CITY OF JEFFERSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF JEFFERSON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards 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, 2016, 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.

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 61, the Schedule of City Contributions on page 62 and Schedule of Funding Progress on page 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jefferson, Georgia's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds as required by the Official Code of Georgia 48-8-121, are presented for purposes of additional analysis and are 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 27, 2017 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 27, 2017

CITY OF JEFFERSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

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, 2016. 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 inflows of resources exceeded its liabilities and deferred inflows of resources by $13,400,372 (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 $10,682,061, 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 $2,040,821 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net position of $677,490 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 $10,746,221 this year. This compared to the prior year ending fund balance of $9,949,104 showing an increase of $797,117 during the current year.

- At the end of the current calendar year, the unassigned fund balance for the General Fund was $4,499,047 or 63.9% 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, increases 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 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, multi-grant fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements are presented on pages 20 to 22 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 $33,686,427. The following table provides a summary of the City's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	$ 14,281,707	$ 13,522,930	$ 7,978,109	$ 7,688,650	$ 22,259,816	$ 21,211,580
Capital Assets	27,261,007	27,156,746	32,275,006	30,365,305	59,536,013	57,522,051
Total Assets	41,542,714	40,679,676	40,253,115	38,053,955	81,795,829	78,733,631
Deferred outflows of resources	1,022,969	912,049	124,351	86,709	1,147,320	998,758
Liabilities:						
Current and other liabilities	605,667	484,637	1,483,163	1,069,722	2,088,830	1,554,359
Long term debt outstanding	25,452,432	25,822,943	18,597,861	19,794,789	44,050,293	45,617,732
Total Liabilities	26,058,099	26,307,580	20,081,024	20,864,511	46,139,123	47,172,091
Deferred inflows of resources	3,107,212	3,020,214	10,387	28,146	3,117,599	3,048,360
Net position:						
Net investment in capital assets	10,682,061	9,533,066	16,763,242	14,306,566	27,445,303	23,839,632
Restricted	2,040,821	1,648,210	-	-	2,040,821	1,648,210
Unrestricted	677,490	1,082,655	3,522,813	2,941,441	4,200,303	4,024,096
Total Net Position	$ 13,400,372	$ 12,263,931	$ 20,286,055	$ 17,248,007	$ 33,686,427	$ 29,511,938

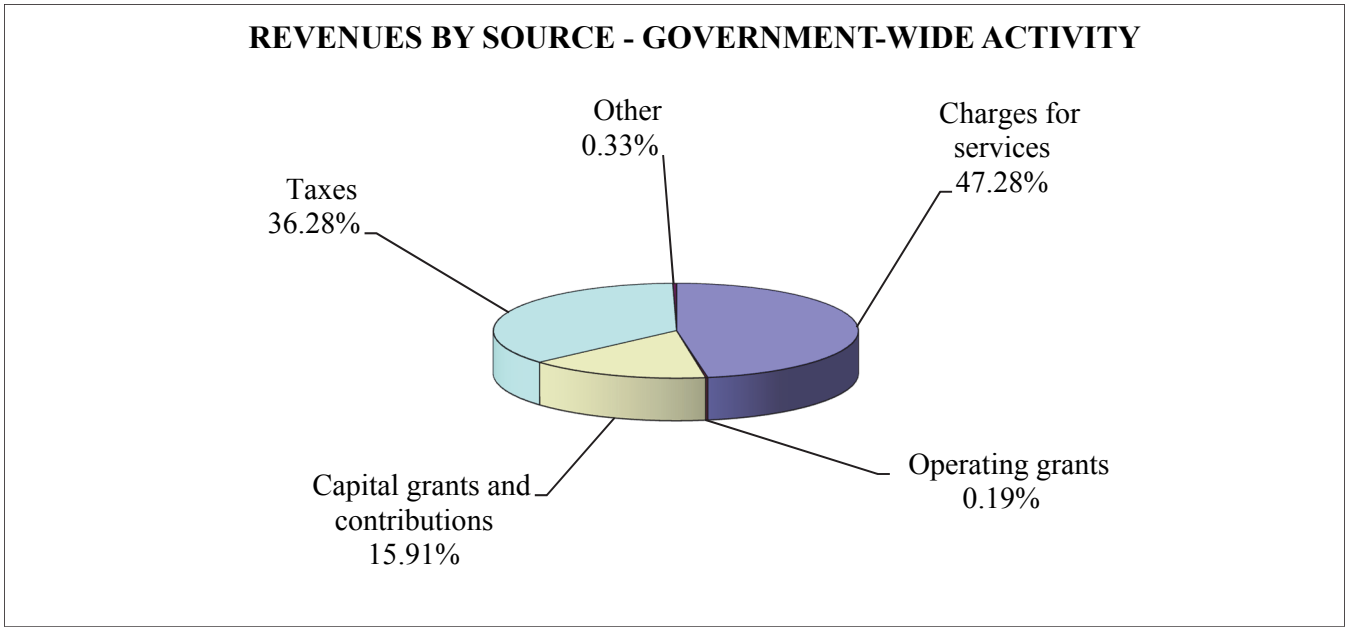
The City reported positive balances in net position for both governmental and business-type activities. During 2016, net position increased $1,136,441 for governmental activities and increased $3,038,048 for business-type activities. The City's overall financial position increased during calendar year 2016.

Note that approximately 66% of the governmental activities' total assets are tied up in capital assets (with 94% 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 (with 63% of the capital asset cost being depreciable). 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

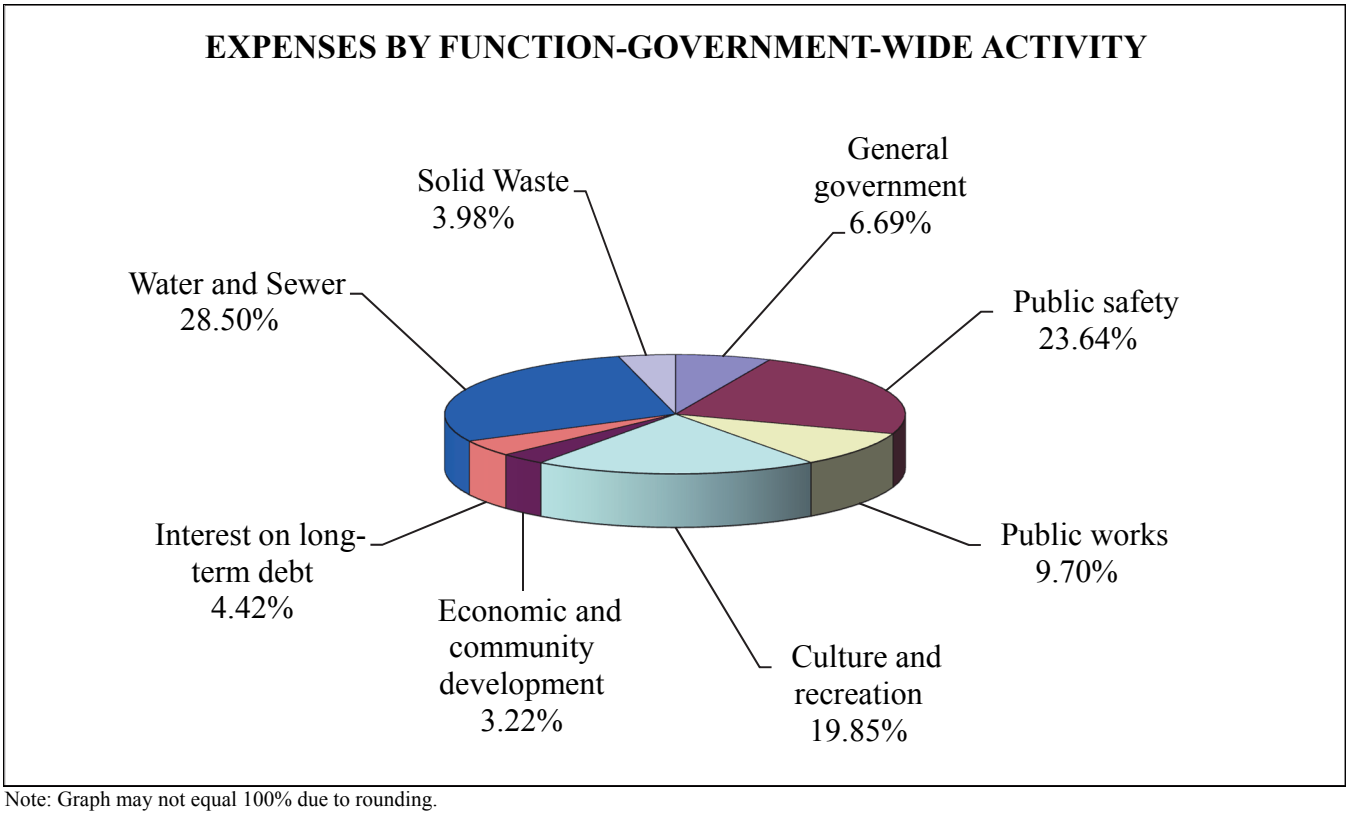
	Governmental Activities		Business-type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues:						
Program:						
Charges for services	$3,040,576	$2,328,205	$5,710,196	$5,196,370	$8,750,772	$7,524,575
Operating grants and contribution	35,882	42,723	-	-	35,882	42,723
Capital grants and contributions	985,669	797,940	1,958,302	461,999	2,943,971	1,259,939
General:						
Taxes	6,714,287	6,557,967	-	-	6,714,287	6,557,967
Other	404	185	2,925	196	3,329	381
Gain on sale of capital assets	58,342	2,842	-	-	58,342	2,842
Total revenues	10,835,160	9,729,862	7,671,423	5,658,565	18,506,583	15,388,427
Program Expenses:						
General government	959,037	699,175	-	-	959,037	699,175
Public safety	3,388,651	3,232,895	-	-	3,388,651	3,232,895
Public works	1,389,650	1,248,635	-	-	1,389,650	1,248,635
Culture and recreation	2,844,730	2,775,586	-	-	2,844,730	2,775,586
Economic and community development	461,375	413,043	-	-	461,375	413,043
Interest on long-term debt	633,565	683,522	-	-	633,565	683,522
Water and Sewer	-	-	4,084,485	3,879,422	4,084,485	3,879,422
Solid Waste	-	-	570,601	576,982	570,601	576,982
Total expenses	9,677,008	9,052,856	4,655,086	4,456,404	14,332,094	13,509,260
Revenues over expenses	1,158,152	677,006	3,016,337	1,202,161	4,174,489	1,879,167
Transfers	(21,711)	(100,836)	21,711	100,836	-	-
Change in net position	1,136,441	576,170	3,038,048	1,302,997	4,174,489	1,879,167
Beginning net position	12,263,931	11,687,761	17,248,007	15,945,010	29,511,938	27,632,771
Ending net position	$13,400,372	$12,263,931	$20,286,055	$17,248,007	$33,686,427	$29,511,938

Total government-wide revenues for 2016 were $18,506,585. These revenues consisted of $6,714,287 in taxes, $2,943,971 in capital grants and contributions, $35,882 in operating grants and contributions, $8,750,771 in charges for services, $58,342 in gain of sale of capital assets and $3,329 in other revenues. Of this amount, $10,835,160 was in governmental activities and $7,671,423 in business-type activities. The chart below depicts further detail of government-wide revenues.



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

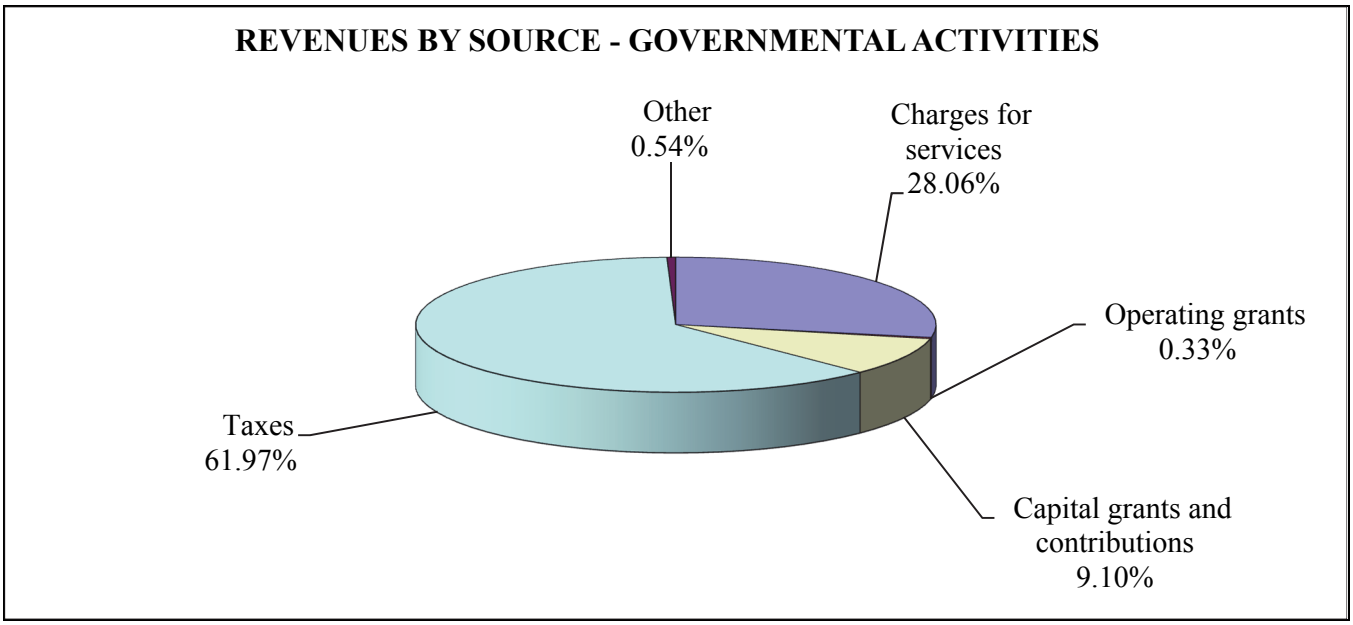
Government-wide expenses for the City were $14,332,094 for 2016, of which $9,677,008 were for governmental activities and $4,655,086 for business-type activities. The chart below depicts further detail of government-wide total expenses.



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

Governmental Activities Revenues

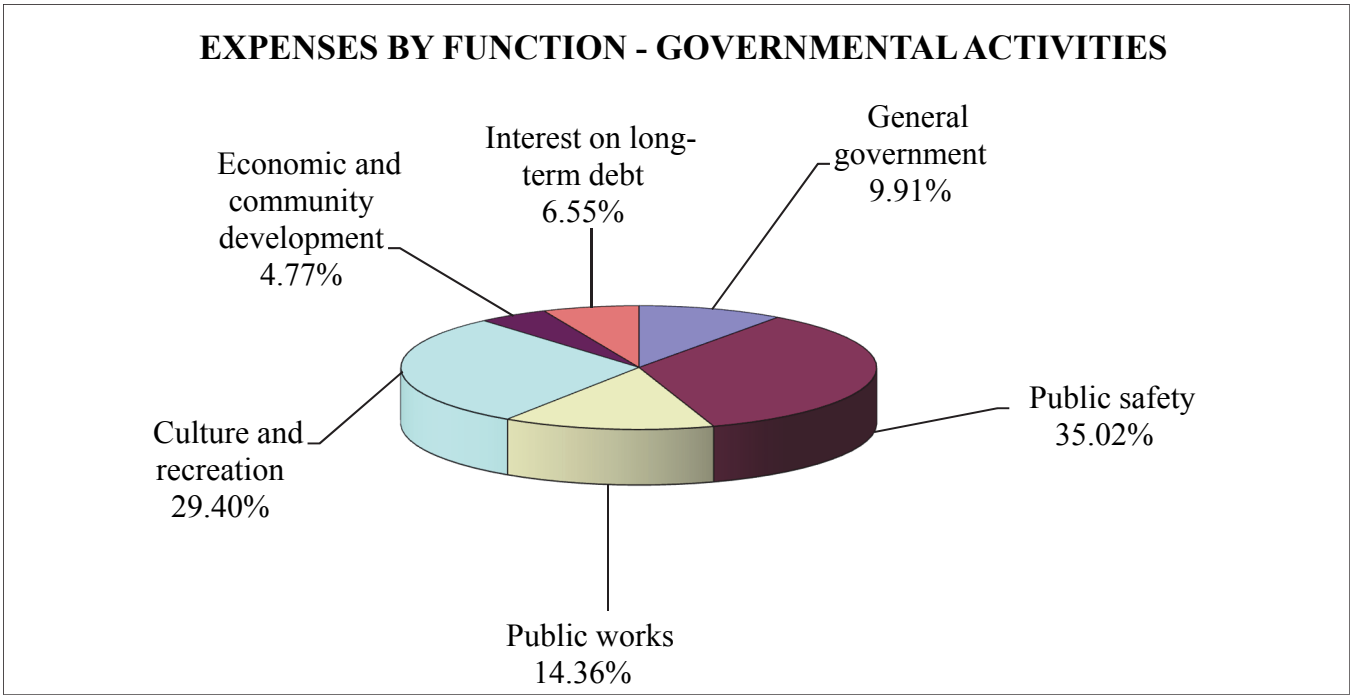
The City's sales and use taxes (which includes the Local Option Sales Tax), one of the General Fund's most significant revenue sources, yielded $91,020 more than in the prior year, due to an increase in sales throughout the County. The total amount of local option sales tax revenue was $1,548,656. The 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 five, effective for six years, was approved by the voters on November 2, 2010 with collections starting July 1, 2011 and will end June 30, 2017. 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 $546,538 was expended during 2016 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 $9,677,008 up $624,152 from 2015. 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 $504,517 from prior year while non-operating revenues and capital contributions (excluding transfers in) increased by $1,496,303. The increase in non-operating revenue and capital contributions is mainly due to the increase in intergovernmental revenue from Jacksons County Water and Sewer Authority, water lines contributed and tap fees received in the current year. Operating expenses increased by $20,506 from 2015. The increase in expenses is attributable to the increase in repair and maintenance of the water and sewer system and increased interest payments on bonds.

Solid Waste Fund – The operating revenue for Solid Waste Fund were up $9,308 from prior year, while operating expenses decreased by $6,381. The revenue in this fund increased due to an increase in customer base. The expense decrease was mainly due to a decrease in professional services.

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 $10,746,221 at December 31, 2016 compared to $9,949,104 at December 31, 2015. The increase relates to the General Fund, Debt Service Fund and Nonmajor Governmental Funds.

The General Fund contributed $469,235 to increase due to a significant increase in building permits being issued during the year. SPLOST Capital Projects Fund contributed $300,412 to the increase as expenditures were well under the amount of revenue received and a small increase of $65,008 was from the Debt Service Fund due to left over bond proceeds being transferred for use as payment for next year.

Of this year-end total, $1,073,012 is assigned for appropriation of subsequent year's fund balance. There is $1,102,767 assigned for various purposes. There is $4,499,047 that is unassigned indicating availability for continuing City service delivery requirements. Legally restricted fund balances include $144,745 set aside grant funds for a road project and $8,140 for the farmer's market, $509,614 set aside for debt service, $1,999,983 is bond proceeds set aside for approved road projects, $36,281 is restricted for tourism, $87,519 is restricted for public safety, and $1,285,113 is for use as stated in the SPLOST referendum.

Major Governmental Funds

General Fund – The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by $469,235 or 7.6%. The ending unassigned fund balance represents the equivalent of 63.9% of annual expenditures. The increase was mostly due to a significant increase in building permits being issued during the year. Also there was a decent increase in property taxes. The only significant increase in expenditures was in public safety due to the purchase of fire trucks. Otherwise, revenues and expenditures remained fairly flat between 2015 and 2016.

Debt Service – The Debt Service Fund is used to show principal and interest payments made to pay off existing debt. Fund balance increased by $65,008 from the prior year. This was due to the remaining balance from bond proceeds being transferred to be applied to the outstanding debt.

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 2016 by $106,314 or -1.2%.

Charges for services were decreased by $150,000 due to a reclassification of a revenue that needed to be recognized as a transfer in. Licenses and permits were increased by $35,060 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 $225,090. This was due to City being conservative when budgeting for property tax collection. Public officials fear that property tax collection might not be collected at 100%.

Sales taxes came in over budget by $155,393 due to budget projections being estimated. This number is dependent on sales in area stores.

Franchise fees came in $70,466 under budget. This was the result of receiving less electric franchise fees due to industries installing more energy saving processes.

Business taxes came in $58,695 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, $423,569, due to the increase building permits being issued and fees being collected.

Fines and forfeitures came in under budget by $23,274 due to 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 $10,989.

Other revenues came in slightly over budget by $2,879.

In total, the City recognized 114.3% of the final revenue budget. The General Fund's expenditure budget was increased $45,856 or .6%. An increase of $3,241 was in police due to an increase in purchasing technology, using the technology funds collected. Additionally, libraries budget increased by $4,730 to allow for contributions received to purchase additional publications. Economic and community development budget increased by $46,188 to allow for a new vehicle and an additional contract help. In total, the City under spent the final expenditure budget by $534,165 or 7%.

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, 2016, were $27,261,007 and $32,375,006; respectively. The change in this net investment was an approximate $2,003,962 increase for governmental activities and 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	
	2016	2015	2016	2015	2016	2015
Non-depreciable assets:						
Land	$ 1,559,423	$ 1,563,073	$ 8,257,831	$ 8,108,011	$ 9,817,254	$ 9,671,084
Construction in progress	173,983	1,056,330	2,238,198	1,859,682	2,412,181	2,916,012
Intangible	-	-	1,450,059	-	1,450,059	-
Total non-depreciable	$ 1,733,406	$ 2,619,403	$11,946,088	$ 9,967,693	$ 13,679,494	$ 12,587,096
Depreciable assets:						
Buildings	18,580,401	18,644,346	-	-	18,580,401	18,644,346
Water Distribution	-	-	14,871,084	14,460,809	14,871,084	14,460,809
Sewer Distribution	-	-	17,051,231	16,756,231	17,051,231	16,756,231
Improvements	408,068	408,068	37,020	37,020	445,088	445,088
Machinery and Equipment	4,718,755	3,605,206	603,523	600,090	5,322,278	4,205,296
Infrastructure	11,685,952	10,620,763	-	-	11,685,952	10,620,763
Total depreciable assets	35,393,176	33,278,383	32,562,858	31,854,150	67,956,034	65,132,533
Less accumulated depreciation	9,865,575	8,741,040	12,233,940	11,456,538	22,099,515	20,197,578
Book value – depreciable assets	25,527,601	24,537,343	20,328,918	20,397,612	44,856,519	44,934,955
Percentage depreciated	28%	26%	36%	36%	33%	31%
Total book value	$27,261,007	$27,156,746	$32,275,006	$30,365,305	$59,536,013	$57,522,051

Major capital asset activities in governmental activities in 2016 were:

- Land decreased by $3,650 due to the sale of the old police department.

- Construction in progress decreased by $882,347 due to the completion and reclassification of the MLK sidewalk and drainage project.

- Machinery and equipment increased by $1,113,549 due to the addition of five new vehicles costing $174,634 (three police cars, one street vehicle and one planning vehicle), the purchase of two fire engines costing $880,000, turnout gear for the fire department costing $33,303, the purchase of a backhoe and trailer for the street department costing $73,377, five AED units for the police costing $7,037, a portable stage costing $10,983 for the civic center and main street and a mower for the recreation department costing $7,267. Also, the City sold $73,052 worth of old vehicles from the police department.

- Infrastructure increased by $1,065,189 due to the completion of the MLK sidewalk and drainage project.

At December 31, 2016, the depreciable capital assets for governmental activities were 28% depreciated, slightly above the 2015 percentage of 26%. 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 2016 were:

- Land increased by $149,820 due to the purchase of parcels that are associated with the Parks Creek Reservoir project.

- There was an increase in construction in progress in the amount of $378,516. The increase was due to various project being started and not completed in 2016.

- Additions to Water Distribution in the amount of $410,275. The projects included were the Dry Pond and Athens Street Tank Refurbishment.

- Additions to Sewer Distribution in the amount of $295,000. This was from a developer contribution to the City.

Long-term Debt

The City's long-term debt decreased by approximately $1,567,437 during 2016.

Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds and Intergovernmental contracts payable	$ 19,330,582	$ 20,491,549	$ 16,818,521	$ 18,304,976	$ 36,149,103	$ 38,796,525
Notes payable	-	-	119,051	21,312	119,051	21,312
Capital leases	-	-	30,693	58,724	30,693	58,724
Net pension obligation	837,397	597,658	268,222	193,824	1,105,619	791,482
Net OPEB obligation	5,116,705	4,574,371	1,300,857	1,162,976	6,417,562	5,737,347
Compensated absences	167,748	159,365	60,517	52,977	228,265	212,342
Total	$ 25,452,432	$ 25,822,943	$ 18,597,861	$19,794,789	$ 44,050,293	$ 45,617,732

During the year, the City also borrowed $97,739 for the purposed of improvements to the I-85 wastewater treatment plant. Additional information on the City's debt is contained in Note 8 beginning on page 44.

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 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 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 COMMERCIAL ACTIVITY

Currently, the 1,000,000 sf IDI speculative building is in the final stages of construction. This building will be entering the market by the end of 2017. Hubble Lighting leased the 840,000 Gazeley building in late 2016. The company created 100 jobs.

Pattillo Real Estate Company finished its 450,000 sf speculative building in the McClure Industrial Park in 2017. The building is being marketed for manufacturing and distribution. The extension of Thomas Drive is complete within the McClure Industrial Park. Kubota has started the construction of a 650,000 sf warehouse facility that will house inventory along this route. Completed construction of the project is anticipated by the 2nd quarter of 2018.

Trammel Crow recently completed two speculative buildings in the Jefferson Mill Industrial Park. It was recently announced that Amazon will fill the 820,000 sf facility creating 1000 jobs. The 250,000 facility is currently on the market. It is anticipated that Trammel Crow will file permits for a third facility in 2017.

Residential

Residential development has continued to increase. Last year the city permitted 225 new houses within the city limits. As of May 2017, the city has permitted 68 new houses. New phases of old neighborhoods continue to expand and housing seems to be in high demand within the city limits.

Top 20 employers in Jackson County in 2016 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
• Quik Trip Distribution, Inc.	100

Jefferson continues to attract new business and industry. Housing is rebounding with 80 new homes built in 2016 and 57 new permits as of May 31, 2017. We have activity in various available subdivisions throughout the city. All of this, along with a top-rated city school system, results in a city with growth on the horizon.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF JEFFERSON, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component Unit
ASSETS	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	$ 9,700,099	$ 5,038,355	$ 14,738,454	$ 205,684
Receivables, net of allowance for uncollectibles	1,658,745	720,112	2,378,857	-
Intergovernmental receivable	349,385	542,095	891,480	-
Inventory	-	246,908	246,908	-
Prepaid items	-	1,788	1,788	-
Restricted cash and cash equivalents	2,573,478	1,428,851	4,002,329	-
Capital assets, non-depreciable	1,733,406	11,946,088	13,679,494	92,965
Capital assets, depreciable, net of accumulated depreciation	25,527,601	20,328,918	45,856,519	228,179
Total assets	41,542,714	40,253,115	81,795,829	526,828
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	721,062	27,650	748,712	-
Net difference between projected and actual pension plan investment earnings	111,526	35,722	147,248	-
Experience differences	54,648	17,504	72,152	-
Pension plan contributions subsequent to measurement date	135,733	43,475	179,208	-
Total deferred outflows of resources	1,022,969	124,351	1,147,320	-
LIABILITIES				
Accounts payable	335,991	621,424	957,415	38,703
Accrued liabilities	269,676	196,652	466,328	-
Unearned revenues	-	336,000	336,000	-
Customer deposits payable	-	329,087	329,087	-
Compensated absences, due within one year	157,850	56,948	214,798	-
Compensated absences, due in more than one year	9,898	3,569	13,467	-
Net OPEB obligation, due in more than one year	5,116,705	1,300,857	6,417,562	-
Intergovernmental contracts payable, due within one year	405,000	-	405,000	-
Intergovernmental contracts payable, due in more than one year	420,000	-	420,000	-
Bonds payable, due within one year	735,000	1,460,000	2,195,000	-
Bonds payable, due in more than one year	17,770,582	15,358,521	33,129,103	-
Capital lease payable, due within one year	-	15,140	15,140	19,187
Capital lease payable, due in more than one year	-	15,553	15,553	273,720
Notes payable, due in more than one year	-	119,051	119,051	-
Net pension liability, due in more than one year	837,397	268,222	1,105,619	-
Total liabilities	26,058,099	20,081,024	46,139,123	331,610
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues - property taxes	3,074,779	-	3,074,779	-
Pension plan experience differences	2,403	769	3,172	-
Pension plan assumption changes	30,030	9,618	39,648	-
Total deferred inflows of resources	3,107,212	10,387	3,117,599	-
NET POSITION				
Net investment in capital assets	10,682,061	16,763,242	27,445,303	28,237
Restricted for:				
Debt service	509,614	-	509,614	-
Capital projects	1,407,407	-	1,407,407	-
Public safety	87,519	-	87,519	-
Tourism	36,281	-	36,281	-
Unrestricted	677,490	3,522,813	4,200,303	166,981
Total net position	$ 13,400,372	$ 20,286,055	$ 33,686,427	$ 195,218

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

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	$ 959,037	$ 283,771	$ 8,477	$ -	$ (666,789)	$ -	$ (666,789)	$ -
Public safety	3,388,651	801,152	-	57,807	(2,529,692)	-	(2,529,692)	-
Public works	1,389,650	-	-	586,847	(802,803)	-	(802,803)	-
Culture and recreation	2,844,730	931,005	8,741	341,015	(1,563,969)	-	(1,563,969)	-
Economic and community development	461,375	1,024,648	18,664	-	581,937	-	581,937	-
Interest on long-term debt	633,565	-	-	-	(633,565)	-	(633,565)	-
Total governmental activities	9,677,008	3,040,576	35,882	985,669	(5,614,881)	-	(5,614,881)	-
Business-type activities:								
Water and Sewer	4,084,485	5,099,116	-	1,958,302	-	2,972,933	2,972,933	-
Solid waste	570,601	611,080	-	-	-	40,479	40,479	-
Total business-type activities	4,655,086	5,710,196	-	1,958,302	-	3,013,412	3,013,412	-
Total primary government	$ 14,332,094	$ 8,750,772	$ 35,882	$ 2,943,971	$ (5,614,881)	$ 3,013,412	$ (2,601,469)	-
Component unit:								
Downtown Development Authority	$ 29,293	$ 51,282	$ -	$ -	$ -	$ -	$ -	$ 21,989
General revenues:								
Property taxes					3,138,361	-	3,138,361	-
Sales taxes					1,774,393	-	1,774,393	-
Franchise taxes					1,174,534	-	1,174,534	-
Hotel/Motel occupancy tax					34,304	-	34,304	-
Business taxes					592,695	-	592,695	-
Unrestricted investment earnings					404	2,925	3,329	-
Gain on sale of capital assets					58,342	-	58,342	38,959
Transfers					(21,711)	21,711	-	-
Total general revenues and transfers					6,751,322	24,636	6,775,958	38,959
Change in net position					1,136,441	3,038,048	4,174,489	60,948
Net position, beginning of year					12,263,931	17,248,007	29,511,938	134,270
Net position, end of year					$ 13,400,372	$ 20,286,055	$ 33,686,427	$ 195,218

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

CITY OF JEFFERSON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Major Governmental Funds			Nonmajor	Totals
ASSETS	General	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
Cash and cash equivalents	$ 8,280,349	$ -	$ -	$ 1,419,750	$ 9,700,099
Taxes receivable, net	428,795	-	-	5,596	434,391
Accounts receivable	1,224,354	-	-	-	1,224,354
Intergovernmental receivable	189,869	-	-	159,516	349,385
Due from other funds	17,988	-	-	-	17,988
Restricted cash and cash equivalents	-	2,030,574	509,614	33,290	2,573,478
Total assets	$ 10,141,355	$ 2,030,574	509,614	$ 1,618,152	$ 14,299,695
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 267,034	$ 15,961	$ -	$ 52,996	$ 335,991
Accrued salaries	108,179	-	-	-	108,179
Due to other funds	-	14,630	-	3,358	17,988
Total liabilities	375,213	30,591	-	56,354	462,158
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - property taxes	3,074,779	-	-	-	3,074,779
Unavailable revenue - property taxes	16,537	-	-	-	16,537
Total deferred inflows of resources	3,091,316	-	-	-	3,091,316
FUND BALANCES					
Restricted for:					
Debt service	-	-	509,614	-	509,614
Tourism	-	-	-	36,281	36,281
Public safety	-	-	-	87,519	87,519
Capital projects	-	1,999,983	-	1,437,998	3,437,981
Assigned for:					
Appropriation of subsequent year's fund balance	1,073,012	-	-	-	1,073,012
Improvement of Old Pendergrass Road	50,000	-	-	-	50,000
Future improvements of new library	43,734	-	-	-	43,734
Jefferson community theater	35,829	-	-	-	35,829
Tree bank	24,006	-	-	-	24,006
Police technology	21,175	-	-	-	21,175
Planning and development	928,023	-	-	-	928,023
Unassigned	4,499,047	-	-	-	4,499,047
Total fund balances	6,674,826	1,999,983	509,614	1,561,798	10,746,221
Total liabilities, deferred inflows of resources, and fund balances	$ 10,141,355	$ 2,030,574	$ 509,614	$ 1,618,152	

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.	27,261,007
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.	16,537
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.	(567,923)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(24,055,470)
Net position of governmental activities	$ 13,400,372

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, 2016

	Major Governmental Funds			Nonmajor Governmental Funds	Totals Governmental Funds
	General	Capital Projects	Debt Service		
Revenues					
Taxes:					
Property taxes	$ 3,449,963	$ -	$ -	$ -	$ 3,449,963
Sales taxes	1,774,393	-	-	-	1,774,393
Hotel/Motel occupancy taxes	-	-	-	34,304	34,304
Franchise taxes	1,174,534	-	-	-	1,174,534
Business taxes	592,695	-	-	-	592,695
Licenses and permits	856,815	-	-	-	856,815
Intergovernmental	8,477	-	-	978,139	986,616
Fines and forfeitures	514,622	-	-	25,100	539,722
Charges for services	1,381,968	-	-	-	1,381,968
Investment earnings	73	203	128	-	404
Contributions and donations	8,741	26,018	-	-	34,759
Other revenues	262,071	-	-	176	262,247
Total revenues	10,024,352	26,221	128	1,037,719	11,088,420
Expenditures					
Current:					
General government	756,231	28,600	-	-	784,831
Public safety	2,651,628	1,028,133	-	65,647	3,745,408
Public works	883,670	159,636	-	24,600	1,067,906
Culture and recreation	2,312,360	209,405	-	2,235	2,524,000
Economic and community development	439,061	-	-	19,923	458,984
Capital outlay	-	-	-	276,538	276,538
Debt service:					
Principal	-	-	1,095,000	-	1,095,000
Interest	-	-	658,907	-	658,907
Total expenditures	7,042,950	1,425,774	1,753,907	388,943	10,611,574
Excess (deficiency) of revenues over (under) expenditures	2,981,402	(1,399,553)	(1,753,779)	648,776	476,846
Other financing sources (uses):					
Proceeds from sale of capital assets	136,671	-	-	-	136,671
Transfers in	175,583	1,369,165	1,818,787	-	3,363,535
Transfers out	(2,824,421)	(64,932)	-	(290,582)	(3,179,935)
Total other financing sources (uses)	(2,512,167)	1,304,233	1,818,787	(290,582)	320,271
Net change in fund balances	469,235	(95,320)	65,008	358,194	797,117
Fund balances, beginning of year	6,205,591	2,095,303	444,606	1,203,604	9,949,104
Fund balances, end of year	$ 6,674,826	$ 1,999,983	$ 509,614	$ 1,561,798	$ 10,746,221

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, 2016

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

Net change in fund balances - total governmental funds	$	797,117
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		387,901
The net effect of various miscellaneous transactions involving capital assets (i.e. sale of capital assets and donated capital assets) is to decrease net position.		(283,640)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(311,602)
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.		1,095,000
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.		(548,335)
Change in net position - governmental activities	$	1,136,441

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 3,224,873	$ 3,224,873	$ 3,449,963	$ 225,090
Sales taxes	1,619,000	1,619,000	1,774,393	155,393
Franchise taxes	1,245,000	1,245,000	1,174,534	(70,466)
Business taxes	534,000	534,000	592,695	58,695
Licenses and permits	398,186	433,246	856,815	423,569
Intergovernmental	14,000	14,000	8,477	(5,523)
Fines and forfeitures	534,000	537,896	514,622	(23,274)
Charges for services	1,031,575	881,575	1,381,968	500,393
Contributions and donations	15,000	19,730	8,741	(10,989)
Investment earnings	-	-	73	73
Other revenues	259,192	259,192	262,071	2,879
Total revenues	8,874,826	8,768,512	10,024,352	1,255,840
Expenditures:				
Current:				
General government	853,121	853,121	756,231	96,890
Public safety:				
Police	2,233,059	2,236,300	2,066,470	169,830
Fire	641,001	632,698	585,158	47,540
Total public safety	2,874,060	2,868,998	2,651,628	217,370
Public works	978,273	932,866	883,670	49,196
Culture and recreation:				
Recreation	356,334	356,334	336,795	19,539
Parks	1,625,238	1,670,645	1,583,384	87,261
Libraries	386,343	391,073	373,489	17,584
Payments to other agencies	30,000	30,000	18,692	11,308
Total culture and recreation	2,397,915	2,448,052	2,312,360	135,692
Economic and Community Development	427,890	474,078	439,061	35,017
Total expenditures	7,531,259	7,577,115	7,042,950	534,165
Excess of revenues over expenditures	1,343,567	1,191,397	2,981,402	1,790,005
Other financing sources (uses):				
Proceeds from sale of capital assets	2,000	2,000	136,671	134,671
Transfers in	24,200	174,200	175,583	1,383
Transfers out	(2,097,025)	(3,269,591)	(2,824,421)	445,170
Total other financing sources (uses)	(2,070,825)	(3,093,391)	(2,512,167)	581,224
Net change in fund balances	(727,258)	(1,901,994)	469,235	2,371,229
Fund balances, beginning of year	6,205,591	6,205,591	6,205,591	-
Fund balances, end of year	$ 5,478,333	$ 4,303,597	$ 6,674,826	$ 2,371,229

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

ASSETS	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	$ 4,861,481	$ 176,874	$ 5,038,355
Accounts receivable, net	629,057	91,055	720,112
Intergovernmental receivable	542,095	-	542,095
Inventory	246,908	-	246,908
Prepaid items	1,788	-	1,788
Restricted cash	1,428,851	-	1,428,851
Total current assets	7,710,180	267,929	7,978,109
NONCURRENT ASSETS			
Capital assets:			
Nondepreciable	11,946,088	-	11,946,088
Depreciable assets, net of accumulated depreciation	20,319,436	9,482	20,328,918
Total noncurrent assets	32,265,524	9,482	32,275,006
Total assets	39,975,704	277,411	40,253,115
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	27,650	-	27,650
Net difference between projected and actual pension plan investment earnings	33,857	1,865	35,722
Experience differences	16,590	914	17,504
Pension plan contributions subsequent to measurement date	41,205	2,270	43,475
Total deferred outflows of resources	119,302	5,049	124,351
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	572,959	48,465	621,424
Accrued salaries	21,927	1,325	23,252
Accrued interest	173,400	-	173,400
Unearned revenue	336,000	-	336,000
Compensated absences payable, current	56,926	22	56,948
Customer deposits payable	329,087	-	329,087
Capital leases payable, current	15,140	-	15,140
Bonds payable, current	1,460,000	-	1,460,000
Total current liabilities	2,965,439	49,812	3,015,251
NONCURRENT LIABILITIES			
Compensated absences payable	3,569	-	3,569
Capital leases payable	15,553	-	15,553
Notes payable	119,051	-	119,051
Net OPEB obligation	1,214,133	86,724	1,300,857
Bonds payable	15,358,521	-	15,358,521
Net pension liability	254,216	14,006	268,222
Total noncurrent liabilities	16,965,043	100,730	17,065,773
Total liabilities	19,930,482	150,542	20,081,024
DEFERRED INFLOWS OF RESOURCES			
Pension plan experience differences	729	40	769
Pension plan assumption changes	9,116	502	9,618
Total deferred inflows of resources	9,845	542	10,387
NET POSITION			
Net investment in capital assets	16,753,760	9,482	16,763,242
Unrestricted	3,400,919	121,894	3,522,813
Total net position	$ 20,154,679	$ 131,376	$ 20,286,055

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, 2016

	Business-type Activities - Enterprise Funds		
OPERATING REVENUES	**Water and Sewer Fund**	**Solid Waste Fund**	**Totals**
Charges for services:			
Water charges	$ 3,440,283	$ -	$ 3,440,283
Sewer charges	1,542,500	-	1,542,500
Refuse collection charges	-	594,391	594,391
Miscellaneous revenue	116,333	16,689	133,022
Total operating revenues	5,099,116	611,080	5,710,196
OPERATING EXPENSES			
Personal services and benefits	1,109,524	67,572	1,177,096
Purchased and contracted services	942,804	500,429	1,443,233
Supplies	758,138	1,141	759,279
Depreciation and amortization	750,106	1,459	751,565
Total operating expenses	3,560,572	570,601	4,131,173
Operating income	1,538,544	40,479	1,579,023
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	2,925	-	2,925
Interest expense, fiscal agent fees, and bond issuance costs	(523,913)	-	(523,913)
Total non-operating (expenses)	(520,988)	-	(520,988)
Income before contributions and transfers	1,017,556	40,479	1,058,035
Capital contributions - tap fees	1,167,560	-	1,167,560
Capital contributions - intergovernmental	790,742	-	790,742
Capital contributions - capital outlay	205,311	-	205,311
Transfers out	(150,000)	(33,600)	(183,600)
	2,013,613	(33,600)	1,980,013
Change in net position	3,031,169	6,879	3,038,048
NET POSITION, beginning of year	17,123,510	124,497	17,248,007
NET POSITION, end of year	$ 20,154,679	$ 131,376	$ 20,286,055

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, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 4,648,452	$ 612,072	$ 5,260,524
Payments to vendors	(1,333,474)	(496,799)	(1,830,273)
Payments to or on behalf of employees	(962,967)	(58,480)	(1,021,447)
Net cash provided by operating activities	2,352,011	56,793	2,408,804
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(150,000)	(33,600)	(183,600)
Net cash used in non-capital financing activities	(150,000)	(33,600)	(183,600)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on notes and bonds payable	(1,458,031)	-	(1,458,031)
Proceeds from long-term borrowings	97,739	-	97,739
Capital contributions from tap fees	1,167,560	-	1,167,560
Capital contributions from other governments	790,742	-	790,742
Interest paid	(538,955)	-	(538,955)
Purchases of capital assets	(2,498,586)	-	(2,498,586)
Net cash provided by capital and related financing activities	(2,439,531)	-	(2,439,531)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	2,925	-	2,925
Net cash provided by investing activities	2,925	-	2,925
Net increase (decrease) in cash and cash equivalents	(234,595)	23,193	(211,402)
Cash and cash equivalents, beginning of year	6,524,927	153,681	6,678,608
Cash and cash equivalents, end of year	$ 6,290,332	$ 176,874	$ 6,467,206
Reconciliation to the statement of net position			
Cash and cash equivalents	$ 4,861,481	$ 176,874	$ 5,038,355
Restricted cash	1,428,851	-	1,428,851
Total	$ 6,290,332	$ 176,874	$ 6,467,206
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 1,538,544	$ 40,479	$ 1,579,023
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	750,106	1,459	751,565
Change in assets and liabilities:			
(Increase) decrease in accounts and intergovernmental receivables	(492,082)	992	(491,090)
Increase in inventory	(7,983)	-	(7,983)
Increase in accounts payable	420,254	4,771	425,025
Increase in accrued salaries	4,774	281	5,055
Decrease in retainage payable	(30,803)	-	(30,803)
Increase (decrease) in compensated absences	8,192	(652)	7,540
Increase in Net OPEB obligation	128,689	9,192	137,881
Increase in customer deposits payable	43,206	-	43,206
Decrease in prepaid items	(1,788)	-	(1,788)
Decrease in unearned revenues	(14,000)	-	(14,000)
Increase in pension related items	4,902	271	5,173
Net cash provided by operating activities	$ 2,352,011	$ 56,793	$ 2,408,804
Schedule of non-cash capital and related financing activities:			
Contributions of capital assets from governmental activities	$ 205,311	$ -	$ 205,311

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, 2016

	Agency Fund
ASSETS	
Cash	$ 13,189
Total assets	$ 13,189
LIABILITIES	
Due to other agencies	$ 13,189
Total liabilities	$ 13,189

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, Jefferson, 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 ***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.

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, 2016, 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 acquisition 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 $10,682,061 as shown in the financial statements was determined by taking capital assets ($27,261,007) less total outstanding debt of $19,330,582 (which includes intergovernmental contracts, capital leases payable, notes payable, and bonds payable) plus deferred charges on refunding of $721,062 plus unspent bond proceeds of $2,030,574 reported as part of the restricted cash reported in the Capital Projects Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Equity

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

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

Fund balances are classified as follows:

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

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

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

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not 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 $24,055,470 difference are as follows:

Intergovernmental contract payable	$	(825,000)
Revenue bonds payable		(18,000,000)
Plus: Unamortized premium (to be amortized as interest expense)		(553,181)
Less: Unamortized discount (to be amortized as interest expense)		47,599
Deferred loss on refunding		721,062
Accrued interest payable		(161,497)
Compensated absences		(167,748)
Net OPEB obligation		(5,116,705)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(24,055,470)

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 $567,923 difference are as follows:

Net pension liability	$	(837,397)
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date		135,733
Pension plan experience differences		54,648
Net difference between projected and actual investment earnings		111,526
Deferred inflows of resources:		
Pension plan experience differences		(2,403)
Pension plan assumption changes		(30,030)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(567,923)

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 $182,590 difference are as follows:

Capital outlay	$	1,578,848
Depreciation expense		(1,396,258)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$	182,590

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 $1,095,000 difference are as follows:

Principal repayments:		
Intergovernmental contract payable	$	390,000
Revenue bonds		705,000
Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities*	$	1,095,000

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 $548,335 difference are as follows:

Compensated absences	$	(8,383)
Amortization of premium		71,554
Amortization of discount		(5,587)
Amortization of deferred loss on refunding		(51,504)
Accrued interest		10,879
Pension expense		(22,960)
Net OPEB obligation		(542,334)
Net adjustment to decrease *net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities*	$	(548,335)

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, 2016 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, 2016. The due date for these taxes was December 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, 2017. 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 2016 are for the year 2017. The amount recorded as a receivable as well as amounts collected as of December 31, 2016 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
Receivables:				
Taxes	$ 447,957	$ -	$ -	$ 5,596
Accounts	1,266,324	758,902	120,970	-
Intergovernmental	189,869	542,095	-	159,516
Less allowance for uncollectibles	(61,132)	(129,845)	(29,915)	-
Net total receivables	$ 1,843,018	$ 1,171,152	$ 91,055	$ 165,112

Note 6. Capital Assets

Primary Government: Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,563,073	$ -	$ (3,650)	-	$ 1,559,423
Construction in progress	1,056,330	108,175	-	(990,522)	173,983
Total assets, not being depreciated	2,619,403	108,175	(3,650)	(990,522)	1,733,406
Capital assets, being depreciated:					
Buildings	18,644,346	209,405	(273,350)	-	18,580,401
Improvements	408,068	-	-	-	408,068
Machinery and equipment	3,605,206	1,186,601	(73,052)	-	4,718,755
Infrastructure	10,620,763	74,667	-	990,522	11,685,952
Total assets, being depreciated	33,278,383	1,470,673	(346,402)	990,522	35,393,176
Less accumulated depreciation for:					
Buildings	(4,004,928)	(619,386)	198,671	-	(4,425,643)
Improvements	(193,264)	(17,986)	-	-	(211,250)
Machinery and equipment	(2,696,958)	(337,477)	73,052	-	(2,961,383)
Infrastructure	(1,845,890)	(421,409)	-	-	(2,267,299)
Total accumulated depreciation	(8,741,040)	(1,396,258)	271,723	-	(9,865,575)
Total assets, being depreciated, net	24,537,343	74,415	(74,679)	990,522	25,527,601
Governmental activities capital assets, net	$ 27,156,746	$ 182,590	$ (78,329)	$ -	$ 27,261,007
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 8,108,011	$ 149,820	$ -	-	$ 8,257,831
Construction in progress	1,859,682	380,906	-	(2,390)	2,238,198
Intangible	-	1,450,059	-	-	1,450,059
Total assets, not being depreciated	9,967,693	1,980,785	-	(2,390)	11,946,088
Capital assets, being depreciated:					
Water distribution	14,460,809	407,885	-	2,390	14,871,084
Sewer distribution	16,756,231	295,000	-	-	17,051,231
Improvements	37,020	-	-	-	37,020
Machinery and equipment	600,090	20,227	(16,794)	-	603,523
Total assets, being depreciated	31,854,150	723,112	(16,794)	2,390	32,562,858
Less accumulated depreciation for:					
Water distribution	(4,922,871)	(339,330)	-	-	(5,262,201)
Sewer distribution	(6,020,357)	(410,563)	-	-	(6,430,920)
Improvements	(11,811)	(2,206)	-	-	(14,017)
Machinery and equipment	(501,499)	(42,097)	16,794	-	(526,802)
Total accumulated depreciation	(11,456,538)	(794,196)	16,794	-	(12,233,940)
Total assets, being depreciated, net	20,397,612	(71,084)	-	2,390	20,328,918
Business-type activities capital assets, net	$ 30,365,305	$ 1,909,701	$ -	$ -	$ 32,275,006

Note 6. Capital Assets (Continued)

Discretely Presented Component Unit - DDA: Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	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	-	(99,806)	253,532
Total assets, being depreciated	353,338	-	(99,806)	253,532
Less accumulated depreciation for:				
Buildings	(36,863)	(12,055)	23,565	(25,353)
Total accumulated depreciation	(36,863)	(12,055)	23,565	(25,353)
Total assets, being depreciated, net	316,475	(12,055)	(76,241)	228,179
Governmental activities capital assets, net	$ 409,440	$ (12,055)	$ (76,241)	$ 321,144

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

Governmental activities:	
General government	$ 124,095
Public safety	408,033
Public works	441,337
Recreation	416,301
Economic and community development	6,492
Total depreciation expense - governmental activities	$ 1,396,258
Business-type activities:	
Water and sewer	$ 792,737
Solid waste	1,459
Total depreciation expense - business-type activities	$ 794,196

Construction Commitments

In addition to the liabilities enumerated in the balance sheet at December 31, 2016, the City has contractual commitments on uncompleted construction contracts of approximately $445,953 for various projects including Lee Street Stormwarter Improvements and the I-85 Waste Water Treatment Plant Improvements project.

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

The composition of inter-fund balances as of December 31, 2016, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Capital Projects	$ 14,630
General fund	Nonmajor governmental funds	3,358
Total		$ 17,988

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

Inter-fund transfers for the year ended December 31, 2016:

	Transfers Out					
Transfers in	General Fund	Water & Sewer Fund	Solid Waste Fund	Capital Project Fund	Nonmajor Governmental Funds	Total
General Fund	$ -	$ 150,000	$ 5,000	$ -	$ 20,583	$ 175,583
Debt Service Fund	1,483,856	-	-	64,932	269,999	1,818,787
Capital project Fund	1,340,565	-	28,600	-	-	1,369,165
Total	$ 2,824,421	$ 150,000	$ 33,600	$ 64,932	$ 290,582	$ 3,363,535

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, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Intergovernmental contract payable	$ 1,215,000	$ -	$ (390,000)	$ 825,000	$ 405,000
Bonds payable:					
Revenue bonds	18,705,000	-	(705,000)	18,000,000	735,000
Plus issuance premium	624,735	-	(71,554)	553,181	-
Less issuance discount	(53,186)	-	5,587	(47,599)	-
Net bonds payable	19,276,549	-	(770,967)	18,505,582	735,000
Net OPEB obligation	4,574,371	584,737	(42,403)	5,116,705	-
Net pension liability	597,658	381,613	(141,874)	837,397	-
Compensated absences	159,365	144,824	(136,441)	167,748	157,850
Governmental activities Long-term liabilities	$ 25,822,943	$ 1,111,174	$ (1,481,685)	$ 25,452,432	$ 1,297,850

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 17,690,000	$ -	$ (1,430,000)	$ 16,260,000	$ 1,460,000
Plus premium	614,976	-	(56,455)	558,521	-
Net bonds payable	18,304,976	-	(1,486,455)	16,818,521	1,460,000
Capital lease payable	58,724	-	(28,031)	30,693	15,140
Notes payable	21,312	97,739	-	119,051	-
Net OPEB obligation	1,162,976	148,662	(10,781)	1,300,857	-
Net pension liability	193,824	122,232	(47,834)	268,222	-
Compensated absences	52,977	44,767	(37,227)	60,517	56,948
Business-type activity Long-term liabilities	$ 19,794,789	$ 413,400	$ (1,610,328)	$ 18,597,861	$ 1,532,088

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, 2016 is $825,000.

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, 2016, the amount of the defeased bonds outstanding is $525,000 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, 2016 is $2,565,000.

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, 2016 is $6,010,000.

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, 2016, 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, 2016 is $9,425,000.

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, 2016 is $2,015,000.

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, 2016 is $5,985,000.

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, 2016 is $8,260,000.

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
2017	405,000	25,624
2018	420,000	8,610
Total	$ 825,000	$ 34,234

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
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	1,280,000	455,893	930,000	358,513
2022-2026	6,980,000	1,693,731	4,530,000	1,442,138
2027-2031	4,900,000	570,766	3,565,000	764,650
2032-2033	890,000	36,683	2,325,000	185,619
Total	$ 18,000,000	$ 4,925,603	$ 16,260,000	$ 4,504,546

Business-Type Activities

On June 2, 2015, the Georgia Environmental Finance Authority (GEFA) 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 this note payable at December 31, 2016 is $119,051. 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 a lease agreement as a lessee for financing the acquisition of water and sewer equipment, which is used in business-type activities. The lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of the lease terms) and, therefore, has been recorded at the present values of the future minimum lease payments as of the date of inception. 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, 2016, the outstanding balance on the dump truck lease was $30,693. The cost and accumulated depreciation of the assets acquired under capital lease are $73,742 and $51,619, respectively. Annual depreciation of these assets is included in depreciation expense.

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

Year Ending December 31,	Business-Type Activities
2017	$ 15,816
2018	15,816
	31,632
Less: interest	(939)
Total	$ 30,693

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, 2016 is $14,385,000.

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, 2016 is $8,105,000.

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, 2016 is $11,960,000.

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, 2016 is $9,990,000.

Note 8. Long-term Debt (Continued)

Discretely Presented Component Unit - DDA:

Long-term liability and obligations activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely presented component unit:					
Notes payable	$ 42,921	$ -	$ (42,921)	$ -	$ -
Capital leases	311,307	-	(18,400)	292,907	19,187
Total discretely presented component unit Long-term liabilities	$ 354,228	$ -	$ (61,321)	$ 292,907	$ 19,187

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, 2016, the outstanding balance on this lease is $292,907, and the cost and accumulated depreciation of the assets acquired under capital lease are $345,984 and $25,353, respectively. Annual depreciation of these assets is included in depreciation expense.

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

Year Ending December 31,	Discretely Presented Component Unit
2017	$ 31,128
2018	31,128
2019	31,128
2020	31,128
2021	31,128
2022-2023	202,491
	358,131
Less: interest	(65,224)
Total	$ 292,907

Note 9. Pension Plan

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, 2016, the date of the most recent actuarial valuation, there were 127 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	27
Terminated vested participants not yet receiving benefits	28
Active employees - vested	51
Active employees - nonvested	21
Total	127

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 2016, the actuarially determined contribution rate was 7.23% of covered payroll. The City makes all contributions to the Plan. For 2016, the City's contribution to the Plan was $179,208.

Note 9. Pension Plan (Continued)

Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2016.

Actuarial assumptions. The total pension liability in the July 1, 2015 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, 2015 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, 2015 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, 2016 are summarized in the table on the following page.

Note 9. Pension Plan (Continued)

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.75%
International equity	20%	7.45
Real estate	10%	4.55
Global fixed income	5%	3.30
Domestice fixed income	20%	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, 2016 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2015	$ 3,853,614	$ 3,062,132	$ 791,482
Changes for the year:			
Service cost	108,171	-	108,171
Interest	291,318	-	291,318
Differences between expected and actual experience	90,191	-	90,191
Contributions—employer	-	184,718	(184,718)
Net investment income	-	4,990	(4,990)
Benefit payments, including refunds of employee contributions	(189,354)	(189,354)	-
Administrative expense	-	(14,165)	14,165
Net changes	300,326	(13,811)	314,137
Balances at December 31, 2016	$ 4,153,940	$ 3,048,321	$ 1,105,619

Note 9. Pension Plan (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	$ 1,651,963	$ 1,105,619	$ 653,159

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, 2016 and the current sharing pattern of costs between employer and employee.

Note 9. Pension Plan (Continued)

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

For the year ended December 31, 2016, the City recognized pension expense of $207,341. At December 31, 2016, 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	$ 72,152	$ 3,172
Changes in assumptions	-	39,648
Net difference between projected and actual earnings on pension plan investments	147,248	-
City contributions subsequent to the measurement date	179,208	-
Total	$ 398,608	$ 42,820

City contributions subsequent to the measurement date of $179,208 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, 2017. The 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:	Deferred Outflows
2017	$ 30,271
2018	30,271
2019	51,681
2020	64,357
Total	$ 176,580

Note 10. Other PostEmployment Benefits

Plan Description

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

At January 1, 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 PostEmployment 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 PostEmployment Benefits (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, 2016 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 PostEmployment Benefits (Continued)

Annual OPEB Cost

The City's actuarially determined contribution, OPEB cost and increase in net OPEB obligation for the year ended December 31, 2016, is as follows:

Annual required contribution	$ 733,399
Interest adjustment	229,494
Amortization adjustment	(229,494)
Annual OPEB cost	733,399
Contributions made	(53,184)
Increase in net OPEB obligation	680,215
Net OPEB obligation, beginning of year	5,737,347
Net OPEB obligation, end of year	$ 6,417,562

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, 2014	$ 663,933	$ 42,097	6.34	$ 5,052,455
December 31, 2015	733,399	48,507	6.61	5,737,347
December 31, 2016	733,399	53,184	7.25	6,417,562

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, 2016, the City paid $9,867 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 $34,304 for the year ended December 31, 2016. Of this amount 60%, or $20,582, was transferred to the General Fund in accordance with O.C.G.A. 48-13-51. The remaining 40%, or $13,722, was, or will be, used to promote tourism.

Note 16. Tax Abatements

For the year ended December 31, 2016, City property tax revenues were reduced by $133,940 under agreements entered into by the City of Jefferson Development Authority. Under the agreements, taxes on both real property and personal property are reduced based on investments made by the corporation to whom the incentives were offered as long as the corporation meets certain investment targets.

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

	2016	2015
Total pension liability		
Service cost	$ 108,171	$ 121,093
Interest on total pension liability	291,318	280,638
Differences between expected and actual experience	90,191	(6,345)
Changes of assumptions	-	(79,297)
Benefit payments, including refunds of employee contributions	(189,354)	(167,210)
Net change in total pension liability	300,326	148,879
Total pension liability - beginning	3,853,614	3,704,735
Total pension liability - ending (a)	$ 4,153,940	$ 3,853,614
Plan fiduciary net position		
Contributions - employer	$ 184,718	$ 182,991
Net investment income	4,990	278,899
Benefit payments, including refunds of member contributions	(189,354)	(167,210)
Administrative expenses	(14,165)	(11,119)
Net change in plan fiduciary net position	(13,811)	283,561
Plan fiduciary net position - beginning	3,062,132	2,778,571
Plan fiduciary net position - ending (b)	$ 3,048,321	$ 3,062,132
City's net pension liability - ending (a) - (b)	$ 1,105,619	$ 791,482
Plan fiduciary net position as a percentage of the total pension liability	73.38%	79.46%
Covered-employee payroll	$ 2,685,474	$ 2,480,797
City's net pension liability as a percentage of covered-employee payroll	41.17%	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

	2016	2015
Actuarially determined contribution	$ 179,208	$ 184,718
Contributions in relation to the actuarially determined contribution	179,208	184,718
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 2,480,797	$ 2,573,713
Contributions as a percentage of covered-employee payroll	7.22%	7.18%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2015
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, 2016

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.

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, 2016

ASSETS	Special Revenue Funds: Hotel/ Motel	Special Revenue Funds: Confiscated Assets	Special Revenue Funds: Multi-Grant Fund	Capital Projects Fund: SPLOST	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 34,043	$ 99,096	$ 153,485	$ 1,133,126	$ 1,419,750
Taxes receivable, net	5,596	-	-	-	5,596
Intergovernmental receivable	-	-	-	159,516	159,516
Restricted cash and cash equivalents	-	33,290	-	-	33,290
Total assets	$ 39,639	$ 132,386	$ 153,485	$ 1,292,642	$ 1,618,152
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ -	$ 44,867	$ 600	$ 7,529	$ 52,996
Due to other funds	3,358	-	-	-	3,358
Total liabilities	3,358	44,867	600	7,529	56,354
FUND BALANCES					
Restricted for:					
Capital projects	-	-	152,885	1,285,113	1,437,998
Tourism	36,281	-	-	-	36,281
Public safety	-	87,519	-	-	87,519
Total fund balances	36,281	87,519	152,885	1,285,113	1,561,798
Total liabilities and fund balances	$ 39,639	$ 132,386	$ 153,485	$ 1,292,642	$ 1,618,152

CITY OF JEFFERSON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds			Capital Projects Fund	
	Hotel/ Motel	Confiscated Assets	Multi-Grant Fund	SPLOST	Total Nonmajor Governmental Funds
Revenues:					
Hotel/Motel occupancy taxes	$ 34,304	$ -	$ -	$ -	$ 34,304
Fines and forfeitures	-	25,100	-	-	25,100
Intergovernmental	-	-	131,189	846,950	978,139
Other revenues	-	-	176	-	176
Total revenues	34,304	25,100	131,365	846,950	1,037,719
Expenditures:					
Current:					
Public safety	-	50,797	14,850	-	65,647
Public works	-	-	24,600	-	24,600
Culture and recreation	-	-	2,235	-	2,235
Economic and community development	10,000	-	9,923	-	19,923
Capital outlay	-	-	-	276,538	276,538
Total expenditures	10,000	50,797	51,608	276,538	388,943
Excess (deficiency) of revenues over (under) expenditures	24,304	(25,697)	79,757	570,412	648,776
Other financing uses:					
Transfers out	(20,582)	-	-	(270,000)	(290,582)
Total other financing uses	(20,582)	-	-	(270,000)	(290,582)
Net change in fund balances	3,722	(25,697)	79,757	300,412	358,194
Fund balances, beginning of year	32,559	113,216	73,128	984,701	1,203,604
Fund balances, end of year	$ 36,281	$ 87,519	$ 152,885	$ 1,285,113	$ 1,561,798

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Hotel/Motel occupancy taxes	$ 32,000	$ 33,382	$ 34,304	$ 922
Total revenues	32,000	33,382	34,304	922
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	20,582	24,304	3,722
Other financing uses:				
Transfers out	(19,200)	(20,582)	(20,582)	-
Total other financing uses	(19,200)	(20,582)	(20,582)	-
Net changes in fund balances	-	-	3,722	3,722
Fund balances, beginning of year	32,559	32,559	32,559	-
Fund balances, end of year	$ 32,559	$ 32,559	$ 36,281	$ 3,722

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, 2016

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	$ 15,000	$ 25,098	$ 25,100	$ 2
Total revenues	15,000	25,098	25,100	2
Expenditures:				
Current:				
Public safety	30,000	50,798	50,797	1
Total expenditures	30,000	50,798	50,797	1
Net changes in fund balances	(15,000)	(25,700)	(25,697)	3
Fund balances, beginning of year	113,216	113,216	113,216	-
Fund balances, end of year	$ 98,216	$ 87,516	$ 87,519	$ 3

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ 277,456	$ 277,456	$ 131,189	$ (146,267)
Other revenues	-	-	176	176
Total revenues	277,456	277,456	131,365	(146,091)
Expenditures:				
Current:				
Public safety	192,850	192,850	14,850	178,000
Public works	60,000	60,000	24,600	35,400
Culture and recreation	-	-	2,235	(2,235)
Economic and community development	33,082	33,082	9,923	23,159
Total expenditures	285,932	285,932	51,608	234,324
Excess (deficiency) of revenues over (under) expenditures	(8,476)	(8,476)	79,757	88,233
Other financing sources:				
Transfers in	8,476	8,476	-	(8,476)
Total other financing sources	8,476	8,476	-	(8,476)
Net changes in fund balances	-	-	79,757	79,757
Fund balances, beginning of year	73,128	73,128	73,128	-
Fund balances, end of year	$ 73,128	$ 73,128	$ 152,885	$ 79,757

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Investment earnings	$ -	$ -	$ 128	$ 128
Total revenues	-	-	128	128
Expenditures:				
Debt service:				
Principal	1,127,410	1,130,250	1,095,000	35,250
Interest	673,615	740,681	658,907	81,774
Bond issuance costs	-	10,000	-	10,000
Total expenditures	1,801,025	1,880,931	1,753,907	117,024
Deficiency of revenues under expenditures	(1,801,025)	(1,880,931)	(1,753,779)	127,152
Other financing sources:				
Transfers in	1,801,025	1,880,931	1,818,787	(62,144)
Total other financing sources	1,801,025	1,880,931	1,818,787	(62,144)
Net change in fund balances	-	-	65,008	65,008
Fund balances, beginning of year	444,606	444,606	444,606	-
Fund balances, end of year	$ 444,606	$ 444,606	$ 509,614	$ 65,008

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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	$ 479,762	$ 68,727	$ 548,489
Cultural, historical and recreation facilities	1,626,853	1,626,853	1,228,035	270,000	1,498,035
Public safety facilities	81,651	81,651	28,541	2,500	31,041
Water and sewer facilities	1,179,588	1,179,588	823,635	205,311	1,028,946
SPLOST V Total	$ 4,067,680	$ 4,067,680	$ 2,559,973	$ 546,538	$ 3,106,511

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	$ 276,538
Transfer Out (see note below)	270,000
Total	$ 546,538

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, 2016

	December 31, 2015	Additions	Deductions	December 31, 2016
ASSETS				
Cash	$ 17,156	$ 207,916	$ 211,883	$ 13,189
Total assets	$ 17,156	$ 207,916	$ 211,883	$ 13,189
LIABILITIES				
Due to other agencies	$ 17,156	$ 207,916	$ 211,883	$ 13,189
Total liabilities	$ 17,156	$ 207,916	$ 211,883	$ 13,189

Downtown Development Authority – Discretely Presented Component Unit – Cash Flow Statement

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CITY OF JEFFERSON, GEORGIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	Downtown Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 52,132
Payments to vendors	(26,267)
Net cash provided by operating activities	25,865
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on notes payable and capital leases	(61,321)
Proceeds from sale of capital assets	115,200
Interest paid	13,246
Net cash provided by capital and related financing activities	67,125
Net increase in cash and cash equivalents	92,990
Cash and cash equivalents, beginning of year	112,694
Cash and cash equivalents, end of year	$ 205,684
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 8,743
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	12,055
Change in assets and liabilities:	
Decrease in accounts receivable	850
Increase in accounts payable	4,677
Decrease in accrued liabilities	(460)
Net cash provided by operating activities	$ 25,865

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, 2016, 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 27, 2017.

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 deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2016-001, 2016-002, 2016-003 and 2016-004, that we consider to be a material weaknesses.

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 Responses to the Findings

The City of Jefferson, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Jefferson, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 27, 2017

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	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, 2016 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, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS

2016-001 Segregation of Duties - Repeat

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

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

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

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

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

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

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS

2016-002 Equity Reconciliation

Criteria: Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of operations of the City of Jefferson Downtown Development Authority (the "DDA"), a discretely presented component unit, in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the opening equity balances of the DDA.

Context/Cause: During our testing, an audit adjustment was required to adjust the opening equity of the DDA. The entry included adjusting equity balances that had been incorrectly adjusted during the current year.

Effects: An audit adjustment totaling approximately $13,300 was needed to correct the DDA's opening equity position as of December 31, 2015.

Recommendation: We recommend the DDA carefully review all transactions to ensure all year-end closing entries, including those recorded by the auditors, are recorded in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding and are currently implementing controls to ensure these year-end adjustments are considered and reflected in the general ledger, as appropriate.

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS

2016-003 Expenditures/Expenses and Related Liability Accounts

Criteria: Internal controls should be in place to ensure amounts reported as expenditures/expenses and the related balance sheet accounts of the City of Jefferson (the "City") and the City of Jefferson Downtown Development Authority (the "DDA"), a discretely presented component unit, are correct and reflected in the proper accounting period in accordance with generally accepted accounting principles (GAAP).

Condition: Misstatements were detected in the reporting of the City's and DDA's expenditure/expenses and the related balance sheet accounts.

Context/Cause: During our testing of the recognition of expenditures/expenses, we noted the following adjustments were required for the City and the DDA as of December 31, 2016:

- An adjustment of approximately $4,100 was required to record additional invoices in accounts payable and expenditures in the City's SPLOST Fund, that were not accrued as of December 31, 2016.
- An adjustment of approximately $1,100 was required to record additional invoices in accounts payable and expenses for the DDA, that were not accrued as of December 31, 2016.
- An adjustment of approximately $2,600 was required to remove expenses and increase cash for an outstanding check that was not written by the DDA as of December 31, 2016.

Effects: Audit adjustments totaling approximately $7,800 were required to correctly report the City and DDA's expenses and related liabilities in accordance with GAAP.

Recommendation: We recommend the City and the DDA carefully review all expenditures/expenses and related balance sheet accounts to ensure expenses/expenditures are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that expenses/expenditures and their related liabilities are properly recorded.

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS

2016-004 Revenue Recognition

Criteria: Internal controls should be in place to ensure that amounts reported as receivables, unearned revenues and revenues are appropriate and properly valued in accordance with generally accepted accounting principles.

Condition: Misstatements were detected in the reporting of the City's and DDA's revenues and related balance sheet accounts.

Context/Cause: During our testing, an audit adjustment were required to report the City's and DDA's revenues and related balance sheet accounts. The following adjustments were made to correct the reporting of the City and DDA's revenues and related balance sheet accounts:

- The Water & Sewer Fund required an audit adjustment of approximately $44,300. The entry was required to adjust the allowance for doubtful accounts on the accrued service revenues to the amounts calculated on the subsidiary schedules.
- The DDA was not properly reporting unearned revenue for amounts due to the tenant for revenues that were not earned during the fiscal year ended December 31, 2016. Amounts are considered unearned until services are rendered by the DDA. Additional unearned revenue in the amount of approximately $16,700 was required to be recorded.

Effects: The City's and DDA's revenues for the fiscal year ended December 31, 2016 were not appropriately stated, and required adjustments of approximately $61,000 to correct the reporting of the current year's revenues.

Recommendation: We recommend the City and DDA carefully review all revenues to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that revenues are properly recorded.