CITY OF JEFFERSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2017

CITY OF JEFFERSON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 through 16, the Schedule of Changes in the City's Net Pension Liability and Related Ratios on page 60, the Schedule of City Contributions – Retirement Pension Plan on page 61, and Schedule of Funding Progress – OPEB Plan on page 62, 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 22, 2018 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 solely 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 the effectiveness of the City of Jefferson, Georgia's 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 22, 2018

CITY OF JEFFERSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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, 2017. 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 $14,885,552 (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 $12,812,003, include capital assets, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets (net of unspent bond proceeds).
  (2) Net position of $1,297,694 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net position of $775,855 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 $10,341,799 this year. This compared to the prior year ending fund balance of $10,746,221 showing a decrease of $404,422 during the current year.

- At the end of the current calendar year, the unassigned fund balance for the General Fund was $4,561,966 or 59.4% 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 17 and 18 of this report.

Fund Financial Statements

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

The City reports three kinds of funds:

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

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

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

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

The basic governmental fund financial statements are presented on pages 19 to 21 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 23 to 25 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 26 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 27 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's total net position at calendar year-end is $38,534,468. The following table provides a summary of the City's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	$ 14,447,375	$ 14,281,707	$ 9,199,503	$ 7,978,109	$ 23,646,878	$ 22,259,816
Capital assets	28,421,434	27,261,007	32,717,365	32,275,006	61,138,799	59,536,013
Total Assets	42,868,809	41,542,714	41,916,868	40,253,115	84,785,677	81,795,829
Deferred outflows of resources	1,052,125	1,022,969	109,108	124,351	1,161,233	1,147,320
Liabilities:						
Current and other liabilities	605,981	605,667	1,125,926	1,483,163	1,731,907	2,088,830
Long term debt outstanding	24,823,902	25,452,432	17,245,075	18,597,861	42,068,977	44,050,293
Total Liabilities	25,429,883	26,058,099	18,371,001	20,081,024	43,800,884	46,139,123
Deferred inflows of resources	3,605,499	3,107,212	6,059	10,387	3,611,558	3,117,599
Net position:						
Net investment in capital assets	12,812,003	10,682,061	18,629,340	16,763,242	31,441,343	27,445,303
Restricted	1,297,694	2,040,821	-	-	1,297,694	2,040,821
Unrestricted	775,855	677,490	5,019,576	3,522,813	5,795,431	4,200,303
Total Net Position	$ 14,885,552	$ 13,400,372	$ 23,648,916	$ 20,286,055	$ 38,534,468	$ 33,686,427

The City reported positive balances in net position for both governmental and business-type activities. During 2017, net position increased $1,485,180 for governmental activities and increased $3,362,861 for business-type activities. The City's overall financial position increased during calendar year 2017.

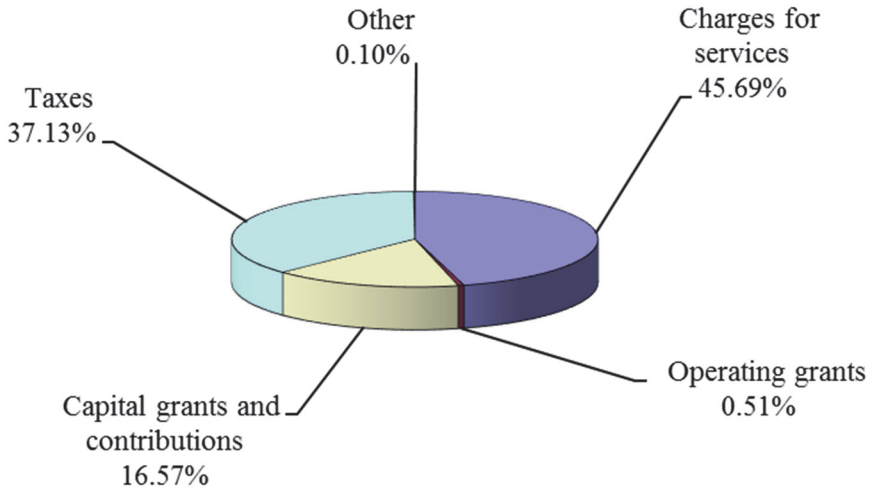
Note that approximately 66% of the governmental activities' total assets are tied up in capital assets (with 88% of the capital asset cost being depreciable). The City uses these capital assets to provide services to its citizens. Also 78% of the business-type activities assets are tied up in capital assets (with 62% of the capital asset cost being depreciable). Combining governmental activities with business-type activities, the City has invested approximately 72% 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Revenues:						
Program:						
Charges for services	$2,820,036	$3,040,576	$6,329,213	$5,710,196	$9,149,249	$8,750,772
Operating grants and contribution	101,770	35,882	-	-	101,770	35,882
Capital grants and contributions	1,441,195	985,669	1,877,186	1,958,302	3,318,381	2,943,971
General:						
Taxes	7,435,835	6,714,287	-	-	7,435,835	6,714,287
Other	11,004	404	9,931	2,925	20,935	3,329
Gain on sale of capital assets	-	58,342	-	-	-	58,342
Total revenues	11,809,840	10,835,160	8,216,330	7,671,423	20,026,170	18,506,583
Program Expenses:						
General government	989,743	959,037	-	-	989,743	959,037
Public safety	3,633,431	3,388,651	-	-	3,633,431	3,388,651
Public works	1,721,669	1,389,650	-	-	1,721,669	1,389,650
Culture and recreation	2,902,199	2,844,730	-	-	2,902,199	2,844,730
Economic and community development	556,195	461,375	-	-	556,195	461,375
Interest on long-term debt	683,423	633,565	-	-	683,423	633,565
Water and Sewer	-	-	4,054,253	4,084,485	4,054,253	4,084,485
Solid Waste	-	-	637,216	570,601	637,216	570,601
Total expenses	10,486,660	9,677,008	4,691,469	4,655,086	15,178,129	14,332,094
Revenues over expenses	1,323,180	1,158,152	3,524,861	3,016,337	4,848,041	4,174,489
Transfers	162,000	(21,711)	(162,000)	21,711	-	-
Change in net position	1,485,180	1,136,441	3,362,861	3,038,048	4,848,041	4,174,489
Beginning net position	13,400,372	12,263,931	20,286,055	17,248,007	33,686,427	29,511,938
Ending net position	$14,885,552	$13,400,372	$23,648,916	$20,286,055	$38,534,468	$33,686,427

Total government-wide revenues for 2017 were $20,026,170. These revenues consisted of $7,435,835 in taxes, $3,318,381 in capital grants and contributions, $101,770 in operating grants and contributions, $9,149,249 in charges for services, and $20,935 in other revenues. Of this amount, $11,809,840 was in governmental activities and $8,216,330 in business-type activities. The following chart depicts further detail of government-wide revenues.

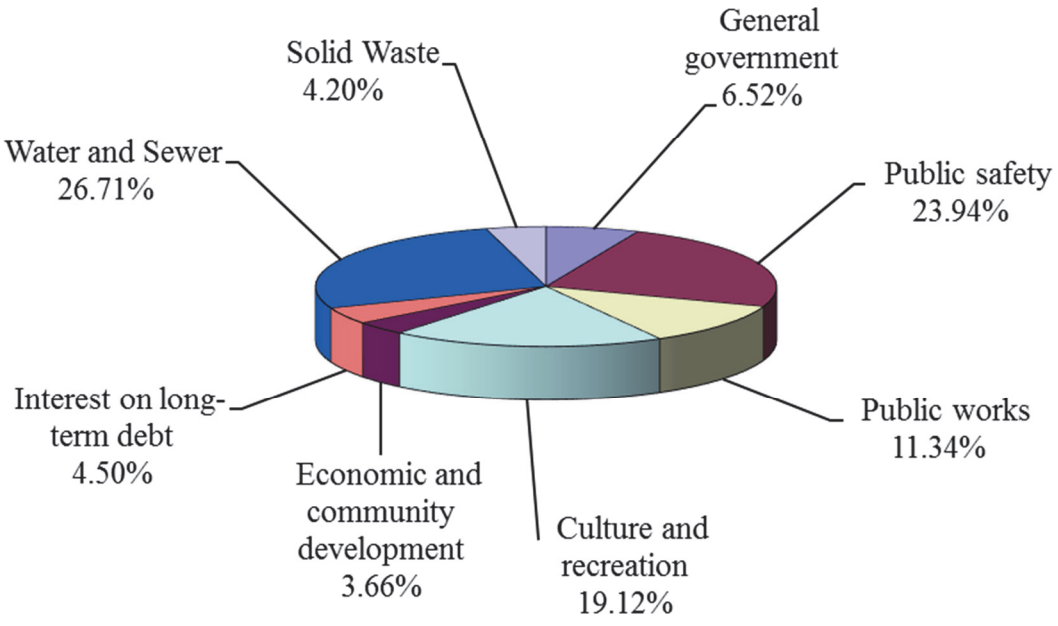
REVENUES BY SOURCE - GOVERNMENT-WIDE ACTIVITY



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

Government-wide expenses for the City were $15,178,129 for 2017, of which $10,486,660 were for governmental activities and $4,691,469 for business-type activities. The chart below depicts further detail of government-wide total expenses.

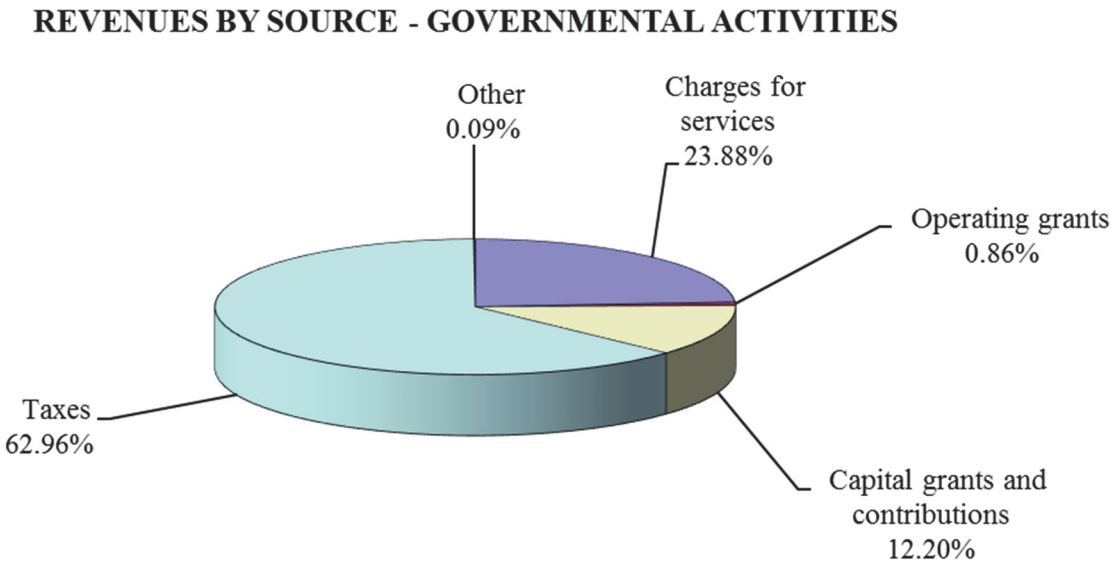
EXPENSES BY FUNCTION-GOVERNMENT-WIDE ACTIVITY



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

Governmental Activities Revenues

The City's sales and use taxes (which includes the Local Option Sales Tax), one of the General Fund's most significant revenue sources, yielded $158,425 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 $1,707,081. 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 number six, effective for six years, was approved by the voters on March 1, 2016 with collections starting July 1, 2017 and will end June 30, 2023. 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 $1,196,904 was expended during 2017 for these capital projects and related debt.

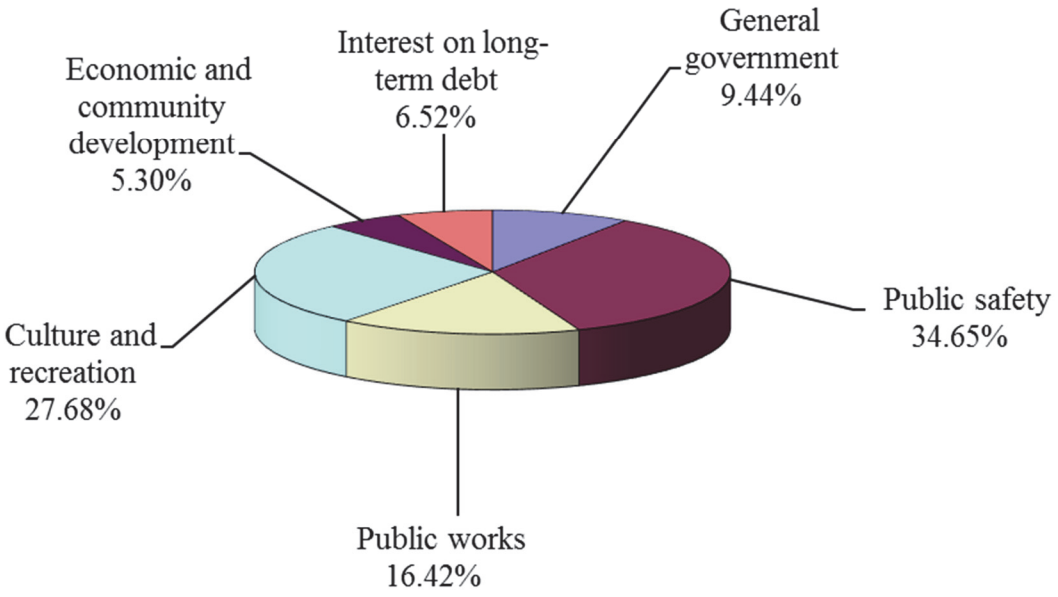


Note: Graph may not equal 100% due to rounding.

Governmental Activities Expenses

Expenses in the governmental activities were $10,486,660 up $809,652 from 2016. The following chart depicts further detail of governmental activities expenses.

EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES



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 $576,016 from prior year while non-operating revenues and capital contributions (excluding transfers in) decreased by $279,421. The decrease in non-operating revenue and capital contributions is mainly due to the decrease in intergovernmental revenue from Jackson County Water and Sewer Authority received during the current year. Operating expenses increased by $9,134 from 2016. The increase in expenses is attributable to normal increase in supplies.

Solid Waste Fund – The operating revenue for Solid Waste Fund were up $43,001 from prior year and operating expenses increased by $66,615. The revenue in this fund increased due to an increase in customer base. The expense increase was mainly due to an increase 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 $10,341,799 at December 31, 2017 compared to $10,746,221 at December 31, 2016. The decrease relates to the Capital Projects Fund, Debt Service Fund and Nonmajor Governmental Funds.

The Capital Projects Fund contributed a $612,139 decreased due to a project being started that using bond funds that have been help. Nonmajor Governmental Funds add a decrease of $119,362 due to capital outlay expenditures in SPLOST funds. Lastly, a small decrease of $63,019 was from the Debt Service Fund due to left over bond proceeds being used to pay part of the bond payment. General Fund actually increased by $390,098 due to an increase in property tax and sales tax revenue.

Of this year-end total, $1,389,341 is assigned for appropriation of subsequent year's fund balance. There is $1,113,617 assigned for various purposes. There is $4,561,966 that is unassigned indicating availability for continuing City service delivery requirements, $446,595 set aside for debt service, $1,387,844 is bond proceeds set aside for approved road projects, $40,933 is restricted for tourism, $73,577 is restricted for public safety, and $1,327,926 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 $390,098 or 5.8%. The ending unassigned fund balance represents the equivalent of 59.4% of annual expenditures. The increase was mostly due to increases in sales tax revenue, municipal court fines and insurance premium tax 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 increase in staff coverage and a full time fire chief at the fire department. This increase was also due to an additional pension payment for the police department. Otherwise, revenues and expenditures remained fairly flat between 2016 and 2017.

Capital Projects Fund – The Capital Projects Fund is used to report the acquisition and construction of capital expenditures, other than those accounted for in specific funds, which are not financed by the proprietary funds. Fund balance decreased by $612,139 from the prior year. This was due to a couple of large projects beginning construction during fiscal year 2017. The main projects were the street department building and Peachtree road.

Debt Service – The Debt Service Fund is used to show principal and interest payments made to pay off existing debt. Fund balance decreased by $63,019 from the prior year. This was due to the remaining balance from bond proceeds being applied to the outstanding debt during the year.

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's revenue budget was amended upwards in 2017 by $16,629 or .19%. Total revenues were increased by $16,629 due to the collection of insurance proceeds due to a car running into the Club House.

Property taxes came in over budget by $372,240. This was due to commercial and industrial properties being added to the digest after the budget was already set.

Sales taxes came in over budget by $293,776 due to budget projections being estimated. This number is dependent on sales in area stores.

Business taxes came in $83,549 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, $74,679, due to the increase building permits being issued and fees being collected.

Fines and forfeitures came in over budget by $119,700 due to fines and forfeitures collected being based on the number of traffic violations and other fines being issued. The number of violations increased more than was projected.

Contributions and donations came in slightly over budget by $27,293. Other revenues came in slightly over budget by $20,547.

In total, the City recognized 116.2% of the final revenue budget. The General Fund's expenditure budget was increased $130,420 or 1.6%. An increase of $45,000 was in general government due to a renovation done at City Hall. Additionally, the fire department budget increased by $31,729 to allow the purchase of additional supplies and equipment that was funded by the sale of capital assets. Recreation budget increased by $16,629 to allow for the repair of the Club House after a car ran into it. Economic and Community Development budget increased by $61,488 to allow for a new code enforcement officer to be hired. In addition to hiring an officer, an additional vehicle had to be purchased. In total, the City under spent the final expenditure budget by $489,405 or 6%.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS: The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2017, were $28,421,434 and $32,717,365; respectively. The change in this net investment was an approximate $1,602,786 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	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets:						
Land	$ 1,805,809	$ 1,559,423	$ 8,745,017	$ 8,257,831	$ 10,550,826	$ 9,817,254
Construction in progress	1,505,208	173,983	2,292,143	2,238,198	3,797,351	2,412,181
Intangible	-	-	1,450,059	1,450,059	1,450,059	1,450,059
Total non-depreciable	$ 3,311,017	$ 1,733,406	$12,487,219	$ 11,946,088	$ 15,798,236	$ 13,679,494
Depreciable assets:						
Buildings	18,687,574	18,580,401	-	-	18,687,574	18,580,401
Water Distribution	-	-	14,910,862	14,871,084	14,910,862	14,871,084
Sewer Distribution	-	-	17,701,963	17,051,231	17,701,963	17,051,231
Improvements	408,068	408,068	37,020	37,020	445,088	445,088
Machinery and Equipment	4,649,623	4,718,755	632,323	603,523	5,281,946	5,322,278
Infrastructure	12,322,344	11,685,952	-	-	12,322,344	11,685,952
Total depreciable assets	36,067,609	35,393,176	33,282,168	32,562,858	69,349,777	67,956,034
Less accumulated depreciation	10,957,192	9,865,575	13,052,022	12,233,940	24,009,214	22,099,515
Book value – depreciable assets	25,110,417	25,527,601	20,230,146	20,328,918	45,340,563	44,856,519
Percentage depreciated	30%	28%	39%	36%	35%	33%
Total book value	$28,421,434	$27,261,007	$32,717,365	$32,275,006	$61,138,799	$59,536,013

Major capital asset activities in governmental activities in 2017 were:

- Land increased by $246,386 due to the donation and purchase of land.

- Construction in progress increased by $1,331,225 due to the construction of the new roads and grounds building and road.

- Buildings increases by $107,173 due to upgrades made to various facilities and purchase of a additional building that was on the new land purchased.

- Machinery and equipment increased by $387,963 due to the addition of four new vehicles costing $320,345 (two police cars, one fire truck and one planning vehicle), jaws of life equipment for the fire department costing $23,640, turnout gear for the fire department costing $12,162, the purchase of five tasers for the police department costing $11,521, a new ac unit for the fire department and the museum costing $5,400 and $6,995 respectfully. And lastly, $7,900 for scheduling software to be used in the recreation department. Also, the City sold $457,095 worth of old vehicles from the police and fire department.

- Infrastructure increased by $636,392 the Lee Street Culvert/Big Dig project was completed and contributed $387,560 to the increase. Street sidewalk and drainage project added $60,648 and major road improvement projects, which extended the useful life of the asset, added the remaining $188,184.

At December 31, 2017, the depreciable capital assets for governmental activities were 30% depreciated, slightly above the 2016 percentage of 28%. 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 2017 were:

- Land increased by $487,186 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 $53,945. The increase was due to various project totaling $681,653 being started and not completed in 2017 and $627,708 of previous projects being completed and moved out of construction in progress.

- Additions to Water Distribution in the amount of $39,788. The projects included in this increase were the Maysville Road Booster Pump and One-way Relocation Project.

- Additions to Sewer Distribution in the amount of $650,732. The projects included in this increase were the One-way Relocation Project, Sewer Rehabilitation at Jefferson High School Stadium, and Upgrade of Sewer Lines.

Long-term Debt

The City's long-term debt decreased by approximately $1,981,316 during 2017.

Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds and Intergovernmental contracts payable	$ 18,325,124	$ 19,330,582	$ 15,304,727	$ 16,818,521	$ 33,629,851	$ 36,149,103
Notes payable	-	-	235,660	119,051	235,660	119,051
Capital leases	-	-	-	30,693	-	30,693
Net pension liability	644,220	837,397	194,484	268,222	838,704	1,105,619
Net OPEB obligation	5,659,572	5,116,705	1,438,874	1,300,857	7,098,446	6,417,562
Compensated absences	194,986	167,748	71,330	60,517	266,316	228,265
Total	$ 24,823,902	$ 25,452,432	$ 17,245,075	$18,597,861	$ 42,068,977	$ 44,050,293

During the year, the City also borrowed $116,609 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 43.

ECONOMIC FACTORS

Jackson County is classified now also as the "Jefferson micropolitan area."

From 2016 to 2017 the Jefferson Micropolitan Area (Jackson County) ranked 2nd nationally, both in terms of numeric and percentage increase. This is based on the U.S. Census Bureau annual estimates and a 3/22/18 press release. From July 1, 2016 to July 1, 2017, the Jefferson micropolitan area (Jackson County) increased by 2,541 people, or 3.9%.

Within the city of Jefferson, residential activity continues with several residential subdivision phases nearing completion. Commercial activities recently completed include three dentist offices, and two convenience stores are in the preliminary development stages.

Industrial development is booming in Jefferson and the surrounding area. The city has approved approximately 4 million square feet of megawarehouses in the Interstate 85 corridor.

Top 20 employers in Jackson County in 2017 are listed below:

• Carter's/Oshkosh	1200
• Bed, Bath & Beyond	1200
• Wayne Farms LLC	1100
• Kubota Industrial Equipment	1050
• HomeGoods	750
• TD Automotive Compressor GA LLC	650
• Mission Foods	500
• Jackson EMC	430
• Northridge Medical Center	422
• Baker & Taylor, Inc.	400
• Toyota Industrial Compressors of America	350
• Roper Pump Co.	325
• TenCate Geosynthetics NA	300
• Mayfield Dairy	235
• Kroger	180
• Southeast Toyota Distributors	180
• Ollie's Bargain Outlet	175
• Buhler Quality Yarns Corporation	160
• Resilux America	152
• Huber Engineered Wood	150

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, 2017

	Primary Government			Component Unit
ASSETS	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	$ 8,651,709	$ 6,591,016	$ 15,242,725	$ 198,613
Receivables, net of allowance for uncollectibles	2,789,609	791,698	3,581,307	11,350
Intergovernmental receivable	469,130	123,034	592,164	-
Inventory	-	255,219	255,219	-
Due from component unit	171	-	171	-
Restricted cash and cash equivalents	2,536,756	1,438,536	3,975,292	-
Capital assets, non-depreciable	3,311,017	12,487,219	15,798,236	92,965
Capital assets, depreciable, net of accumulated depreciation	25,110,417	20,230,146	45,340,563	219,728
Total assets	42,868,809	41,916,868	84,785,677	522,656
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	736,512	13,826	750,338	-
Pension related items	315,613	95,282	410,895	-
Total deferred outflows of resources	1,052,125	109,108	1,161,233	-
LIABILITIES				
Accounts payable	318,121	304,976	623,097	26,799
Accrued liabilities	227,935	182,940	410,875	347
Unearned revenues	-	336,000	336,000	-
Retainage payable	59,925	-	59,925	-
Due to primary government	-	-	-	171
Customer deposits payable	-	302,010	302,010	-
Compensated absences, due within one year	168,387	61,600	229,987	-
Compensated absences, due in more than one year	26,599	9,730	36,329	-
Net OPEB obligation, due in more than one year	5,659,572	1,438,874	7,098,446	-
Intergovernmental contracts payable, due within one year	420,000	-	420,000	-
Bonds payable, due within one year	795,000	1,490,000	2,285,000	-
Bonds payable, due in more than one year	17,110,124	13,814,727	30,924,851	-
Capital lease payable, due within one year	-	-	-	20,009
Capital lease payable, due in more than one year	-	-	-	253,847
Notes payable, due in more than one year	-	235,660	235,660	-
Net pension liability, due in more than one year	644,220	194,484	838,704	-
Total liabilities	25,429,883	18,371,001	43,800,884	301,173
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues - property taxes	3,585,429	-	3,585,429	-
Pension related items	20,070	6,059	26,129	-
Total deferred inflows of resources	3,605,499	6,059	3,611,558	-
NET POSITION				
Net investment in capital assets	12,812,003	18,629,340	31,441,343	38,837
Restricted for:				
Debt service	446,595	-	446,595	-
Capital projects	736,589	-	736,589	-
Public safety	73,577	-	73,577	-
Tourism	40,933	-	40,933	-
Unrestricted	775,855	5,019,576	5,795,431	182,646
Total net position	$ 14,885,552	$ 23,648,916	$ 38,534,468	$ 221,483

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

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	$ 989,743	$ 309,237	$ 9,552	$ -	$ (670,954)	$ -	$ (670,954)	$ -
Public safety	3,633,431	1,014,364	57,249	352,926	(2,208,892)	-	(2,208,892)	-
Public works	1,721,669	-	-	734,801	(986,868)	-	(986,868)	-
Culture and recreation	2,902,199	897,112	27,293	353,468	(1,624,326)	-	(1,624,326)	-
Economic and community development	556,195	599,323	7,676	-	50,804	-	50,804	-
Interest on long-term debt	683,423	-	-	-	(683,423)	-	(683,423)	-
Total governmental activities	10,486,660	2,820,036	101,770	1,441,195	(6,123,659)	-	(6,123,659)	-
Business-type activities:								
Water and Sewer	4,054,253	5,675,132	-	1,877,186	-	3,498,065	3,498,065	-
Solid waste	637,216	654,081	-	-	-	16,865	16,865	-
Total business-type activities	4,691,469	6,329,213	-	1,877,186	-	3,514,930	3,514,930	-
Total primary government	$ 15,178,129	$ 9,149,249	$ 101,770	$ 3,318,381	(6,123,659)	3,514,930	(2,608,729)	-
Component unit:								
Downtown Development Authority	$ 30,444	$ 56,709	$ -	$ -	-	-	-	26,265
General revenues:								
Property taxes					3,634,632	-	3,634,632	-
Sales taxes					1,913,276	-	1,913,276	-
Franchise taxes					1,196,749	-	1,196,749	-
Hotel/Motel occupancy tax					36,629	-	36,629	-
Business taxes					654,549	-	654,549	-
Unrestricted investment earnings					11,004	9,931	20,935	-
Transfers					162,000	(162,000)	-	-
Total general revenues and transfers					7,608,839	(152,069)	7,456,770	-
Change in net position					1,485,180	3,362,861	4,848,041	26,265
Net position, beginning of year					13,400,372	20,286,055	33,686,427	195,218
Net position, end of year					$ 14,885,552	$ 23,648,916	$ 38,534,468	$ 221,483

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

CITY OF JEFFERSON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

ASSETS	Major Governmental Funds: General	Major Governmental Funds: Capital Projects	Major Governmental Funds: Debt Service	Nonmajor Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	$ 7,386,902	$ -	$ -	$ 1,264,807	$ 8,651,709
Taxes receivable, net	1,476,301	-	-	2,999	1,479,300
Accounts receivable	1,310,309	-	-	-	1,310,309
Intergovernmental receivable	264,317	-	-	204,813	469,130
Due from other funds	591,002	-	-	-	591,002
Due from component units	171	-	-	-	171
Restricted cash and cash equivalents	-	2,039,106	446,595	51,055	2,536,756
Total assets	$ 11,029,002	$ 2,039,106	446,595	$ 1,523,674	$ 15,038,377
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 236,548	$ 8,129	$ -	$ 73,444	$ 318,121
Retainage payable	-	59,925	-	-	59,925
Accrued salaries	119,822	-	-	-	119,822
Due to other funds	-	583,208	-	7,794	591,002
Total liabilities	356,370	651,262	-	81,238	1,088,870
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	3,585,429	-	-	-	3,585,429
Unavailable revenue - property taxes	22,279	-	-	-	22,279
Total deferred inflows of resources	3,607,708	-	-	-	3,607,708
FUND BALANCES					
Restricted for:					
Debt service	-	-	446,595	-	446,595
Tourism	-	-	-	40,933	40,933
Public safety	-	-	-	73,577	73,577
Capital projects	-	1,387,844	-	1,327,926	2,715,770
Assigned for:					
Appropriation of subsequent year's fund balance	1,389,341	-	-	-	1,389,341
Improvement of Old Pendergrass Road	50,000	-	-	-	50,000
Future improvements of new library	67,285	-	-	-	67,285
Jefferson community theater	36,947	-	-	-	36,947
Tree bank	24,618	-	-	-	24,618
Police technology	31,386	-	-	-	31,386
Planning and development	903,381	-	-	-	903,381
Unassigned	4,561,966	-	-	-	4,561,966
Total fund balances	7,064,924	1,387,844	446,595	1,442,436	10,341,799
Total liabilities, deferred inflows of resources, and fund balances	$ 11,029,002	$ 2,039,106	$ 446,595	$ 1,523,674	

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.	28,421,434
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.	22,279
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.	(348,677)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(23,551,283)
Net position of governmental activities	$ 14,885,552

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, 2017

	Major Governmental Funds			Nonmajor Governmental Funds	Totals Governmental Funds
	General	Capital Projects	Debt Service		
Revenues					
Taxes:					
Property taxes	$ 3,628,890	$ -	$ -	$ -	$ 3,628,890
Sales taxes	1,913,276	-	-	-	1,913,276
Hotel/Motel occupancy taxes	-	-	-	36,629	36,629
Franchise taxes	1,196,749	-	-	-	1,196,749
Business taxes	654,549	-	-	-	654,549
Licenses and permits	503,679	-	-	-	503,679
Intergovernmental	66,801	-	-	1,364,871	1,431,672
Fines and forfeitures	655,700	-	-	6,955	662,655
Charges for services	1,358,534	-	-	-	1,358,534
Investment earnings	208	8,531	2,265	-	11,004
Contributions and donations	27,293	84,000	-	-	111,293
Other revenues	295,168	-	-	-	295,168
Total revenues	10,300,847	92,531	2,265	1,408,455	11,804,098
Expenditures					
Current:					
General government	849,837	273,384	-	-	1,123,221
Public safety	2,977,651	121,285	-	200,018	3,298,954
Public works	875,739	1,274,469	-	87,642	2,237,850
Culture and recreation	2,436,919	53,678	-	4,107	2,494,704
Economic and community development	537,922	39,000	-	17,169	594,091
Capital outlay	-	-	-	886,904	886,904
Debt service:					
Principal	-	-	1,140,000	-	1,140,000
Interest	-	-	614,248	-	614,248
Bond issuance costs	-	-	96,206	-	96,206
Total expenditures	7,678,068	1,761,816	1,850,454	1,195,840	12,486,178
Excess (deficiency) of revenues over (under) expenditures	2,622,779	(1,669,285)	(1,848,189)	212,615	(682,080)
Other financing sources (uses):					
Proceeds from sale of capital assets	22,919	-	-	-	22,919
Refundung bonds issued	-	-	5,595,000	-	5,595,000
Payment to escrow agent for bond refunding	-		(5,502,261)	-	(5,502,261)
Transfers in	176,977	1,057,146	1,692,431	-	2,926,554
Transfers out	(2,432,577)	-	-	(331,977)	(2,764,554)
Total other financing sources (uses)	(2,232,681)	1,057,146	1,785,170	(331,977)	277,658
Net change in fund balances	390,098	(612,139)	(63,019)	(119,362)	(404,422)
Fund balances, beginning of year	6,674,826	1,999,983	509,614	1,561,798	10,746,221
Fund balances, end of year	$ 7,064,924	$ 1,387,844	$ 446,595	$ 1,442,436	$ 10,341,799

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, 2017

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

Net change in fund balances - total governmental funds	$	(404,422)
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.		1,221,433
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.		(61,006)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		5,742
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.		1,047,261
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.		(323,828)
Change in net position - governmental activities	$	1,485,180

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 3,256,650	$ 3,256,650	$ 3,628,890	$ 372,240
Sales taxes	1,619,500	1,619,500	1,913,276	293,776
Franchise taxes	1,200,000	1,200,000	1,196,749	(3,251)
Business taxes	571,000	571,000	654,549	83,549
Licenses and permits	429,000	429,000	503,679	74,679
Intergovernmental	13,730	13,730	66,801	53,071
Fines and forfeitures	536,000	536,000	655,700	119,700
Charges for services	960,588	960,588	1,358,534	397,946
Contributions and donations	-	-	27,293	27,293
Investment earnings	-	-	208	208
Other revenues	257,992	274,621	295,168	20,547
Total revenues	8,844,460	8,861,089	10,300,847	1,439,758
Expenditures:				
Current:				
General government	820,162	865,162	849,837	15,325
Public safety:				
Police	2,323,112	2,298,826	2,178,006	120,820
Fire	777,037	808,766	799,645	9,121
Total public safety	3,100,149	3,107,592	2,977,651	129,941
Public works	919,257	919,117	875,739	43,378
Culture and recreation:				
Recreation	403,244	419,873	395,398	24,475
Parks	1,714,266	1,714,266	1,639,964	74,302
Libraries	447,504	447,504	388,924	58,580
Payments to other agencies	35,000	35,000	12,633	22,367
Total culture and recreation	2,600,014	2,616,643	2,436,919	179,724
Economic and Community Development	597,471	658,959	537,922	121,037
Total expenditures	8,037,053	8,167,473	7,678,068	489,405
Excess of revenues over expenditures	807,407	693,616	2,622,779	1,929,163
Other financing sources (uses):				
Proceeds from sale of capital assets	2,000	34,850	22,919	(11,931)
Transfers in	180,200	180,200	176,977	(3,223)
Transfers out	(1,886,144)	(2,554,317)	(2,432,577)	121,740
Total other financing sources (uses)	(1,703,944)	(2,339,267)	(2,232,681)	106,586
Net change in fund balances	(896,537)	(1,645,651)	390,098	2,035,749
Fund balances, beginning of year	6,674,826	6,674,826	6,674,826	-
Fund balances, end of year	$ 5,778,289	$ 5,029,175	$ 7,064,924	$ 2,035,749

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

CITY OF JEFFERSON, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

ASSETS	Business-type Activities - Enterprise Funds: Water and Sewer Fund	Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	$ 6,407,904	$ 183,112	$ 6,591,016
Accounts receivable, net	695,961	95,737	791,698
Intergovernmental receivable	123,034	-	123,034
Inventory	255,219	-	255,219
Restricted cash	1,438,536	-	1,438,536
Total current assets	8,920,654	278,849	9,199,503
NONCURRENT ASSETS			
Capital assets:			
Nondepreciable	12,487,219	-	12,487,219
Depreciable assets, net of accumulated depreciation	20,222,122	8,024	20,230,146
Total noncurrent assets	32,709,341	8,024	32,717,365
Total assets	41,629,995	286,873	41,916,868
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	13,826	-	13,826
Pension related items	90,183	5,099	95,282
Total deferred outflows of resources	104,009	5,099	109,108
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	257,281	47,695	304,976
Accrued salaries	23,471	1,380	24,851
Accrued interest	158,089	-	158,089
Unearned revenue	336,000	-	336,000
Compensated absences payable, current	61,600	-	61,600
Customer deposits payable	302,010	-	302,010
Bonds payable, current	1,490,000	-	1,490,000
Total current liabilities	2,628,451	49,075	2,677,526
NONCURRENT LIABILITIES			
Compensated absences payable	9,730	-	9,730
Notes payable	235,660	-	235,660
Net OPEB obligation	1,342,949	95,925	1,438,874
Bonds payable	13,814,727	-	13,814,727
Net pension liability	184,077	10,407	194,484
Total noncurrent liabilities	15,587,143	106,332	15,693,475
Total liabilities	18,215,594	155,407	18,371,001
DEFERRED INFLOWS OF RESOURCES			
Pension related items	5,735	324	6,059
Total deferred inflows of resources	5,735	324	6,059
NET POSITION			
Net investment in capital assets	18,621,316	8,024	18,629,340
Unrestricted	4,891,359	128,217	5,019,576
Total net position	$ 23,512,675	$ 136,241	$ 23,648,916

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, 2017

	Business-type Activities - Enterprise Funds		
OPERATING REVENUES	**Water and Sewer Fund**	**Solid Waste Fund**	**Totals**
Charges for services:			
Water charges	$ 3,704,435	$ -	$ 3,704,435
Sewer charges	1,880,987	-	1,880,987
Refuse collection charges	-	636,987	636,987
Miscellaneous revenue	89,710	17,094	106,804
Total operating revenues	5,675,132	654,081	6,329,213
OPERATING EXPENSES			
Personal services and benefits	1,116,550	66,456	1,183,006
Purchased and contracted services	852,782	567,758	1,420,540
Supplies	818,120	1,544	819,664
Depreciation and amortization	782,254	1,458	783,712
Total operating expenses	3,569,706	637,216	4,206,922
Operating income	2,105,426	16,865	2,122,291
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	9,931	-	9,931
Interest expense, fiscal agent fees, and bond issuance costs	(484,547)	-	(484,547)
Total non-operating (expenses)	(474,616)	-	(474,616)
Income before contributions and transfers	1,630,810	16,865	1,647,675
Capital contributions - tap fees	1,509,199	-	1,509,199
Capital contributions - intergovernmental	367,987	-	367,987
Transfers out	(150,000)	(12,000)	(162,000)
	1,727,186	(12,000)	1,715,186
Change in net position	3,357,996	4,865	3,362,861
NET POSITION, beginning of year	20,154,679	131,376	20,286,055
NET POSITION, end of year	$ 23,512,675	$ 136,241	$ 23,648,916

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, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 6,002,000	$ 649,399	$ 6,651,399
Payments to vendors	(1,994,891)	(570,072)	(2,564,963)
Payments to or on behalf of employees	(1,048,135)	(61,089)	(1,109,224)
Net cash provided by operating activities	2,958,974	18,238	2,977,212
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(150,000)	(12,000)	(162,000)
Net cash used in non-capital financing activities	(150,000)	(12,000)	(162,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on notes and bonds payable	(1,490,693)	-	(1,490,693)
Proceeds from long-term borrowings	116,609	-	116,609
Capital contributions from tap fees	1,509,199	-	1,509,199
Capital contributions from other governments	367,987	-	367,987
Interest paid	(499,858)	-	(499,858)
Purchases of capital assets	(1,266,041)	-	(1,266,041)
Net cash used in capital and related financing activities	(1,262,797)	-	(1,262,797)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	9,931	-	9,931
Net cash provided by investing activities	9,931	-	9,931
Net increase in cash and cash equivalents	1,556,108	6,238	1,562,346
Cash and cash equivalents, beginning of year	6,290,332	176,874	6,467,206
Cash and cash equivalents, end of year	$ 7,846,440	$ 183,112	$ 8,029,552
Reconciliation to the statement of net position			
Cash and cash equivalents	$ 6,407,904	$ 183,112	$ 6,591,016
Restricted cash	1,438,536	-	1,438,536
Total	$ 7,846,440	$ 183,112	$ 8,029,552
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 2,105,426	$ 16,865	$ 2,122,291
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	782,254	1,458	783,712
Change in assets and liabilities:			
(Increase) decrease in accounts and intergovernmental receivables	352,157	(4,682)	347,475
Increase in inventory	(8,311)	-	(8,311)
Increase in prepaid items	1,788	-	1,788
Decrease in accounts payable	(315,678)	(770)	(316,448)
Increase in accrued salaries	1,544	55	1,599
Increase (decrease) in compensated absences	10,835	(22)	10,813
Increase in Net OPEB obligation	128,816	9,201	138,017
Decrease in customer deposits payable	(27,077)	-	(27,077)
Decrease in pension related items	(72,780)	(3,867)	(76,647)
Net cash provided by operating activities	$ 2,958,974	$ 18,238	$ 2,977,212

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, 2017

	Agency Fund
ASSETS	
Cash	$ 21,678
Total assets	$ 21,678
LIABILITIES	
Due to other agencies	$ 21,678
Total liabilities	$ 21,678

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, 2017, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

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 deferred 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 $12,812,003 as shown in the financial statements was determined by taking capital assets ($28,421,434) less total outstanding debt of $18,385,049 (which includes intergovernmental contracts, capital leases payable, notes payable, and bonds payable) plus deferred charges on refunding of $736,512 plus unspent bond proceeds of $2,039,106 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 $23,551,283 difference are as follows:

Intergovernmental contract payable	$	(420,000)
Revenue bonds payable		(17,425,000)
Plus: Unamortized premium (to be amortized as interest expense)		(483,138)
Less: Unamortized discount (to be amortized as interest expense)		3,014
Deferred loss on refunding		736,512
Accrued interest payable		(108,113)
Compensated absences		(194,986)
Net OPEB obligation		(5,659,572)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(23,551,283)

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 $348,677 difference are as follows:

Net pension liability	$	(644,220)
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date		242,070
Pension plan experience differences		73,543
Deferred inflows of resources:		
Net difference between projected and actual investment earnings		(3,625)
Pension plan experience differences		(1,218)
Pension plan assumptions changes		(15,227)
Net adjustment to reduce *fund balance - total governmental fungs* to arrive at *net position - governmental activities*	$	(348,677)

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 $1,221,433 difference are as follows:

Capital outlay	$	2,709,139
Depreciation expense		(1,487,706)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$	1,221,433

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 $1,047,261 difference are as follows:

Principal repayments:		
Intergovernmental contract payable	$	405,000
Revenue bonds		735,000
Issuance of general obligation debt		(5,595,000)
Payment of refunded general obligation debt into escrow agent		5,502,261
Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities*	$	1,047,261

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 $323,828 difference are as follows:

Compensated absences	$	(27,238)
Amortization of premium		70,043
Amortization of discount		(5,062)
Amortization of deferred loss on refunding		(51,504)
Accrued interest		13,554
Pension expense		219,246
Net OPEB obligation		(542,867)
Net adjustment to decrease *net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities*	$	(323,828)

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, 2017 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, 2017. The due date for these taxes was December 20, 2017, and after that date, both penalty and interest are accrued until the taxes are collected. The taxes are subject to lien after April 21, 2018. 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 2017 are for the year 2018. The amount recorded as a receivable as well as amounts collected as of December 31, 2017 related to these taxes are recorded as deferred inflows of resources – deferred revenues 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	$ 1,487,420	$ -	$ -	$ 2,999
Accounts	1,378,506	813,127	130,348	-
Intergovernmental	264,317	123,034	-	204,813
Less allowance for uncollectibles	(79,316)	(117,166)	(34,611)	-
Net total receivables	$ 3,050,927	$ 818,995	$ 95,737	$ 207,812

Note 6. Capital Assets

Primary Government: Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,559,423	$ 246,386	$ -	$ -	$ 1,805,809
Construction in progress	173,983	1,368,745	-	(37,520)	1,505,208
Total assets, not being depreciated	1,733,406	1,615,131	-	(37,520)	3,311,017
Capital assets, being depreciated:					
Buildings	18,580,401	107,173	-	-	18,687,574
Improvements	408,068	-	-	-	408,068
Machinery and equipment	4,718,755	387,963	(457,095)	-	4,649,623
Infrastructure	11,685,952	598,872	-	37,520	12,322,344
Total assets, being depreciated	35,393,176	1,094,008	(457,095)	37,520	36,067,609
Less accumulated depreciation for:					
Buildings	(4,425,643)	(629,783)	-	-	(5,055,426)
Improvements	(211,250)	(17,776)	-	-	(229,026)
Machinery and equipment	(2,961,383)	(413,043)	396,089	-	(2,978,337)
Infrastructure	(2,267,299)	(427,104)	-	-	(2,694,403)
Total accumulated depreciation	(9,865,575)	(1,487,706)	396,089	-	(10,957,192)
Total assets, being depreciated, net	25,527,601	(393,698)	(61,006)	37,520	25,110,417
Governmental activities capital assets, net	$ 27,261,007	$ 1,221,433	$ (61,006)	$ -	$ 28,421,434
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 8,257,831	$ 487,186	$ -	$ -	$ 8,745,017
Construction in progress	2,238,198	681,653	-	(627,708)	2,292,143
Intangible	1,450,059	-	-	-	1,450,059
Total assets, not being depreciated	11,946,088	1,168,839	-	(627,708)	12,487,219
Capital assets, being depreciated:					
Water distribution	14,871,084	24,373	-	15,405	14,910,862
Sewer distribution	17,051,231	38,429	-	612,303	17,701,963
Improvements	37,020	-	-	-	37,020
Machinery and equipment	603,523	34,400	(5,600)	-	632,323
Total assets, being depreciated	32,562,858	97,202	(5,600)	627,708	33,282,168
Less accumulated depreciation for:					
Water distribution	(5,262,201)	(360,518)	-	-	(5,622,719)
Sewer distribution	(6,430,920)	(416,981)	-	-	(6,847,901)
Improvements	(14,017)	(2,208)	-	-	(16,225)
Machinery and equipment	(526,802)	(43,975)	5,600	-	(565,177)
Total accumulated depreciation	(12,233,940)	(823,682)	5,600	-	(13,052,022)
Total assets, being depreciated, net	20,328,918	(726,480)	-	627,708	20,230,146
Business-type activities capital assets, net	$ 32,275,006	$ 442,359	$ -	$ -	$ 32,717,365

Note 6. Capital Assets (Continued)

Discretely Presented Component Unit - DDA: Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Downtown Development Authority:				
Capital assest, not being depreciated:				
Land	$ 92,965	$ -	$ -	$ 92,965
Total assets, not being depreciated	92,965	-	-	92,965
Capital assets, being depreciated:				
Buildings	253,532	-	-	253,532
Total assets, being depreciated	253,532	-	-	253,532
Less accummulated depreication for:				
Buildings	(25,353)	(8,451)		(33,804)
Total accummulated depreication	(25,353)	(8,451)	-	(33,804)
Total assets, being depreciatted, net	228,179	(8,451)	-	219,728
Governmental activities capital assets, net	$ 321,144	$ (8,451)	$ -	$ 312,693

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

Governmental activities:	
General government	$ 123,090
Public safety	477,161
Public works	443,788
Recreation	429,272
Economic and community development	14,395
Total depreciation expense - governmental activities	$ 1,487,706
Business-type activities:	
Water and sewer	$ 822,224
Solid waste	1,458
Total depreciation expense - business-type activities	$ 823,682

Construction Commitments

In addition to the liabilities enumerated in the balance sheet at December 31, 2017, the City has contractual commitments on uncompleted construction contracts of approximately $101,065 for various projects including public works building and the Peachtree Road project.

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

The composition of inter-fund balances as of December 31, 2017, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Capital Projects	$ 583,208
General fund	Nonmajor governmental funds	7,794
Total		$ 591,002

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, 2017:

	Transfers Out				
Transfers in	General Fund	Water & Sewer Fund	Solid Waste Fund	Nonmajor Governmental Funds	Total
General Fund	$ -	$ 150,000	$ 5,000	$ 21,977	$ 176,977
Debt Service Fund	1,382,431	-	-	310,000	1,692,431
Capital project Fund	1,050,146	-	7,000	-	1,057,146
Total	$ 2,432,577	$ 150,000	$ 12,000	$ 331,977	$ 2,926,554

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, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Intergovernmental contract payable	$ 825,000	$ -	$ (405,000)	$ 420,000	$ 420,000
Bonds payable:					
Revenue bonds	18,000,000	5,595,000	(6,170,000)	17,425,000	795,000
Plus issuance premium	553,181	-	(70,043)	483,138	-
Less issuance discount	(47,599)	-	44,585	(3,014)	-
Net bonds payable	18,505,582	5,595,000	(6,195,458)	17,905,124	795,000
Net OPEB obligation	5,116,705	584,737	(41,870)	5,659,572	-
Net pension liability	837,397	384,309	(577,486)	644,220	-
Compensated absences	167,748	161,772	(134,534)	194,986	168,387
Governmental activities					
Long-term liabilities	$ 25,452,432	$ 6,725,818	$ (7,354,348)	$ 24,823,902	$ 1,383,387

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 16,260,000	$ -	$ (1,460,000)	$ 14,800,000	$ 1,490,000
Plus premium	558,521	-	(53,794)	504,727	-
Net bonds payable	16,818,521	-	(1,513,794)	15,304,727	1,490,000
Capital lease payable	30,693	-	(30,693)	-	-
Notes payable	119,051	116,609	-	235,660	-
Net OPEB obligation	1,300,857	148,662	(10,645)	1,438,874	-
Net pension liability	268,222	116,019	(189,757)	194,484	-
Compensated absences	60,517	67,895	(57,082)	71,330	61,600
Business-type activity					
Long-term liabilities	$ 18,597,861	$ 449,185	$ (1,801,971)	$ 17,245,075	$ 1,551,600

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 and the Solid Waste 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, 2017 is $420,000, which matures in 2018.

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2018	$ 420,000	$ 8,610
Total	$ 420,000	$ 8,610

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, 2017, the amount of the defeased bonds outstanding is $360,000 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, 2017 is $2,165,000.

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.

Note 8. Long-term Debt (Continued)

Primary Government (continued):

Revenue Bonds (continued)

The revenue bonds, maturing in April 2033, have interest rates that range from 2.0% to 4.1%. These bonds were partially refunded with the 2017 refunding revenues bonds. See subsequent paragraphs below for details of the 2017 refunding bonds. The amount of the 2013A and 2013B revenue bonds outstanding at December 31, 2017 is $290,000.

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, 2017, 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, 2017 is $9,375,000.

On December 21, 2017 the City of Jefferson Public Building Authority issued Series 2017 refunding revenue bonds in the amount of $5,595,000 to refund a portion of the City of Jefferson Public Building Authority 2013A bonds.

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 2013A & 2013B until April 2033, the earliest date of redemption. At December 31, 2017, the amount of the defeased bonds outstanding for the 2013A bonds is $5,435,000, and neither the escrow account nor the defeased bonds are recorded on the City's Statement of Net Position. The refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt of $66,954. This difference is reported in the accompanying financial statements as a deferred outflow of resources, and is being charged to operations through year 2032 using the straight-line method. The City advance refunded a portion of the Series 2013A bonds to reduce its total debt service payments over the next 16 years by $518,826 and to obtain an economic gain of approximately $433,430

The refunding bonds, maturing in April 2032, have interest rate of 2.20%. The amount of refunding revenue bonds outstanding at December 31, 2017 is $5,595,000.

Note 8. Long-term Debt (Continued)

Primary Government (continued):

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, 2017 is $1,325,000.

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, 2017 is $5,530,000.

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 $7,945,000.

Note 8. Long-term Debt (Continued)

Primary Government (continued):

Business-Type Activities (continued)

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
2018	$ 795,000	$ 502,008	$ 1,490,000	$ 453,760
2019	1,235,000	477,115	1,010,000	417,933
2020	1,270,000	439,495	950,000	387,595
2021	1,300,000	402,565	930,000	358,513
2022	1,335,000	368,096	960,000	335,516
2023-2027	7,285,000	1,224,089	4,495,000	1,230,515
2028-2032	4,205,000	265,734	3,245,000	686,975
2033-2035	-	-	1,720,000	139,400
Total	$ 17,425,000	$ 3,679,102	$ 14,800,000	$ 4,010,207

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, 2017 is $235,660. This note is still in the drawdown phase and, therefore, has no amortization schedule.

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. The entire outstanding balance of this lease was paid off as at December 31, 2017. The cost and accumulated depreciation of the assets acquired under capital lease are $73,742 and $62,681, respectively. Annual depreciation of these assets is included in depreciation expense.

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, 2017 is $5,150,000.

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, 2017 is $7,190,000.

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, 2017 is $11,880,000.

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, 2017 is $9,990,000.

Note 8. Long-term Debt (Continued)

Primary Government (continued):

Conduit Debt (continued)

On August 19, 2015, the County entered into a contract with the City of Jefferson Public Building Authority to fund repayment of an issue of $7,665,000 of Series 2007A Revenue Refunding Bonds which mature from March 1, 2019 to March 1, 2032, and bear interest at rates from 2.900% to 5.001%. These bonds were issued to fund the County's capital projects including the jail project, public safety training facility, and historic courthouse renovation. The County placed $8,422,165 in an escrow account to be used for satisfying scheduled payments of interest, principal, and redemption premiums on the 2007A bonds maturing in 2032.

Discretely Presented Component Unit - DDA:

Long-term liability and obligations activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely presented component unit:					
Capital leases	$ 292,907	$ -	$ (19,051)	$ 273,856	$ 20,009
Total discretely presented component unit Long-term liabilities	$ 292,907	$ -	$ (19,051)	$ 273,856	$ 20,009

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, 2017, the outstanding balance on this lease is $273,856, and the cost and accumulated depreciation of the assets acquired under capital lease are $345,984 and $33,804, respectively. Annual depreciation of these assets is included in depreciation expense.

Note 8. Long-term Debt (Continued)

Discretely Presented Component Unit - DDA (continued):

Capital Leases (continued)

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

Year Ending December 31,	Discretely Presented Component Unit
2018	$ 31,128
2019	31,128
2020	31,128
2021	31,128
2022	31,128
2023	171,363
	327,003
Less: interest	(53,147)
	$ 273,856

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.

Note 9. Pension Plan (Continued)

Plan Description (continued)

Plan Membership. At July 1, 2017, the date of the most recent actuarial valuation, there were 133 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	27
Terminated vested participants not yet receiving benefits	30
Active employees - vested	56
Active employees - nonvested	20
Total	133

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 2017, the actuarially determined contribution rate was 7.23% of covered payroll; actual contributions came to 12.24%. The City makes all contributions to the Plan. For 2017, the City's contribution to the Plan was $315,150.

Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2017.

Actuarial assumptions. The total pension liability in the July 1, 2016 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, 2016 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

Cost of living adjustments were assumed to be 0.00%.

Note 9. Pension Plan (Continued)

Net Pension Liability of the City (continued)

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, 2017 are summarized in the table on the following page.

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%	1.75
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.

Note 9. Pension Plan (Continued)

Net Pension Liability of the City (continued)

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, 2017 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	$ 4,153,940	$ 3,048,321	$ 1,105,619
Changes for the year:			
Service cost	113,574	-	113,574
Interest	314,714	-	314,714
Differences between expected and actual experience	55,509	-	55,509
Contributions—employer	-	376,367	(376,367)
Net investment income	-	390,875	(390,875)
Benefit payments, including refunds of employee contributions	(186,223)	(186,223)	-
Administrative expense	-	(16,530)	16,530
Net changes	297,574	564,489	(266,915)
Balances at December 31, 2017	$ 4,451,514	$ 3,612,810	$ 838,704

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	$ 1,418,127	$ 838,704	$ 357,373

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, 2017 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, 2017, the City recognized pension expense of $216,416. At December 31, 2017, 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	$ 95,745	$ 1,586
Changes in assumptions	-	19,824
Net difference between projected and actual earnings on pension plan investments	-	4,719
City contributions subsequent to the measurement date	315,150	-
Total	$ 410,895	$ 26,129

City contributions subsequent to the measurement date of $315,150 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, 2018. 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
2018	$ 14,567
2019	35,977
2020	48,653
2021	(29,581)
Total	$ 69,616

Note 10. Other Postemployment Benefits

Plan Description

The City of Jefferson Postretirement Health Plan (the "OPEB Plan") is a single-employer defined benefit postretirement health care and dental plan, or other postemployment 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, 2015 and on the pattern of sharing of costs between the City and Plan members to that point. The City meets the requirements for using the alternative measurement method as permitted by Governmental Accounting Standards Board Statement (GASB) 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The City used the services of an actuary to determine its annual OPEB cost and net OPEB obligation. The actuary followed the basic parameters of GASB 45 in determining the OPEB liability and required contribution amounts.

Note 10. Other 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, 2017, is as follows:

Annual required contribution	$ 733,399
Interest adjustment	256,702
Amortization adjustment	(256,702)
Annual OPEB cost	733,399
Contributions made	(52,515)
Increase in net OPEB obligation	680,884
Net OPEB obligation, beginning of year	6,417,562
Net OPEB obligation, end of year	$ 7,098,446

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.

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of ARC Contributed	Net OPEB Obligation
December 31, 2015	$ 733,399	$ 48,507	6.61	$ 5,737,347
December 31, 2016	733,399	53,184	7.25	6,417,562
December 31, 2017	733,399	52,515	7.16	7,098,446

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, 2017, 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 $36,629 for the year ended December 31, 2017. Of this amount 60%, or $21,977, was transferred to the General Fund in accordance with O.C.G.A. 48-13-51. The remaining 40%, or $14,652 was, or will be, used to promote tourism.

Note 16. Tax Abatements

For the year ended December 31, 2017, City property tax revenues were reduced by $77,370 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

	2017	2016	2015
Total pension liability			
Service cost	$ 113,574	$ 108,171	$ 121,093
Interest on total pension liability	314,714	291,318	280,638
Differences between expected and actual experience	55,509	90,191	(6,345)
Changes of assumptions	-	-	(79,297)
Benefit payments, including refunds of employee contributions	(186,223)	(189,354)	(167,210)
Net change in total pension liability	297,574	300,326	148,879
Total pension liability - beginning	4,153,940	3,853,614	3,704,735
Total pension liability - ending (a)	$ 4,451,514	$ 4,153,940	$ 3,853,614
Plan fiduciary net position			
Contributions - employer	$ 376,367	$ 184,718	$ 182,991
Net investment income	390,875	4,990	278,899
Benefit payments, including refunds of member contributions	(186,223)	(189,354)	(167,210)
Administrative expenses	(16,530)	(14,165)	(11,119)
Net change in plan fiduciary net position	564,489	(13,811)	283,561
Plan fiduciary net position - beginning	3,048,321	3,062,132	2,778,571
Plan fiduciary net position - ending (b)	$ 3,612,810	$ 3,048,321	$ 3,062,132
City's net pension liability - ending (a) - (b)	$ 838,704	$ 1,105,619	$ 791,482
Plan fiduciary net position as a percentage of the total pension liability	81.16%	73.38%	79.46%
Covered-employee payroll	$ 2,480,797	$ 2,573,713	$ 2,641,226
City's net pension liability as a percentage of covered-employee payroll	33.81%	42.96%	29.97%

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

	2017	2016	2015
Actuarially determined contribution	$ 197,159	$ 179,208	$ 184,718
Contributions in relation to the actuarially determined contribution	315,150	376,367	184,718
Contribution deficiency (excess)	$ (117,991)	$ (197,159)	$ -
Covered-employee payroll	$ 2,573,713	$ 2,641,226	$ 2,573,713
Contributions as a percentage of covered-employee payroll	12.24%	14.25%	7.18%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2016
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	3.25%-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, 2017

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, 2017

	Special Revenue Funds			Capital Projects Fund	
ASSETS	Hotel/ Motel	Confiscated Assets	Multi-Grant Fund	SPLOST	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 39,733	$ 74,175	$ 265,589	$ 885,310	$ 1,264,807
Taxes receivable, net	2,999	-	-	-	2,999
Intergovernmental receivable	-	-	10,699	194,114	204,813
Restricted cash and cash equivalents	-	51,055	-	-	51,055
Total assets	$ 42,732	$ 125,230	$ 276,288	$ 1,079,424	$ 1,523,674
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ -	$ 51,653	$ 21,791	$ -	$ 73,444
Due to other funds	1,799	-	-	5,995	7,794
Total liabilities	1,799	51,653	21,791	5,995	81,238
FUND BALANCES					
Restricted for:					
Capital projects	-	-	254,497	1,073,429	1,327,926
Tourism	40,933	-	-	-	40,933
Public safety	-	73,577	-	-	73,577
Total fund balances	40,933	73,577	254,497	1,073,429	1,442,436
Total liabilities and fund balances	$ 42,732	$ 125,230	$ 276,288	$ 1,079,424	$ 1,523,674

CITY OF JEFFERSON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds			Capital Projects Fund	
	Hotel/ Motel	Confiscated Assets	Multi-Grant Fund	SPLOST	Total Nonmajor Governmental Funds
Revenues:					
Hotel/Motel occupancy taxes	$ 36,629	$ -	$ -	$ -	$ 36,629
Fines and forfeitures	-	6,955	-	-	6,955
Intergovernmental	-	-	379,651	985,220	1,364,871
Total revenues	36,629	6,955	379,651	985,220	1,408,455
Expenditures:					
Current:					
Public safety	-	20,897	179,121	-	200,018
Public works	-	-	87,642	-	87,642
Culture and recreation	-	-	4,107	-	4,107
Economic and community development	10,000	-	7,169	-	17,169
Capital outlay	-	-	-	886,904	886,904
Total expenditures	10,000	20,897	278,039	886,904	1,195,840
Excess (deficiency) of revenues over (under) expenditures	26,629	(13,942)	101,612	98,316	212,615
Other financing uses:					
Transfers out	(21,977)	-	-	(310,000)	(331,977)
Total other financing uses	(21,977)	-	-	(310,000)	(331,977)
Net change in fund balances	4,652	(13,942)	101,612	(211,684)	(119,362)
Fund balances, beginning of year	36,281	87,519	152,885	1,285,113	1,561,798
Fund balances, end of year	$ 40,933	$ 73,577	$ 254,497	$ 1,073,429	$ 1,442,436

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Hotel/Motel occupancy taxes	$ 32,000	$ 34,800	$ 36,629	$ 1,829
Total revenues	32,000	34,800	36,629	1,829
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	22,000	26,629	4,629
Other financing uses:				
Transfers out	(19,200)	(22,000)	(21,977)	23
Total other financing uses	(19,200)	(22,000)	(21,977)	23
Net changes in fund balances	-	-	4,652	4,652
Fund balances, beginning of year	36,281	36,281	36,281	-
Fund balances, end of year	$ 36,281	$ 36,281	$ 40,933	$ 4,652

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Fines and forfeitures	$ -	$ -	$ 6,955	$ 6,955
Total revenues	-	-	6,955	6,955
Expenditures:				
Current:				
Public safety	30,000	30,000	20,897	9,103
Total expenditures	30,000	30,000	20,897	9,103
Net changes in fund balances	(30,000)	(30,000)	(13,942)	16,058
Fund balances, beginning of year	87,519	87,519	87,519	-
Fund balances, end of year	$ 57,519	$ 57,519	$ 73,577	$ 16,058

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ 689,119	$ 689,119	$ 379,651	$ (309,468)
Total revenues	689,119	689,119	379,651	(309,468)
Expenditures:				
Current:				
Public safety	179,121	179,121	179,121	-
Public works	567,500	567,500	87,642	479,858
Culture and recreation	5,000	5,000	4,107	893
Economic and community development	23,158	23,158	7,169	15,989
Total expenditures	774,779	774,779	278,039	496,740
Excess (deficiency) of revenues over (under) expenditures	(85,660)	(85,660)	101,612	187,272
Other financing sources:				
Transfers in	9,597	9,597	-	(9,597)
Total other financing sources	9,597	9,597	-	(9,597)
Net changes in fund balances	(76,063)	(76,063)	101,612	177,675
Fund balances, beginning of year	152,885	152,885	152,885	-
Fund balances, end of year	$ 76,822	$ 76,822	$ 254,497	$ 177,675

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Investment earnings	$ -	$ -	$ 2,265	$ 2,265
Total revenues	-	-	2,265	2,265
Expenditures:				
Debt service:				
Principal	1,140,000	1,205,010	1,140,000	65,010
Interest	612,644	679,905	614,248	65,657
Bond issuance costs	6,500	99,239	96,206	3,033
Total expenditures	1,759,144	1,984,154	1,850,454	130,667
Deficiency of revenues under expenditures	(1,759,144)	(1,984,154)	(1,848,189)	135,965
Other financing sources (uses):				
Transfers in	1,759,144	1,759,144	1,692,431	(66,713)
Refunding bonds issued	-	-	5,595,000	5,595,000
Payment to refunded bond escrow agent	-	-	(5,502,261)	(5,502,261)
Total other financing sources (uses)	1,759,144	1,759,144	1,785,170	26,026
Net change in fund balances	-	(225,010)	(63,019)	161,991
Fund balances, beginning of year	509,614	509,614	509,614	-
Fund balances, end of year	$ 509,614	$ 284,604	$ 446,595	$ 161,991

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE YEAR ENDED DECEMBER 31, 2017

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	$ 1,405,479	$ 548,489	$ 523,573	$ 1,072,062
Cultural, historical and recreation facilities	1,626,853	1,938,395	1,498,035	310,000	1,808,035
Public safety facilities	81,651	96,930	31,041	5,995	37,036
Water and sewer facilities	1,179,588	1,405,481	1,048,145	357,336	1,405,481
SPLOST V Total	$ 4,067,680	$ 4,846,285	$ 3,125,710	$ 1,196,904	$ 4,322,614

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	$ 886,904
Transfer Out (see note 1 below)	310,000
Total	$ 1,196,904

Note 1: 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).

Note 2: The balances of expenditures reported in prior years have been corrected to appropriately reflect the actual balances of SPLOST funds expended in accordance with the voter approved referendums.

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, 2017

	December 31, 2016	Additions	Deductions	December 31, 2017
ASSETS				
Cash	$ 13,189	$ 282,369	$ 273,880	$ 21,678
Total assets	$ 13,189	$ 282,369	$ 273,880	$ 21,678
LIABILITIES				
Due to other agencies	$ 13,189	$ 282,369	$ 273,880	$ 21,678
Total liabilities	$ 13,189	$ 282,369	$ 273,880	$ 21,678

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, 2017

	Downtown Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 45,359
Payments to vendors	(20,955)
Net cash provided by operating activities	24,404
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on notes payable and capital leases	(19,051)
Interest paid	(12,424)
Net cash used in capital and related financing activities	(31,475)
Net decrease in cash and cash equivalents	(7,071)
Cash and cash equivalents, beginning of year	205,684
Cash and cash equivalents, end of year	$ 198,613
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 38,689
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	8,451
Change in assets and liabilities:	
Increase in accounts receivable	(11,350)
Decrease in accounts payable	(11,904)
Increase in accrued liabilities	347
Increase in amounts due to primary government	171
Net cash provided by operating activities	$ 24,404

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, 2017, 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 22, 2018.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2017-001 and 2017-002 that we consider to be 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 22, 2018

CITY OF JEFFERSON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017 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, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS

2017-001 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, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-002 Unrecorded Cash

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. Internal controls should also be in place to provide reasonable assurance that all cash accounts are recorded in the City's financial statements and are properly collateralized.

Condition: During our testing of cash, we noted that there was a cash account that is not being reconciled in accordance with the City's internal control procedures and is not being reported in the City's financial statements. It was also noted that the cash account was not opened under the City's tax ID and, therefore, is not included in the calculation of pledged collateral required by the bank. By not being included in the City's tax ID, the cash account may not be fully collateralized as required by State Law.

Context/Cause: A cash account, with a balance at December 31, 2017 of approximately $18,000 was opened in an individual's name for an event that is held annually by the City. The cash account was not reported on the City's financial statements as it was not in the City's tax ID. The total activity for the year was not material to the financial statements for the fiscal year ending December 31, 2017.

Effects: Failure to properly open the cash account in the City's tax ID, the cash account could become uncollateralized. Also, by this cash account not following the City's internal control processes for record keeping and reconciliation, there is the opportunity of misstatement and misappropriation of funds.

Recommendation: We recommend the City transfer any cash accounts, used for City programs, into a cash account with a City tax ID. We also recommend that the cash account follow the same internal control processes as all other City cash accounts.

Auditee's Response: We will continue to review our operations to determine the most efficient and effective solution. We will train employees more on the proper handling of cash and make employees aware that only the City Manager or Finance Director are allowed to set up bank accounts for City business.