,156,746) less total outstanding debt of $20,491,549 (which includes intergovernmental contracts, capital leases payable, notes payable, and bonds payable) plus deferred charges on refunding of $772,566 plus unspent bond proceeds of $2,095,303 reported as part of the restricted cash reported in the Capital Projects Fund and Debt Service 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 nonspendable, 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 deficits in the City's governmental funds 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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Jefferson Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. 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, deferred outflows of resources, deferred inflows of resources, 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 $24,625,095 difference are as follows:

Intergovernmental contract payable	$	(1,215,000)
Revenue bonds payable		(18,705,000)
Plus: Unamortized premium (to be amortized as interest expense)		(624,735)
Less: Unamortized discount (to be amortized as interest expense)		53,186
Deferred loss on refunding		772,566
Accrued interest payable		(172,376)
Compensated absences		(159,365)
Net OPEB obligation		(4,574,371)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(24,625,095)

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

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

Another element of that reconciliation states that "deferred outflows of resources, deferred inflows of resources, and the net pension liability are not expected to be liquidated with expendable available resources and therefore are not reported in the funds." The details of this $544,963 difference are as follows:

Net pension liability	$	(597,658)
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date		139,483
Deferred inflows of resources:		
Pension plan experience differences		(3,593)
Net difference between projected and actual investment earnings		(38,287)
Pension plan assumption changes		(44,908)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(544,963)

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 $823,362 difference are as follows:

Capital outlay	$	509,749
Depreciation expense		(1,333,111)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$	(823,362)

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 "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 $1,075,000 difference are as follows:

Principal repayments:		
Intergovernmental contract payable	$	375,000
Revenue bonds		700,000
Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities*	$	1,075,000

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 $507,755 difference are as follows:

Compensated absences	$	963
Amortization of premium		68,813
Amortization of discount		(6,078)
Amortization of deferred loss on refunding		(51,504)
Accrued interest		(17,054)
Pension expense		16,216
Net OPEB obligation		(519,111)
Net adjustment to decrease *net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities*	$	(507,755)

Note 3. Stewardship, Compliance, and Accountability

Budgetary Information

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

Note 4. Deposits

Custodial risk, that is the risk associated with uninsured deposits, uninsured securities, or securities not registered in the City's name, is managed in accordance with the City's policy through a safekeeping agreement with an external party. State Statutes and City policy require all deposits and investments (other than Federal or State instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. All deposits as of December 31, 2015 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 November 11, 2015. The due date for these taxes was January 20, 2016, and after that date, both penalty and interest are accrued until the taxes are collected. The taxes are subject to lien after April 21, 2016. 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 2015 are for the year 2016. The amount recorded as a receivable as well as amounts collected as of December 31, 2015 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	Water and Sewer	Solid Waste	Nonmajor Funds	Discretely Presented Component Unit-DDA
Receivables:					
Taxes	$ 1,957,567	$ -	$ -	$ 3,752	$ -
Accounts	1,338,291	679,058	108,262	-	850
Intergovernmental	172,881	99,568	-	141,425	-
Less allowance for uncollectibles	(59,617)	(99,556)	(16,215)	-	-
Net total receivables	$ 3,409,122	$ 679,070	$ 92,047	$ 145,177	$ 850

Note 6. Capital Assets

Primary Government: Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance (restated)	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,563,073	$ -	$ -	$ 1,563,073
Construction in progress	772,921	283,409	-	1,056,330
Total assets, not being depreciated	2,335,994	283,409	-	2,619,403
Capital assets, being depreciated:				
Buildings	18,644,346	-	-	18,644,346
Improvements	399,568	8,500	-	408,068
Machinery and equipment	3,472,908	161,877	(29,579)	3,605,206
Infrastructure	10,564,800	55,963	-	10,620,763
Total assets, being depreciated	33,081,622	226,340	(29,579)	33,278,383
Less accumulated depreciation for:				
Buildings	(3,381,020)	(623,908)	-	(4,004,928)
Improvements	(174,096)	(19,168)	-	(193,264)
Machinery and equipment	(2,407,461)	(319,076)	29,579	(2,696,958)
Infrastructure	(1,474,931)	(370,959)	-	(1,845,890)
Total accumulated depreciation	(7,437,508)	(1,333,111)	29,579	(8,741,040)
Total assets, being depreciated, net	25,644,114	(1,106,771)	-	24,537,343
Governmental activities capital assets, net	$ 27,980,108	$ (823,362)	$ -	$ 27,156,746
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 984,477	$ 7,123,534	$ -	$ 8,108,011
Construction in progress	1,505,166	354,516	-	1,859,682
Total assets, not being depreciated	2,489,643	7,478,050	-	9,967,693
Capital assets, being depreciated:				
Water distribution	14,225,864	234,945	-	14,460,809
Sewer distribution	16,756,231	-	-	16,756,231
Improvements	37,020	-	-	37,020
Machinery and equipment	583,499	16,591	-	600,090
Total assets, being depreciated	31,602,614	251,536	-	31,854,150
Less accumulated depreciation for:				
Water distribution	(4,568,699)	(354,172)	-	(4,922,871)
Sewer distribution	(5,613,924)	(406,433)	-	(6,020,357)
Improvements	(9,604)	(2,207)	-	(11,811)
Machinery and equipment	(462,230)	(39,269)	-	(501,499)
Total accumulated depreciation	(10,654,457)	(802,081)	-	(11,456,538)
Total assets, being depreciated, net	20,948,157	(550,545)	-	20,397,612
Business-type activities capital assets, net	$ 23,437,800	$ 6,927,505	$ -	$ 30,365,305

Note 6. Capital Assets (Continued)

Discretely Presented Component Unit - DDA: Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance (restated)	Increases	Decreases	Ending Balance
Downtown Development Authority:				
Capital assets, not being depreciated:				
Land	$ 92,965	$ -	$ -	$ 92,965
Total assets, not being depreciated	92,965	-	-	92,965
Capital assets, being depreciated:				
Buildings	353,338	-	-	353,338
Total assets, being depreciated	353,338	-	-	353,338
Less accumulated depreciation for:				
Buildings	(21,758)	(15,105)	-	(36,863)
Total accumulated depreciation	(21,758)	(15,105)	-	(36,863)
Total assets, being depreciated, net	331,580	(15,105)	-	316,475
Governmental activities capital assets, net	$ 424,545	$ (15,105)	$ -	$ 409,440

Beginning balances for the primary government and the discretely presented component unit have been restated as a result of the change in reporting entity as the DDA activity is no longer reported as a blended component unit but is now reported as a discretely presented component unit. For more information, see Note 17.

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

Governmental activities:	
General government	$ 133,004
Public safety	389,285
Public works	391,135
Recreation	416,968
Economic and community development	2,719
Total depreciation expense - governmental activities	$ 1,333,111
Business-type activities:	
Water and sewer	$ 800,622
Solid waste	1,459
Total depreciation expense - business-type activities	$ 802,081

Construction Commitments

In addition to the liabilities enumerated in the balance sheet at December 31, 2015, the City has contractual commitments on uncompleted construction contracts of approximately $431,274 for various projects including Westside Sewer Transfer project, I-85 LAS Improvement (Sludge Removal), and the one way relocation project.

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

Inter-fund transfers for the year ended December 31, 2015:

	Transfers Out				
Transfers in	General Fund	Water & Sewer Fund	Solid Waste Fund	Nonmajor Governmental Funds	Total
General Fund	$ -	$ 150,000	$ 5,000	$ 20,645	$ 175,645
Debt Service Fund	1,449,581	-	-	300,000	1,749,581
Nonmajor Governmental Funds	71,000	-	15,860	-	86,860
Water & Sewer Fund	-	-	-	271,696	271,696
Total	$ 1,520,581	$ 150,000	$ 20,860	$ 592,341	$ 2,283,782

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 and Obligations

Primary Government: Long-term liability and obligations activity for the year ended December 31, 2015, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Intergovernmental contract payable	$ 1,590,000	$ -	$ (375,000)	$ 1,215,000	$ 390,000
Bonds payable:					
Revenue bonds	19,405,000	-	(700,000)	18,705,000	705,000
Plus issuance premium	693,548	-	(68,813)	624,735	-
Less issuance discount	(59,264)	-	6,078	(53,186)	-
Net bonds payable	20,039,284	-	(762,735)	19,276,549	705,000
Net OPEB obligation	4,055,260	557,786	(38,675)	4,574,371	-
Net pension liability	699,358	311,748	(413,448)	597,658	-
Compensated absences	160,328	111,717	(112,680)	159,365	140,552
Governmental activities Long-term liabilities	$ 26,544,230	$ 981,251	$ (1,702,538)	$ 25,822,943	$ 1,235,552

Note 8. Long-term Debt and Obligations (Continued)

Primary Government (continued):

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 10,205,000	$ 8,570,000	$ (1,085,000)	$ 17,690,000	$ 1,430,000
Plus premium	37,291	600,215	(22,530)	614,976	-
Net bonds payable	10,242,291	9,170,215	(1,107,530)	18,304,976	1,430,000
Capital lease payable	90,361	-	(31,637)	58,724	28,032
Notes payable	-	21,312	-	21,312	-
Net OPEB obligation	997,195	175,614	(9,833)	1,162,976	-
Net pension liability	226,806	101,102	(134,084)	193,824	-
Compensated absences	57,062	38,483	(42,568)	52,977	46,723
Business-type activity Long-term liabilities	$ 11,613,715	$ 9,506,726	$ (1,325,652)	$ 19,794,789	$ 1,504,755

Discretely Presented Component Unit - DDA: Long-term liability and obligations activity for the year ended December 31, 2015, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely presented component unit:					
Notes payable	$ 45,891	$ -	$ (2,970)	$ 42,921	$ 3,025
Capital leases	329,063	-	(17,756)	311,307	18,364
Total discretely presented component unit Long-term liabilities	$ 374,954	$ -	$ (20,726)	$ 354,228	$ 21,389

The beginning balances of long-term debt and obligations for the primary government were restated due to the City implementing the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The new standards significantly changed the City's accounting for pension amounts. Beginning balances of long-term debt and obligations were also restated for the primary government as a result of a change in reporting entities in which the City is no longer reporting the activity of the Downtown Development Authority as a blended component unit but now is reporting it as a discretely presented component unit. For more information surrounding the change in reporting entity, see Note 17.

For governmental activities, compensated absences, net pension liability 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, Net pension liability is 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.

Note 8. Long-term Debt (Continued)

Primary Government (continued):

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, 2015 is $1,215,000.

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, 2015, the amount of the defeased bonds outstanding is $685,000 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, 2015 is $2,935,000.

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, 2015 is $6,295,000.

Note 8. Long-term Debt (Continued)

Primary Government (continued):

Revenue Bonds (continued)

On October 2, 2014, the City of Jefferson Public Building Authority issued Series 2014 refunding revenue bonds in the amount of $9,540,000 to refund a portion of the City of Jefferson Public Building Authority 2007A bonds and the 2007B intergovernmental contract with Jackson County.

The net proceeds of the refunding revenue bond issuance were irrevocably deposited in escrow with Regions Bank and U.S. Bank, as escrow agents. The escrow obligations will bear interest and will be scheduled to mature at times sufficient to pay the principal and interest on the refunding 2007A bonds and 2007 intergovernmental contract with Jackson County until April 2017 and March 2017, respectively, the earliest date of redemption. At December 31, 2014, the amount of the defeased bonds outstanding for the 2007A bonds and the 2007B intergovernmental contract with Jackson County is $4,700,000 and $4,730,000, respectively, 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 2.0% to 4.0%. The amount of refunding revenue bonds outstanding at December 31, 2015 is $9,475,000.

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, 2015 is $2,690,000.

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, 2015 is $6,430,000.

On June 11, 2015, the City issued City of Jefferson Public Building Authority Revenue Bonds (City of Jefferson Public Facilities Project) Series 2015 Bonds in the amount of $8,570,000 for the purpose of acquiring, constructing, installing and equipping certain improvements to its sewer system and acquiring certain real property for the purpose of construction a reservoir. These bonds carry interest rates ranging from 2.00% to 4.25% which are payable on April 1 and October 1 of each year and matures on April 1, 2026. The outstanding balance of these revenue bonds at December 31, 2015 is $8,570,000.

Note 8. Long-term Debt (Continued)

Primary Government (continued):

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2016	$ 390,000	$ 41,828
2017	405,000	25,624
2018	420,000	8,610
Total	$ 1,215,000	$ 76,062

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
2016	$ 705,000	$ 610,750	$ 1,430,000	$ 530,063
2017	735,000	587,020	1,460,000	494,338
2018	750,000	560,625	1,490,000	453,760
2019	1,215,000	528,730	1,010,000	417,933
2020	1,250,000	492,155	950,000	387,595
2021-2025	6,775,000	1,902,829	4,570,000	1,562,781
2026-2030	5,965,000	773,421	3,845,000	898,256
2031-2033	1,310,000	80,823	2,935,000	289,881
Total	$ 18,705,000	$ 5,536,353	$ 17,690,000	$ 5,034,607

Business-Type Activities

On June 2, 2015, the GEFA Board awarded the City of Jefferson a $381,000 loan. The proceeds of the loan will be used to provide numerous improvements to the City's I-85 wastewater treatment plant. The outstanding balance of these notes payable at December 31, 2015 is $21,312. This note is still in the drawdown phase and, therefore, has no amortization schedule.

Note 8. Long-term Debt (Continued)

Primary Government (continued):

Capital Leases

The City has 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, 2015, the outstanding balances on these leases are $7,741; $5,553; and $45,430, respectively, and the cost and accumulated depreciation of the assets acquired under capital lease are $125,384 and $67,123, respectively. Annual depreciation of these assets is included in depreciation expense.

Discretely Presented Component Unit - DDA:

Capital Leases

The DDA has entered into a lease agreement as lessee for financing the acquisition of 15 Lee Street building and land, which is used in governmental activities. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The 15 Lee Street Project lease has an original principal 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.

At December 31, 2015, the outstanding balance on this lease is $311,307, and the cost and accumulated depreciation of the assets acquired under capital lease are $345,984 and $16,902, respectively. Annual depreciation of these assets is included in depreciation expense.

Note 8. Long-term Debt (Continued)

Primary Government and Discretely Presented Component Unit -DDA (continued):

Capital Leases (continued)

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

Year Ending December 31,	Discretely Presented Component Unit	Governmental Activities
2016	$ 31,128	$ 29,300
2017	31,128	15,816
2018	31,128	15,816
2019	31,128	-
2020	31,128	-
2021-2023	233,619	-
	389,259	60,932
Less: interest	(77,952)	(2,208)
Total	$ 311,307	$ 58,724

Discretely Presented Component Unit:

Notes Payable

On April 15, 2013, the Department of Community Affairs awarded the DDA 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, 2015 is $42,921.

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2016	$ 3,025	$ 836
2017	3,086	775
2018	3,149	712
2019	3,212	649
2020	3,277	584
2021-2023	27,172	1,234
Total	$ 42,921	$ 4,790

Note 8. Long-term Debt (Continued)

Primary Government (continued):

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 payable only from receipts from its agreement with the County and thus the City is not obligated for the repayment of the bonds. Accordingly, the bonds are considered conduit debt and are not reported as liabilities in the accompanying financial statements. In 2011, these bonds were partially refunded by the Jackson County Series 2011 General Obligation bonds. Total amount of these bonds outstanding as of December 31, 2015 is $15,745,000.

On November 30, 2011, the City of Jefferson Public Building Authority (the "Authority") issued $9,190,000 in Series 2011 Bonds on behalf of Jackson County (the "County") to provide funds to partially refund Series 2003 Certificates of Participation (COPS) issued to finance the construction of a new courthouse facility. The Series 2011 Bonds are special limited obligations of the Authority payable only from receipts from its agreement with the County and thus the City is not obligated directly for the repayment of the bonds. Accordingly, the bonds are considered conduit debt and are not reported as liabilities in the accompanying financial statements. Total amount of these bonds outstanding as of December 31, 2015 is $8,250,000.

On July 10, 2013, the City of Jefferson Public Building Authority (the "Authority") issued $13,660,000 in Series 2013 Revenue Refunding Bonds and $905,000 in Series 2012B Taxable Revenue Refunding Bonds on behalf of Jackson County (the "County") to provide funds to partially refund Series 2004 IDA bonds issued to finance the construction of economic development projects including roads. The Series 2013 Bonds are special limited obligations of the Authority payable only from receipts from its agreement with the County and thus the City is not obligated directly for the repayment of the bonds. Accordingly, the bonds are considered conduit debt and are not reported as liabilities in the accompanying financial statements. Total amount of these bonds outstanding as of December 31, 2015 is $12,780,000.

On October 2, 2014, the City of Jefferson Public Building Authority (the "Authority") issued $9,990,000 of Series 2014A Revenue Refunding Bonds and $165,000 in Series 2014B Taxable Revenue Refunding Bonds on behalf of Jackson County (the "County") to provide funds to partially refund Series 2007 A Revenue Refunding Bonds issued to fund the County's capital projects including the jail project, public safety training facility, and historic courthouse renovation. The Series 2014 Bonds are special limited obligations of the Authority payable only from receipts from its agreement with the County and thus the City is not obligated directly for the repayment of the bonds. Accordingly, the bonds are considered conduit debt and are not reported as liabilities in the accompanying financial statements. Total amount of these bonds outstanding as of December 31, 2015 is $9,990,000.

Note 9. Pension Plan

Primary Government (continued):

Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Jefferson Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with 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. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. 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 at www.gmanet.com or 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 and amended by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. Plan benefit provisions are established and may be amended by the City Council. Employees are eligible to participate in the Plan immediately. Covered employees are not required to contribute to the Plan. Employees become vested after 5 years of service. The benefits of the Plan are paid in the form of a monthly life annuity based on the employees' final average earnings. Benefits are calculated at 1.25% to 2.0% of the average monthly earnings for the period of the five highest years prior to retirement. Normal retirement age is 65 if participant has 30 or more years of service, and 70 with less than 30 years of service.

Plan Membership. At July 1, 2015, the date of the most recent actuarial valuation, there were 126 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	27
Terminated vested participants not yet receiving benefits	29
Active employees - vested	50
Active employees - nonvested	20
Total	126

Contributions. 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, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution described below. For 2015, the actuarially determined contribution rate was 7.11% of covered payroll. The City makes all contributions to the Plan. For 2015, the City's contribution to the Plan was $184,718.

Note 9. Pension Plan (Continued)

Primary Government (continued):

Net Pension Liability of the City

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the City's accounting for pension amounts. The information disclosed below and on the following page is presented in accordance with these new standards.

The City's net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2015.

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% to 8.75% (including inflation of 3.25%)
Investment rate of return	7.75%

Mortality rates for the July 1, 2014 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2013.

Cost of living adjustments were assumed to be 0.00%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2015 are summarized in the table on the following page.

Note 9. Pension Plan (Continued)

Primary Government (continued):

Net Pension Liability of the City (continued)

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	—%	
Total	100%	

* Rates shown are net of the 3.25% assumed rate of inflation

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended December 31, 2015 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/14	$ 3,704,735	$ 2,778,571	$ 926,164
Changes for the year:			
Service cost	121,093	-	121,093
Interest	280,638	-	280,638
Differences between expected and actual experience	(6,345)	-	(6,345)
Assumption Changes	(79,297)	-	(79,297)
Contributions—employer	-	182,991	(182,991)
Net investment income	-	278,899	(278,899)
Benefit payments, including refunds of employee contributions	(167,210)	(167,210)	-
Administrative expense	-	(11,119)	11,119
Net changes	148,879	283,561	(134,682)
Balances at 12/31/15	$ 3,853,614	$ 3,062,132	$ 791,482

Note 9. Pension Plan (Continued)

Primary Government (continued):

Changes in the Net Pension Liability of the City (Continued)

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of Plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	$ 1,304,085	$ 791,482	$ 367,394

Changes in the Net Pension Liability of the City. 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 March 31, 2015 and the current sharing pattern of costs between employer and employee.

Note 9. Pension Plan (Continued)

Primary Government (continued):

Changes in the Net Pension Liability of the City (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of $163,243. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,758
Changes in assumptions	-	59,472
Net difference between projected and actual earnings on pension plan investments	-	50,704
City contributions subsequent to the measurement date	184,718	-
Total	$ 184,718	$ 114,934

City contributions subsequent to the measurement date of $184,718 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	
2016	$ (34,086)
2017	(34,086)
2018	(34,086)
2019	(12,676)
Total	$ (114,934)

Note 10. Other Post-employment Benefits

Primary Government:

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, 2015, the date of the most recent actuarial valuation, there were 80 participants consisting of the following:

Retirees	6
Active employees not yet eligible to retire	74
Total	80

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

Note 10. Other Post-employment Benefits (Continued)

Primary Government (continued):

City Contributions

The annual required contribution for the current year was determined as part of the January 1, 2015, 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	2024
Amortization Method	Level dollar, open
Remaining Amortization Period	30 years

The following is a schedule of funding progress using the projected unit credit cost method. As of the most recent valuation date, January 1, 2015, 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)
1/1/2015 *	$ -	$ 4,656,528	$ 4,656,528	- %	N/A	N/A %

N/A – Not available

* Most recent actuarial valuation

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 types of benefits provided under the terms of the substantive plan in effect as of January 1, 2015 and on the pattern of sharing of costs between the City and Plan members to that point. 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 determine 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.

Note 10. Other Post-employment Benefits (Continued)

Primary Government (continued):

Annual OPEB Cost

The City's actuarially determined contribution, OPEB cost and increase in net OPEB obligation for the year ended December 31, 2015, is as follows:

Annual required contribution	$ 733,399
Interest adjustment	202,098
Amortization adjustment	(202,098)
Annual OPEB cost	733,399
Contributions made	(48,507)
Increase in net OPEB obligation	684,892
Net OPEB obligation, beginning of year	5,052,455
Net OPEB obligation, end of year	$ 5,737,347

The recommended contribution was determined as part of the January 1, 2015 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, 2013	$ 663,933	$ 39,963	6.02 %	$ 4,430,619
December 31, 2014	663,933	42,097	6.34	5,052,455
December 31, 2015	733,399	48,507	6.61	5,737,347

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, 2015, the City paid $9,742 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.

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 $34,435 for the year ended December 31, 2015. Of this amount 60%, or $20,645, was transferred to the General Fund in accordance with O.C.G.A. 48-13-51. The remaining 40%, or $13,790, was, or will be, used to promote tourism.

Note 16. Change in Accounting Principle

As discussed in Note 9 above, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The new standards significantly changed the City's accounting for pension amounts. As a result of this change in accounting principle, the City was required to restate beginning net position for the following:

Net position, governmental activities, as previously reported	$ 12,363,283
Change in reporting entity - see Note 17	(106,050)
City's net pension asset, prior year ending balance	(8,293)
City's net pension liability, beginning balance	(699,358)
Deferred outflows of resources, pension related items, beginning balance	138,179
Beginning net position, governmental activities, restated	$ 11,687,761
Net position, business-type activities, as previously reported	$ 16,127,004
City's net pension liability, beginning balance	(226,806)
Deferred outflows of resources, pension related items, beginning balance	44,812
Beginning net position, business-type activities, restated	$ 15,945,010
Net position, Water and Sewer Fund, as previously reported	$ 15,996,934
City's net pension liability, beginning balance	(214,963)
Deferred outflows of resources, pension related items, beginning balance	42,472
Beginning net position, Water and Sewer Fund, restated	$ 15,824,443
Net position, Solid Waste Fund, as previously reported	$ 130,070
City's net pension liability, beginning balance	(11,843)
Deferred outflows of resources, pension related items, beginning balance	2,340
Beginning net position, Solid Waste Fund, restated	$ 120,567

Note 17. Change in Reporting Entity

The City has determined a restatement of the fund balance of the General Fund and net position of governmental activities and the discretely presented component, the Downtown Development Authority, d were required to recognize the change in reporting entity for the recognition of the Downtown Development Authority as discretely presented component unit instead of a blended component unit, effective for the fiscal year beginning January 1, 2015. For the year ended December 31, 2014 the Downtown Development Authority Fund activity was reported in the General Fund and the DDA's long-term debt and capital assets were reported in the City's governmental activities; however, due to the activity of the DDA becoming significant, the City has determined that the DDA should be reported as a discretely presented component unit.

Primary Government:	
Fund Balance, General Fund, previously reported	$ 5,370,197
Transferring cash to the Downtown Development Authority (modified accrual)	(78,605)
Transferring accounts payable to the Downtown Development Authority (modified accrual)	21,715
Fund balance, General Fund, restated	$ 5,313,307

Discretely Presented Component Unit:	
Fund Balance, Downtown Development Authority Fund, previously reported (modified accrual)	$ -
Transferring cash from the General Fund	78,605
Transferring accounts payable from the General Fund	(21,715)
Fund balance, Downtown Development Authority Fund, restated (modified accrual)	$ 56,890

Primary Government:	
Net position, governmental activities, as previously reported	$ 12,363,283
Change in reporting entity	(106,050)
City's net pension asset, prior year ending balance - see Note 16	(8,293)
City's net pension liability, beginning balance - see Note 16	(699,358)
Deferred outflows of resources, pension related items, beginning balance - see Note 16	138,179
Beginning net position, governmental activities, restated	$ 11,687,761

Discretely Presented Component Unit:	
Net position, as previously reported (full accrual basis)	$ -
Change in reporting entity - moving capital assets and long-term debt	106,050
Beginning net position, restated (full accrual basis)	$ 106,050

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JEFFERSON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PENSION PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2015
Total pension liability	
Service cost	$ 121,093
Interest on total pension liability	280,638
Differences between expected and actual experience	(6,345)
Changes of assumptions	(79,297)
Benefit payments, including refunds of employee contributions	(167,210)
Net change in total pension liability	148,879
Total pension liability - beginning	3,704,735
Total pension liability - ending (a)	$ 3,853,614
Plan fiduciary net position	
Contributions - employer	$ 182,991
Net investment income	278,899
Benefit payments, including refunds of member contributions	(167,210)
Administrative expenses	(11,119)
Net change in plan fiduciary net position	283,561
Plan fiduciary net position - beginning	2,778,571
Plan fiduciary net position - ending (b)	$ 3,062,132
City's net pension liability - ending (a) - (b)	$ 791,482
Plan fiduciary net position as a percentage of the total pension liability	79.46%
Covered-employee payroll	$ 2,480,797
City's net pension liability as a percentage of covered-employee payroll	31.90%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF JEFFERSON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PENSION PLAN
SCHEDULE OF CITY CONTRIBUTIONS

	2015
Actuarially determined contribution	$ 184,718
Contributions in relation to the actuarially determined contribution	184,718
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 2,573,713
Contributions as a percentage of covered-employee payroll	7.18%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2014
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts 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 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.75%-8.75% (including 3.25% for inflation)
Cost-of-living Adjustment	0.00%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective period of 10 years

(2) The schedule will present 10 years of information once it is accumulated.

CITY OF JEFFERSON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULES OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2015

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
1/1/2015 *	-	4,656,528	4,656,528	-	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.

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

Capital Projects Fund

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

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.

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, 2015

	Special Revenue Funds			Capital Projects		
ASSETS	Hotel/ Motel	Confiscated Assets	Multiple Grant Fund	Capital Projects	SPLOST	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 31,059	$ 119,721	$ 71,628	$ -	$ 873,944	$ 1,096,352
Taxes receivable, net	3,752	-	-	-	-	3,752
Accounts Receivable	-	-	-	-	-	-
Intergovernmental receivable	-	-	1,500	-	139,925	141,425
Restricted cash and cash equivalents	-	36,483	-	2,095,303	-	2,131,786
Total assets	$ 34,811	$ 156,204	$ 73,128	$ 2,095,303	$ 1,013,869	$ 3,373,315
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ -	$ 42,988	$ -	$ -	$ 29,168	$ 72,156
Due to other funds	2,252	-	-	-	-	2,252
Total liabilities	2,252	42,988	-	-	29,168	74,408
FUND BALANCES						
Restricted for:						
Capital projects	-	-	73,128	2,095,303	984,701	3,153,132
Tourism	32,559	-	-	-	-	32,559
Public safety	-	113,216	-	-	-	113,216
Committed for:						
Downtown development projects	-	-	-	-	-	-
Total fund balances	32,559	113,216	73,128	2,095,303	984,701	3,298,907
Total liabilities and fund balances	$ 34,811	$ 156,204	$ 73,128	$ 2,095,303	$ 1,013,869	$ 3,373,315

CITY OF JEFFERSON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds			Capital Projects Fund		
	Hotel/ Motel	Confiscated Assets	Multiple Grant Fund	Capital Projects	SPLOST	Total Nonmajor Governmental Funds
Revenues:						
Hotel/Motel occupancy taxes	$ 34,435	$ -	$ -	$ -	$ -	$ 34,435
Fines and forfeitures	-	52,272	-	-	-	52,272
Intergovernmental	-	-	1,500	-	796,440	797,940
Investment earnings	-	3	-	132	-	135
Total revenues	34,435	52,275	1,500	132	796,440	884,782
Expenditures:						
Current:						
Public safety	-	66,335	-	-	-	66,335
Public works	-	-	95,791	-	-	95,791
Culture and recreation	-	-	1,500	-	-	1,500
Economic and community development	10,000	-	-	-	-	10,000
Capital outlay	-	-	-	86,860	245,747	332,607
Total expenditures	10,000	66,335	97,291	86,860	245,747	506,233
Excess (deficiency) of revenues over (under) expenditures	24,435	(14,060)	(95,791)	(86,728)	550,693	378,549
Other financing sources (uses):						
Transfers in	-	-	-	86,860	-	86,860
Transfers out	(20,645)	-	-	-	(571,696)	(592,341)
Total other financing sourcs (uses)	(20,645)	-	-	86,860	(571,696)	(505,481)
Net change in fund balances	3,790	(14,060)	(95,791)	132	(21,003)	(126,932)
Fund balances, beginning of year, as restated	28,769	127,276	168,919	2,095,171	1,005,704	3,425,839
Fund balances, end of year	$ 32,559	$ 113,216	$ 73,128	$ 2,095,303	$ 984,701	$ 3,298,907

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, 2015

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Hotel/Motel occupancy taxes	$ 32,000	$ 33,450	$ 34,435	$ 985
Total revenues	32,000	33,450	34,435	985
Expenditures:				
Current:				
Economic and community development	12,800	12,800	10,000	2,800
Total expenditures	12,800	12,800	10,000	2,800
Excess of revenues over expenditures	19,200	20,650	24,435	3,785
Other financing uses:				
Transfers out	(19,200)	(20,650)	(20,645)	5
Total other financing uses	(19,200)	(20,650)	(20,645)	5
Net changes in fund balances	-	-	3,790	3,790
Fund balances, beginning of year	28,769	28,769	28,769	-
Fund balances, end of year	$ 28,769	$ 28,769	$ 32,559	$ 3,790

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, 2015

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Fines and forfeitures	$ 30,000	$ 51,816	$ 52,272	$ 456
Investment earnings	-	-	3	3
Total revenues	30,000	51,816	52,275	459
Expenditures:				
Current:				
Public safety	30,000	66,335	66,335	-
Total expenditures	30,000	66,335	66,335	-
Net changes in fund balances	-	(14,519)	(14,060)	459
Fund balances, beginning of year	127,276	127,276	127,276	-
Fund balances, end of year	$ 127,276	$ 112,757	$ 113,216	$ 459

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, 2015

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ 1,500	$ 1,500	$ 1,500	$ -
Total revenues	1,500	1,500	1,500	-
Expenditures:				
Current:				
Public works	95,791	95,791	95,791	-
Culture and recreation	1,500	1,500	1,500	-
Total expenditures	97,291	97,291	97,291	-
Net changes in fund balances	(95,791)	(95,791)	(95,791)	-
Fund balances, beginning of year	168,919	168,919	168,919	-
Fund balances, end of year	$ 73,128	$ 73,128	$ 73,128	$ -

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, 2015

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Investment earnings	$ -	$ -	$ 30	$ 30
Total revenues	-	-	30	30
Expenditures:				
Debt service:				
Principal	1,150,641	1,010,000	1,075,000	(65,000)
Interest	814,399	799,433	677,699	121,734
Total expenditures	1,965,040	1,809,433	1,752,699	56,734
Deficiency of revenues under expenditures	(1,965,040)	(1,809,433)	(1,752,669)	56,764
Other financing sources:				
Transfers in	1,965,040	1,809,433	1,749,581	(59,852)
Total other financing sources	1,965,040	1,809,433	1,749,581	(59,852)
Net change in fund balances	-	-	(3,088)	(3,088)
Fund balances, beginning of year	447,694	447,694	447,694	-
Fund balances, end of year	$ 447,694	$ 447,694	$ 444,606	$ (3,088)

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2015

SPLOST V:	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures
Roads, streets, bridges, and storm water management facilities	$ 1,179,588	$ 1,179,588	$ 238,962	$ 240,800	$ 479,762
Cultural, historical and recreation facilities	1,626,853	1,626,853	928,035	300,000	1,228,035
Public safety facilities	81,651	81,651	23,594	4,947	28,541
Water and sewer facilities	1,179,588	1,179,588	571,138	271,696	842,834
SPLOST V Total	$ 4,067,680	$ 4,067,680	$ 1,761,729	$ 817,443	$ 2,579,172

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

Capital Outlay	$ 245,747
Transfer Out (see note below)	571,696
Total	$ 817,443

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, 2015

	December 31, 2014	Additions	Deductions	December 31, 2015
ASSETS				
Cash	$ -	$ 180,168	$ 163,012	$ 17,156
Total assets	$ -	$ 180,168	$ 163,012	$ 17,156
LIABILITIES				
Due to other agencies	$ -	$ 180,168	$ 163,012	$ 17,156
Total liabilities	$ -	$ 180,168	$ 163,012	$ 17,156

Downtown Development Authority – Discretely Presented Component Unit – Modified Accrual Basis Statements

.

CITY OF JEFFERSON, GEORGIA

BALANCE SHEET
GOVERNMENTAL COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
DECEMBER 31, 2015

	Downtown Development Authority
ASSETS	
Cash and cash equivalents	$ 112,694
Accounts Receivable	850
Total assets	$ 113,544
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	$ 34,026
Total liabilities	34,026
FUND BALANCES	
Committed for:	
Downtown development projects	79,518
Total fund balances	79,518
Total liabilities and fund balances	$ 113,544

CITY OF JEFFERSON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	Downtown Development Authority
Revenues:	
Contributions and donations	$ 1,741
Other revenues	63,961
Total revenues	65,702
Expenditures:	
Current:	
Economic and community development	8,085
Debt service:	
Principal	20,726
Interest	14,263
Total expenditures	43,074
Excess of revenues over expenditures	22,628
Net change in fund balances	22,628
Fund balances, beginning of year, as restated	56,890
Fund balances, end of year	$ 79,518

COMPLIANCE SECTION

MAULDIN & JENKINS

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, the discretely presented component unit, 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, 2015, 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 28, 2016. Our report includes a reference to the changes in accounting principles resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of January 1, 2015.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2015-001, that we consider 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 responses. 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 28, 2016

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

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** none reported
Noncompliance material to financial statements noted?	____ yes **X** no

Federal Awards

An audit of federal awards was not performed for the City's year ended December 31, 2015 as the expenditures of federal awards did not exceed the $750,000 threshold.

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS

2015-001 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.