

CITY OF JASPER, GEORGIA

ANNUAL FINANCIAL REPORT

**For the Calendar Year Ended
December 31, 2012**



CITY OF JASPER, GEORGIA
ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2012

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**CITY OF JASPER, GEORGIA
ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2012**

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FINANCIAL SECTION

The financial section includes the independent auditor's report on the financial statement audit, the basic financial statements including footnotes, and supplementary information.

RL Jennings & Associates, PC

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor John W. Weaver and
Members of the City Council
City of Jasper, Georgia

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Jasper, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 of 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jasper, Georgia, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedule of funding progress for the City of Jasper Retirement Plan on pages 33 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Government Auditing Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jasper, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 September 23, 2013, on our consideration of the City of Jasper, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Jasper, Georgia's internal control over financial reporting and compliance.

ROL Jennings & Associates, PC

Ellijay, Georgia
September 23, 2013

BASIC FINANCIAL STATEMENTS

The basic financial statements include the government-wide statement of net assets and government-wide statement of activities which include all of the primary government's governmental activities and business type activities. In addition, the basic financial statements include the fund financial statements and the notes to the financial statements.

CITY OF JASPER, GEORGIA
STATEMENT OF NET POSITION
December 31, 2012

	Component Units					
	Governmental Activities	Business-type Activities	Total Primary Government	Industrial Development Authority	Downtown Development Authority	Jasper Development Authority
ASSETS						
Cash	\$ 328,592	\$ 565,218	\$ 893,810	\$ -	\$ -	\$ 18,276
Restricted cash	93,607	522,206	615,813	1,000	9,024	-
Cash equivalents	163,789	-	163,789	-	-	-
Accounts receivable, net	-	420,949	420,949	-	-	-
Taxes receivable, net	1,103,186	-	1,103,186	-	-	-
Fines receivable, net	18,001	-	18,001	-	-	-
Other receivables	10,201	44,125	54,326	-	-	-
Internal balances	49,643	(49,643)	-	-	-	-
Receivable from other governments	100,626	-	100,626	-	-	-
Interest receivable-primary government	-	-	-	-	714	-
Note receivable-primary government due within one year	-	-	-	-	50,544	-
Note receivable-primary government due in more than one year	-	-	-	-	438,923	-
Inventories	-	80,231	80,231	-	-	-
Prepaid expenses	73,066	34,013	107,079	-	-	-
Capital assets, not being depreciated	1,017,261	2,698,126	3,715,387	-	-	-
Capital assets, net of accumulated depreciation	2,483,741	17,009,651	19,493,392	-	-	-
Total Assets	<u>\$ 5,441,713</u>	<u>\$ 21,324,876</u>	<u>\$ 26,766,589</u>	<u>\$ 1,000</u>	<u>\$ 499,205</u>	<u>\$ 18,276</u>
LIABILITIES AND NET POSITION						
Accounts payable	\$ 136,320	\$ 119,250	\$ 255,570	\$ -	\$ -	\$ -
Judgments payable	367,366	-	367,366	-	-	-
Accrued salaries	40,268	15,246	55,514	-	-	-
Accrued interest	3,394	17,721	21,115	-	714	-
Interest payable-component unit	714	-	714	-	-	-
Unearned revenue	63,677	8,000	71,677	-	-	-
Other accrued expenses	16,195	-	16,195	-	-	-
Liabilities Payable from Restricted Assets:						
Customer deposits	-	474,530	474,530	-	-	-
Retainage payable	-	19,342	19,342	-	-	-
Notes payable due within one year	-	286,070	286,070	-	-	-
Notes payable due in more than one year	-	4,980,334	4,980,334	-	-	-
Capital leases due within one year	40,241	78,141	118,382	-	50,544	-
Capital leases due in more than one year	151,466	98,534	250,000	-	438,923	-
Note payable to component units due within one year	50,544	-	50,544	-	-	-
Note payable to component units due in more than one year	438,923	-	438,923	-	-	-
Other contracts payable due within one year	-	76,965	76,965	-	-	-
Other contracts payable due in more than one year	-	637,540	637,540	-	-	-
Compensated absences due within one year	56,061	46,763	102,824	-	-	-
Compensated absences due in more than one year	85,169	16,694	101,863	-	-	-
Total Liabilities	<u>1,450,338</u>	<u>6,875,130</u>	<u>8,325,468</u>	<u>-</u>	<u>490,181</u>	<u>-</u>
Net Position:						
Net investment in capital assets	2,819,828	13,550,193	16,370,021	-	-	-
Restricted for:						
Capital projects	-	28,334	28,334	-	-	-
Tourism	28,865	-	28,865	-	9,024	-
Public safety	64,742	-	64,742	-	-	-
Economic development	-	-	-	1,000	-	-
Unrestricted	1,077,940	871,219	1,949,159	-	-	18,276
Total Net Position	<u>3,991,375</u>	<u>14,449,746</u>	<u>18,441,121</u>	<u>1,000</u>	<u>9,024</u>	<u>18,276</u>
Total Liabilities and Net Position	<u>\$ 5,441,713</u>	<u>\$ 21,324,876</u>	<u>\$ 26,766,589</u>	<u>\$ 1,000</u>	<u>\$ 499,205</u>	<u>\$ 18,276</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

					Net (Expense) Revenue and Changes in Net Position					
Functions/Programs	Expenses	Program Revenue			Primary Government			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Industrial Development Authority	Downtown Development Authority	Jasper Development Authority
Primary Government										
Governmental Activities:										
General government	\$ 521,563	\$ 6,329	\$ -	\$ -	\$ (515,234)	\$ -	\$ (515,234)	\$ -	\$ -	\$ -
Judicial	140,960	3,830	-	-	(137,130)	-	(137,130)	-	-	-
Public safety	1,859,938	320,344	2,272	-	(1,537,322)	-	(1,537,322)	-	-	-
Public works	876,203	-	-	-	(876,203)	-	(876,203)	-	-	-
Culture and recreation	60,593	-	10,517	-	(50,076)	-	(50,076)	-	-	-
Housing and development	183,453	93,556	-	-	(89,897)	-	(89,897)	-	-	-
Interest charges	32,033	-	-	-	(32,033)	-	(32,033)	-	-	-
Total Governmental Activities	3,674,743	424,059	12,789	-	(3,237,895)	-	(3,237,895)	-	-	-
Business-type Activities:										
Water and sewer	3,443,365	3,684,577	-	169,065	-	410,277	410,277			
Sanitation	148,826	82,731	-	-	-	(66,095)	(66,095)			
Total Business-type Activities	3,592,191	3,767,308	-	169,065	-	344,182	344,182			
Total Primary Government	\$ 7,266,934	\$ 4,191,367	\$ 12,789	\$ 169,065	(3,237,895)	344,182	(2,893,713)			
Component Units--										
Industrial Development Authority	\$ -	\$ -	\$ -	\$ -				\$ -	\$ -	\$ -
Downtown Development Authority	3,438	-	-	-				-	-	-
Jasper Development Authority	-	-	-	-				-	-	-
Total Component Units	\$ 3,438	\$ -	\$ -	\$ -				-	-	-
General revenues:										
Taxes:										
Property taxes, levied for general purposes					1,087,757	-	1,087,757	-	-	-
General sales and use taxes					1,068,115	-	1,068,115	-	-	-
Franchise taxes					408,149	-	408,149	-	-	-
Selective sales and use taxes					374,012	-	374,012	-	-	-
Business taxes					288,770	-	288,770	-	-	-
Unrestricted investment earnings					23,540	4,988	28,528	-	17	107
Miscellaneous					27,908	20,977	48,885	-	-	-
Transfers					8,694	(8,694)	-	-	5,000	(5,000)
Total general revenues and transfers					3,286,945	17,271	3,304,216	-	5,017	(4,893)
Change in net position					49,050	361,453	410,503	-	5,017	(4,893)
Net position, beginning of year, as restated					3,942,325	14,088,293	18,030,618	1,000	4,007	23,169
Net position, end of year					\$ 3,991,375	\$ 14,449,746	\$ 18,441,121	\$ 1,000	\$ 9,024	\$ 18,276

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General	Nonmajor Governmental Funds	Total Governmental Funds
<i>ASSETS</i>			
Cash	\$ 291,150	\$ 37,442	\$ 328,592
Restricted cash	60,502	33,105	93,607
Cash equivalents	163,789	-	163,789
Taxes receivable, net	1,098,229	4,957	1,103,186
Fines receivable, net	36,001	-	36,001
Other receivables	10,201	-	10,201
Receivable from other governments	100,626	-	100,626
Interfund receivable	65,234	-	65,234
Prepaid items	73,066	-	73,066
Total Assets	<u>\$ 1,898,798</u>	<u>\$ 75,504</u>	<u>\$ 1,974,302</u>
<i>LIABILITIES AND FUND BALANCES</i>			
Liabilities:			
Accounts payable	\$ 133,652	\$ 2,668	\$ 136,320
Judgments payable	367,366	-	367,366
Accrued salaries	40,268	-	40,268
Other accrued liabilities	16,195	-	16,195
Interfund payable	15,363	228	15,591
Unearned revenue	63,677	-	63,677
Total Liabilities	<u>636,521</u>	<u>2,896</u>	<u>639,417</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>			
Deferred property taxes	994,883	-	994,883
Unavailable property taxes	281,141	-	281,141
Unavailable municipal court fines	32,785	-	32,785
Total Deferred Inflows of Resources	<u>1,308,809</u>	<u>-</u>	<u>1,308,809</u>
Fund balances:			
Nonspendable	73,066	-	73,066
Restricted for:			
Tourism	-	28,865	28,865
Technology for public safety	60,502	-	60,502
Public safety	-	4,240	4,240
Assigned	-	39,503	39,503
Unassigned	(180,100)	-	(180,100)
Total Fund Balances (Deficit)	<u>(46,532)</u>	<u>72,608</u>	<u>26,076</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,898,798</u>	<u>\$ 75,504</u>	<u>\$ 1,974,302</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2012

Total fund balance, governmental funds	\$	26,076
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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 this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		3,501,002
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		1,290,809
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Certain liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. These liabilities include the following:

Accrued interest		(3,394)
Other accrued liabilities		(714)
Compensated absences		(141,230)
Note payable to component units		(489,467)
Capital leases		(191,707)
		(191,707)

Net Position of Governmental Activities in the Statement of Net Position	\$	3,991,375
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CITY OF JASPER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 3,137,414	\$ 50,329	\$ 3,187,743
Licenses and permits	93,556	-	93,556
Intergovernmental	24,714	-	24,714
Charges for services	12,748	-	12,748
Fines and forfeitures	236,013	-	236,013
Investment earnings	5,453	233	5,686
Contributions and donations	12,789	-	12,789
Miscellaneous	12,219	15,690	27,909
Penalties and interest on delinquent taxes	17,813	42	17,855
Total Revenues	<u>3,552,719</u>	<u>66,294</u>	<u>3,619,013</u>
Expenditures:			
Current:			
General government	611,053	-	611,053
Judicial	133,200	-	133,200
Public safety	1,835,896	254	1,836,150
Public works	812,087	-	812,087
Culture and recreation	78,298	-	78,298
Housing and development	106,961	76,029	182,990
Debt Service:			
Principal	90,088	-	90,088
Interest and other charges	33,770	-	33,770
Total Expenditures	<u>3,701,353</u>	<u>76,283</u>	<u>3,777,636</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(148,634)</u>	<u>(9,989)</u>	<u>(158,623)</u>
Other Financing Sources (Uses):			
Transfers in	8,694	-	8,694
Proceeds from capital leases	65,463	-	65,463
Total other financing sources and uses	<u>74,157</u>	<u>-</u>	<u>74,157</u>
Net changes in fund balances	(74,477)	(9,989)	(84,466)
Fund balances, beginning of year, as restated	<u>27,945</u>	<u>82,597</u>	<u>110,542</u>
Fund balances (deficit), end of year	<u>\$ (46,532)</u>	<u>\$ 72,608</u>	<u>\$ 26,076</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
For the Year Ended December 31, 2012

Net change in fund balances - total governmental funds:	\$	(84,466)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlays	259,184	
Depreciation expense	230,523	28,661

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

96,086

Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

24,626

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. Likewise, certain expenditures in governmental funds are not recognized as expenses in the Statement of Activities to the extent they reduce accrued liabilities:

Accrued interest	1,736	
Compensated absences	(17,593)	<u>15,857</u>

Change in net position - governmental activities

\$ 49,050

CITY OF JASPER, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Business-type Activities - Enterprise Funds		
	Major Fund Water and <u>Sewerage Fund</u>	Nonmajor Fund <u>Sanitation</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 559,443	\$ 5,775	\$ 565,218
Restricted cash	522,206	-	522,206
Accounts receivable, net	412,786	8,163	420,949
Interfund receivable	15,608	8,492	24,100
Other receivables	42,445	1,680	44,125
Inventories	80,231	-	80,231
Prepaid items	31,511	2,502	34,013
Total Current Assets	<u>1,664,230</u>	<u>26,612</u>	<u>1,690,842</u>
Non-Current Assets:			
Capital Assets Not Being Depreciated:			
Land and improvements	1,120,760	-	1,120,760
Construction in progress	1,577,366	-	1,577,366
Capital Assets Net of Accumulated Depreciation:			
Buildings and improvements	1,989,571	-	1,989,571
Machinery and equipment	391,615	11,035	402,650
Vehicles	144,323	-	144,323
Infrastructure	14,473,107	-	14,473,107
Total Non-Current Assets	<u>19,696,742</u>	<u>11,035</u>	<u>19,707,777</u>
Total Assets	<u>\$ 21,360,972</u>	<u>\$ 37,647</u>	<u>\$ 21,398,619</u>
LIABILITIES AND NET POSITION			
Current Liabilities:			
Accounts payable	\$ 118,990	\$ 260	\$ 119,250
Salaries payable	14,705	541	15,246
Accrued interest payable	17,721	-	17,721
Interfund payable	71,193	2,550	73,743
Unearned revenue	8,000	-	8,000
Liabilities Payable from Restricted Assets:			
Customer deposits	474,530	-	474,530
Retainage payable	19,342	-	19,342
Current Portion of Long-term Liabilities:			
Compensated absences	46,707	56	46,763
Notes payable	286,070	-	286,070
Other contracts payable	76,965	-	76,965
Capital lease obligation	78,141	-	78,141
Total Current Liabilities	<u>1,212,364</u>	<u>3,407</u>	<u>1,215,771</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Business-type Activities - Enterprise Funds		
	Major Fund Water and <u>Sewerage Fund</u>	Nonmajor Fund <u>Sanitation</u>	<u>Total</u>
Non-Current Liabilities:			
Compensated absences	16,694	-	16,694
Capital lease obligation	98,534	-	98,534
Notes payable	4,980,334	-	4,980,334
Other contracts payable	637,540	-	637,540
Total Non-Current Liabilities	<u>5,733,102</u>	<u>-</u>	<u>5,733,102</u>
Total Liabilities	<u>6,945,466</u>	<u>3,407</u>	<u>6,948,873</u>
Net Position:			
Net investment in capital assets	13,539,158	11,035	13,550,193
Restricted for capital projects	28,334	-	28,334
Unrestricted	848,014	23,205	871,219
Total Net Position	<u>14,415,506</u>	<u>34,240</u>	<u>14,449,746</u>
Total Liabilities and Net Position	<u>\$ 21,360,972</u>	<u>\$ 37,647</u>	<u>\$ 21,398,619</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds		
	Major Fund Water and <u>Sewerage</u>	Nonmajor Fund <u>Sanitation</u>	<u>Total</u>
Operating Revenues:			
Intergovernmental			
Charges for services	\$ 3,684,577	\$ 82,731	\$ 3,767,308
Miscellaneous	<u>20,977</u>	<u>-</u>	<u>20,977</u>
Total Operating Revenues	<u>3,705,554</u>	<u>82,731</u>	<u>3,788,285</u>
Operating Expenses:			
Sewer administration	19,851	-	19,851
Sewer maintenance	130,962	-	130,962
Waste water treatment plant	456,158	-	456,158
Water administration	256,232	-	256,232
Meter reading	208,829	-	208,829
Water supply	252,702	-	252,702
Water treatment plant	698,079	-	698,079
Water distribution	605,656	-	605,656
Solid waste collection	<u>-</u>	<u>131,117</u>	<u>131,117</u>
Total Operating Expenses before Depreciation	2,628,469	131,117	2,759,586
Depreciation expense	<u>608,198</u>	<u>15,551</u>	<u>623,749</u>
Total Operating Expenses	<u>3,236,667</u>	<u>146,668</u>	<u>3,383,335</u>
Operating Income (Loss)	<u>468,887</u>	<u>(63,937)</u>	<u>404,950</u>
Non-Operating Revenues (Expenses):			
Interest revenue	4,922	66	4,988
Intergovernmental	169,065	-	169,065
Interest expense	<u>(206,698)</u>	<u>(2,158)</u>	<u>(208,856)</u>
Total Non-Operating Revenue (Expenses)	<u>(32,711)</u>	<u>(2,092)</u>	<u>(34,803)</u>
Income (loss) before contributions and transfers	436,176	(66,029)	370,147
Transfers in	-	50,000	50,000
Transfers out	<u>(58,694)</u>	<u>-</u>	<u>(58,694)</u>
Change in net position	377,482	(16,029)	361,453
Total net position, beginning, as restated	<u>14,038,024</u>	<u>50,269</u>	<u>14,088,293</u>
Total net position, ending	<u>\$ 14,415,506</u>	<u>\$ 34,240</u>	<u>\$ 14,449,746</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-type Activities		
	Enterprise Funds		
	Major	Nonmajor	
	Water	Sanitation	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,690,795	\$ 82,006	\$ 3,772,801
Payments to suppliers	(1,517,492)	(50,731)	(1,568,223)
Payments to employees	(1,460,789)	(81,680)	(1,542,469)
Net cash provided by (used in) operating activities	<u>712,514</u>	<u>(50,405)</u>	<u>662,109</u>
Cash Flows from Noncapital Financing Activities:			
Interfund loans - proceeds and collections	11,029	(7,210)	3,819
Transfers in	-	50,000	50,000
Transfers out	(58,694)	-	(58,694)
Net cash provided by (used in) noncapital financing activities	<u>(47,665)</u>	<u>42,790</u>	<u>(4,875)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(1,151,029)	(10,923)	(1,161,952)
Principal paid on capital debt	(651,672)	(1,048)	(652,720)
Interest paid on capital debt	(225,961)	(2,164)	(228,125)
Proceeds from issuance of capital debt	719,546	-	719,546
Proceeds from grant revenue	300,000	-	300,000
Net cash provided by (used in) capital financing activities	<u>(1,009,116)</u>	<u>(14,135)</u>	<u>(1,023,251)</u>
Cash Flows from Investing Activities:			
Interest income	<u>4,922</u>	<u>66</u>	<u>4,988</u>
Net cash provided by (used in) investing activities	<u>4,922</u>	<u>66</u>	<u>4,988</u>
Net increase (decrease) in cash	(339,345)	(21,684)	(361,029)
Cash, beginning of year	<u>1,420,994</u>	<u>27,459</u>	<u>1,448,453</u>
Cash, end of year	<u>\$ 1,081,649</u>	<u>\$ 5,775</u>	<u>\$ 1,087,424</u>
Reconciliation of Total Cash:			
Unrestricted	\$ 559,443	\$ 5,775	\$ 565,218
Restricted	<u>522,206</u>	<u>-</u>	<u>522,206</u>
	<u>\$ 1,081,649</u>	<u>\$ 5,775</u>	<u>\$ 1,087,424</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-type Activities		
	Enterprise Funds		
	Major	Nonmajor	
	Water	Sanitation	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 468,887	\$ (63,937)	\$ 404,950
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	608,198	15,551	623,749
Change in assets and liabilities:			
Accounts receivable	(3,795)	(1,025)	(4,820)
Other receivables	163	300	463
Due from other governments			
Inventory	(2,465)	-	(2,465)
Prepaid expenses	(15,158)	(1,555)	(16,713)
Accounts payable	(338,653)	260	(338,393)
Customer deposits	(11,127)	-	(11,127)
Accrued salaries and benefits	3,672	-	3,672
Compensated absences	2,792	1	2,793
	<u>243,627</u>	<u>13,532</u>	<u>257,159</u>
Net cash provided by (used in) operating activities	<u>\$ 712,514</u>	<u>\$ (50,405)</u>	<u>\$ 662,109</u>
Noncash transactions:			
Assets purchased through capital leases	\$ 99,000	\$ -	\$ 99,000

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements are a required component of the basic financial statements of the City. The notes present required and essential information for the fair presentation of the statements that have not been disclosed on the face of the financial statements.

CITY OF JASPER, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

1. SUMMARY OF ACCOUNTING POLICIES

The accounting policies of the City of Jasper, Georgia, hereafter referred to as “the City”, conform to Generally Accepted Accounting Principles (GAAP). The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Proprietary Fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. THE REPORTING ENTITY

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The City’s financial statements include the accounts of all operations. The criteria for including organizations within the City’s reporting entity, as set forth in Governmental Accounting Standards Board’s Statement No. 14 (GASB 14), “The Financial Reporting Entity”, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit’s board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. As a result of applying the criteria of GASB 14, the Industrial Development Authority, the Downtown Development Authority of Jasper and the Jasper Development Authority have been included in the City’s financial statements in a discrete presentation in a separate column in the government-wide financial statements in order to express that they are legally separate from the City. The City is liable for repayment of debt incurred by the Industrial Development Authority, the Downtown Development Authority of Jasper and the Jasper Development Authority due to the City appointing the board; in addition, the City has agreed to financially support the Authorities, if necessary, in the future. All component units have the same year end as the City and this is consistent with all past years. Financial information pertaining to the component units can be obtained from the City upon request.

Also, the Housing Authority is recognized as a related organization of the City in that the City appoints the board members of the Authority. It exists in order to provide housing for low-income individuals that reside in the City limits and meet certain eligibility requirements. Payments in lieu of taxes are made to the City rather than property taxes.

B. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City’s funds are grouped into two broad fund categories and three generic fund types for financial statement presentation purposes. Governmental funds include the General and Special Revenue funds. Proprietary funds include Enterprise funds.

C. BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. For the most part, the effect of inter-fund activity has been removed from these statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial

NOTES TO FINANCIAL STATEMENTS (continued)

statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expense identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for capital improvements result from both the capital projects and enterprise funds and the restrictions on their net position use.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition:

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days of year-end and available to pay obligations of the current period). This includes investment earnings, property and sales taxes, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until all eligibility requirements have been met.

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded and deferred until expenditures are made. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Other revenues, including licenses and permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. However, some licenses are deferred since the revenue is not available to finance expenditures of the current fiscal year.

Expenditure Recognition:

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt and other long term obligations,

NOTES TO FINANCIAL STATEMENTS (continued)

which have not matured, are recognized when due. Allocation of costs, such as depreciation, is not recognized in the governmental funds.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, is recorded in proprietary funds. Unbilled utility receivables are recorded at each year-end.

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 for water and sewer usage and solid waste collection. Operating expenses for the enterprise funds include all costs to operate the water and sewer system and to deliver water and sewer service to customers as well as providing solid waste collection services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

Water and Sewerage Fund – This fund accounts for the development, operation and maintenance of the utility system that provides water service, and for the development of an infrastructure system capable of providing sewerage service.

D. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In preparing the accompanying financial statements, the City has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities. These new standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

In addition to liabilities, the statement of financial position 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 and so will not be recognized as an inflow of resources (revenue) until that time. Items which qualify to be reported within this element include property taxes levied in 2012 for the 2013 budget and certain unavailable revenues under the *current financial resources measurement focus*. Accordingly, such items appear in the governmental funds balance sheet as deferred inflows of resources and will be recognized as an inflow of resources in 2013 or the period in which the amounts become available.

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the

NOTES TO FINANCIAL STATEMENTS (continued)

City because it is considered unnecessary to assure effective budgetary control or to facilitate effective cash planning and control.

F. CASH AND INVESTMENTS

For the purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

Cash includes amounts in demand deposits. Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc., negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, repurchase agreements when collateralized by U.S. Government or agency obligations, and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

G. INVENTORIES

Inventories consist of supplies and are stated at cost. Inventories are accounted for on the first-in, first-out (FIFO) method of accounting for inventories. The City uses the purchases method of accounting for inventories; under which materials and supplies are recorded as expenses when purchased and are adjusted as inventory when accounted for at interval periods during the year.

H. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period in governmental funds are accounted for on the consumption basis. Prepaid expenditures are similarly reported in the government-wide and fund financial statements.

I. CAPITAL ASSETS AND DEPRECIATION

The City chooses to capitalize assets that have useful life extending beyond one year and exceed the established threshold of \$2,500 for each asset. Purchased or constructed capital assets are reported at cost or estimated at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to October 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30-50 years
Buildings	50 years
Building improvements	20 years
Vehicles	2-15 years
Office equipment	3-15 years
Computer equipment	3-15 years
Park improvements	10-20 years

NOTES TO FINANCIAL STATEMENTS (continued)

J. COMPENSATED ABSENCES

The liability for compensated absences in the government-wide and proprietary fund statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

K. FUND BALANCE

FUND BALANCE

During 2011, the City adopted GASB Statement No. 54, which establishes criteria for classifying fund balances in governmental fund financial statements. Accordingly, fund balances are presented in various classifications that comprise a hierarchy which is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items as being Nonspendable as these items are not resources in spendable form.

Restricted: This classification includes amounts that are restricted to specific purposes whereby constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City's special revenue and capital projects funds are legally restricted to expenditures for specific purposes.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the City's intent to use for a specific purpose but are neither restricted nor committed. This intent can be expressed by (a) the City Council itself or (b) the Council delegating this responsibility to City management through the budgetary process. This classification also includes all remaining positive fund balance for all government funds other than the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

FLOW ASSUMPTIONS

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be

NOTES TO FINANCIAL STATEMENTS (continued)

used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

MINIMUM FUND BALANCE POLICY

The Mayor and City Council have adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at 20%, which is approximately two to three months of general fund annual revenues. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a “revenue” source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within a five-year period.

L. NET POSITION

Net position represents the difference between assets and liabilities 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 section above. The remaining portion of net position is reported as unrestricted.

The City applies restricted resources first to fund outlays for which both restricted and unrestricted net position is available.

M. ESTIMATES

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

N. INTERFUND BALANCES

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables and payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

For the year ended December 31, 2012, there were no departmental expenditures that materially exceeded appropriations in the governmental funds.

3. CASH DEPOSITS

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2012, the City had no bank balance that was exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS (continued)

4. RESTRICTED CASH

Governmental activities

General Fund – The General Fund has restricted cash totalling \$60,502 for the purposes of technology improvements for public safety.

Other Nonmajor Funds – The Hotel/Motel Tax Fund has restricted cash in the amount of \$28,865 for the purposes of promoting tourism for the City of Jasper. The Confiscated Assets Fund has restricted cash in the amount of \$4,240 for the purpose of public safety.

Business-type activities

Water Fund – The Water Fund has restricted cash totaling \$522,206, for the purpose of repayment of customer deposits in the amount of \$474,530 (which has a corresponding restricted liability) and for construction projects of \$47,676.

5. PROPERTY TAXES AND OTHER RECEIVABLES

Governmental Activities

The City bills and collects its own property taxes. Property taxes receivable are stated at net amounts receivable. An allowance for uncollectible taxes for \$61,744 was established by management at December 31, 2012. The property tax bills for 2012 were levied at the end of 2012 and were intended for use during the 2013 budget year, the year in which they are due. Therefore, the entire levy of \$994,883 was included in deferred revenue on the governmental financial statements. Prior levies were recorded using substantially the same principles, and remaining receivables are re-evaluated annually for collectability.

The City property tax calendar is as follows:

Levy Date	December 3, 2012
Due Date	February 5, 2013
Delinquent Date	April 5, 2013
Lien Date	May 5, 2013

Business-type Activities

Accounts receivable in the Water Fund is stated at net amounts receivable. An allowance for doubtful accounts was established by management at December 31, 2012, amounting to \$94,030 in the Water Fund based on prior years experience and collection policies.

NOTES TO FINANCIAL STATEMENTS (continued)

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Transfers In (Out)	Balance 12/31/2012
<u>Governmental activities</u>					
Capital assets not being depreciated:					
Land	\$ 975,735	\$ -	\$ -	\$ -	\$ 975,735
Construction in Progress	6,081	35,445	-	-	41,526
Total capital assets not being depreciated	<u>981,816</u>	<u>35,445</u>	<u>-</u>	<u>-</u>	<u>1,017,261</u>
Capital assets being depreciated:					
Buildings and Improvements	885,976	19,344	-	-	905,320
Infrastructure	1,250,153	-	-	-	1,250,153
Machinery and Equipment	1,905,386	148,805	-	-	2,054,191
Park Improvements	403,667	55,590	-	-	459,257
Total capital assets being depreciated	<u>4,445,182</u>	<u>223,739</u>	<u>-</u>	<u>-</u>	<u>4,668,921</u>
Less accumulated depreciation:					
Buildings and Improvements	216,215	22,305			238,520
Infrastructure	156,088	62,662			218,750
Machinery and Equipment	1,337,864	130,511			1,468,375
Park Improvements	244,490	15,045	-	-	259,535
Total accumulated depreciation	<u>1,954,657</u>	<u>230,523</u>	<u>-</u>	<u>-</u>	<u>2,185,180</u>
Total capital assets being depreciated, net	<u>2,490,525</u>	<u>(6,784)</u>	<u>-</u>	<u>-</u>	<u>2,483,741</u>
Governmental activities capital assets, net	<u>\$ 3,472,341</u>	<u>\$ 28,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,501,002</u>

NOTES TO FINANCIAL STATEMENTS (continued)

	Beginning Balances	Increases	Decreases	Transfers In (Out)	Balance 12/31/2012
<u>Business-type activities</u>					
Capital assets not being depreciated:					
Land	\$ 1,120,760	\$ -	\$ -	\$ -	\$ 1,120,760
Construction in Progress	575,061	1,005,762	-	(3,457)	1,577,366
Total capital assets not being depreciated	1,695,821	1,005,762	-	(3,457)	2,698,126
Capital assets being depreciated:					
Buildings and Improvements	2,215,518	21,947	-	-	2,237,465
Water and sewer infrastructure	21,964,812	15,270	-	3,457	21,983,539
Machinery and equipment	934,074	66,298	-	-	1,000,372
Vehicles	612,311	72,923	-	-	685,234
Furniture and fixtures	8,799	-	-	-	8,799
Total capital assets being depreciated	25,735,514	176,438	-	3,457	25,915,409
Less accumulated depreciation:					
Buildings and Improvements	199,559	48,335	-	-	247,894
Water and sewer infrastructure	7,045,666	464,766	-	-	7,510,432
Machinery and equipment	561,162	47,595	-	-	608,757
Vehicles	466,823	63,053	-	-	529,876
Furniture and fixtures	8,799	-	-	-	8,799
Total accumulated depreciation	8,282,009	623,749	-	-	8,905,758
Total capital assets being depreciated, net	17,453,505	(447,311)	-	3,457	17,009,651
Business-type activities capital assets, net	\$ 19,149,326	\$ 558,451	\$ -	\$ -	\$ 19,707,777

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

Governmental activities

General government	\$ 12,455
Judicial	7,548
Public safety	100,061
Public works	89,275
Culture and recreation	21,138
Housing and development	46
	<u>\$ 230,523</u>

Business-type activities

Water and Sewerage	\$ 608,198
Sanitation	15,551
	<u>\$ 623,749</u>

NOTES TO FINANCIAL STATEMENTS (continued)

7. INTERFUND BALANCES AND ACTIVITY

Transfer to/from other funds

<u>Transfers In</u>		<u>Transfers Out</u>	
General Fund	Water Fund	\$ 8,694	
Nonmajor Enterprise Fund	Water Fund	50,000	
		<u>\$ 58,694</u>	

Balances due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 62,701
General Fund	Nonmajor Enterprise Fund	2,533
Water Fund	General Fund	15,363
Water Fund	Nonmajor Governmental Fund	228
Water Fund	Nonmajor Enterprise Fund	17
Nonmajor Proprietary Fund	Water Fund	8,492
		<u>\$ 89,334</u>

The outstanding balances between funds primarily result from the time lag between the dates that (1) interfund reimbursable expenditures occur and (2) payments between funds are made. All interfund balances are expected to be repaid within one year from the date of the financial statements. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in accordance with budgetary authorizations.

8. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments consists of sales tax receivable in the amount of \$100,626 due from the Georgia Department of Revenue.

NOTES TO FINANCIAL STATEMENTS (continued)

9. NOTES PAYABLE TO THE COMPONENT UNITS

The Downtown Development Authority of Jasper currently holds three notes at various financial institutions for assets leased to the City through a lease purchase agreement. The annual lease payments for the buildings and adjoining land parcels equal the amount of the annual debt service payments. Upon the payment in full of the debt, the assets are to be sold to the City at a purchase price of \$1. The amount due from the General Fund at year end was \$489,467.

Regions Bank, land purchase, payable in monthly installments of \$1,256, including interest at 5.70%. Original balance \$150,927, matures in 2015.	\$ 32,801
Community Bank of Pickens County, land purchase, payable in monthly installments of \$1,044, including interest at 5.88%. Original balance \$136,400, matures in 2017.	52,095
Regions Bank, police precinct, payable in monthly installments of \$3,104, including interest at 4.75%. Original balance \$475,500, matures in 2024.	<u>404,571</u>
	489,467
Less current portion of debt	<u>(50,544)</u>
	<u><u>\$ 438,923</u></u>

Therefore, as reflected in the government-wide financial statements, the total amount of the note payable due to the component units from the primary government was \$489,467. The long-term debt activity for this note has been included in the summary of changes in long-term debt at the end of Note 8. Payments of principal and interest related to the above leases for the next five years and until maturity are as follows:

	Principal	Interest	Total
2013	\$ 50,544	\$ 22,216	\$ 72,760
2014	53,118	19,653	72,771
2015	45,583	17,020	62,603
2016	42,586	14,908	57,494
2017	38,392	13,089	51,481
2018 - 2022	184,242	40,617	224,859
2023 - 2024	75,002	3,171	78,173
	<u>\$ 489,467</u>	<u>\$ 130,674</u>	<u>\$ 620,141</u>

NOTES TO FINANCIAL STATEMENTS (continued)

10. LONG-TERM LIABILITIES

Governmental Activities

Capital Leases:

The following capital leases had outstanding balances at December 31, 2012:

First State Bank of Livingston, fire truck lease, payable in annual installments of \$28,003, including interest at 4.14%. Original balance \$278,000, matures in 2018.	\$ 140,503
BB&T Governmental Finance Corporation, turnout gear lease, payable in monthly installments of \$1,899, including interest at 2.86%. Original balance \$66,359, matures in 2015	51,204
	191,707
Less current portion of debt	(40,241)
	<u>\$ 151,466</u>

Payments of principal and interest related to the above leases for the next five years and until maturity are as follows:

	Principal	Interest	Total
2013	\$ 40,524	\$ 8,414	\$ 48,938
2014	44,052	6,873	50,925
2015	32,283	5,328	37,611
2016	23,941	4,062	28,003
2017	25,225	2,778	28,003
2018	25,682	1,425	27,107
	<u>\$ 191,707</u>	<u>\$ 28,880</u>	<u>\$ 220,587</u>

The following total represents capital assets purchased with the above capital leases and the related accumulated depreciation:

	Asset	Accumulated Depreciation	Net Book Value
Machinery and Equipment	\$ 36,000	\$ 2,500	\$ 33,500
Vehicles	307,463	182,020	125,443
	<u>\$ 343,463</u>	<u>\$ 184,520</u>	<u>\$ 158,943</u>

The following represents the changes in long-term debt from the previous year for governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Governmental Activities:					
Capital leases	\$ 168,238	\$ 65,463	\$ 41,994	\$ 191,707	\$ 40,241
Note payable-component unit	537,562	-	48,095	489,467	50,544
Compensated absences	<u>123,637</u>	<u>73,654</u>	<u>56,061</u>	<u>141,230</u>	<u>56,061</u>
	<u>\$ 829,437</u>	<u>\$ 139,117</u>	<u>\$ 146,150</u>	<u>\$ 822,404</u>	<u>\$ 146,846</u>

NOTES TO FINANCIAL STATEMENTS (continued)

Long-term liabilities such as compensated absences are liquidated by the fund to which the liability is related. Reductions shown above in governmental activities were liquidated by General Fund.

Business-Type Activities

Capital Leases:

The following capital leases had outstanding balances at December 31, 2012:

Stearns Bank, land acquisition, payable in monthly installments of \$1,462, including interest at 5.25%. Original balance \$181,832, matures in 2014.	\$ 16,290
Bancorp South Equipment, equipment lease, payable in monthly installments of \$1,162, including interest at 3.4%. Original balance \$61,370, matures in 2014.	37,735
BB&T Governmental Finance Corporation, equipment lease, payable in monthly installments of \$1,854, including interest at 3.79%. Original balance \$63,000, matures in 2013.	11,003
BB&T Governmental Finance Corporation, equipment lease, payable in monthly installments of \$1,899, including interest at 3.33%. Original balance \$65,000, matures in 2013.	22,391
BB&T Governmental Finance Corporation, equipment lease, payable in monthly installments of \$786, including interest at 2.86%. Original balance \$66,359, matures in 2015.	22,014
BB&T Governmental Finance Corporation, equipment lease, payable in monthly installments of \$2,077, including interest at 3.40%. Original balance \$71,000, matures in 2015.	67,242
	176,675
Less current portion of debt	(78,141)
	<u>\$ 98,534</u>

Payments of principal and interest related to the above leases for the next five years and until maturity are as follows:

	Principal	Interest	Total
2013	\$ 92,234	\$ 4,427	\$ 96,661
2014	59,949	1,621	61,570
2015	24,492	349	24,841
	<u>\$ 176,675</u>	<u>\$ 6,397</u>	<u>\$ 183,072</u>

NOTES TO FINANCIAL STATEMENTS (continued)

The following totals represent capital assets purchased with the above capital leases and the related accumulated depreciation:

	<u>Asset</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 181,832	\$ -	\$ 181,832
Machinery and Equipment	192,370	53,119	139,251
Vehicles	99,419	35,805	63,614
Total	<u>\$ 473,621</u>	<u>\$ 88,924</u>	<u>\$ 384,697</u>

Notes Payable:

The following notes payable had outstanding balances at December 31, 2012:

Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of \$3,304, including interest at 5.5%. Original balance \$391,283, matures in 2013.	\$ 19,506
Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of \$10,955, including interest at 4.24%. Original balance \$1,771,316, matures in 2019.	745,737
Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of \$4,661, including interest at 4.21%. Original balance \$757,484, matures in 2024.	500,473
Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of \$4,178 including interest at 4.14%. Original balance \$681,126, matures in 2027.	534,343
Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of \$11,501, including interest at 4.19%. Original balance \$1,866,938, matures in 2029.	1,664,850
Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of \$7,103, including interest at 4.19%. Original balance \$1,153,040, matures in 2031.	1,102,495
Georgia Environmental Facilities Authority, infrastructure construction, accruing interest at 3%, not yet in repayment.	699,000
	5,266,404
Less current portion of debt	286,070
	<u>\$ 4,980,334</u>

NOTES TO FINANCIAL STATEMENTS (continued)

Payments of principal and interest related to the above notes payable for the next five years and until maturity are as follows:

	Principal	Interest	Total
2013	\$ 294,787	\$ 185,814	\$ 480,601
2014	287,085	173,693	460,778
2015	299,395	161,383	460,778
2016	312,233	148,545	460,778
2017	325,622	135,156	460,778
2018 - 2022	1,354,828	488,932	1,843,760
2023 - 2027	1,161,065	229,815	1,390,880
2028 - 2031	532,389	33,172	565,561
	<u>4,567,404</u>	<u>1,556,510</u>	<u>6,123,914</u>
Amount not yet in repayment	<u>699,000</u>	<u>-</u>	<u>699,000</u>
	<u>\$ 5,266,404</u>	<u>\$ 1,556,510</u>	<u>\$ 6,822,914</u>

Contracts Payable:

In 2005, the City extended sewer service along Highway 515 and Hwy 108 in order to provide necessary infrastructure for economic development in the area. The majority of the project was funded with low-interest loans. However, a portion of the construction was paid through a long-term contract not to exceed 30 years with a contractor who installed the infrastructure. Annual payments are determined by Council on an annual basis dependent on budgetary considerations, and the contract allowed for additional principal payments to be applied to development costs for future development from the contractor. The original balance of the contract was \$821,200, and the remaining balance at December 31, 2012 was \$336,968.

In 2005, the City entered into a contract to purchase 14.158 acres of land located above the raw water source for the City's water system on Cove Road in order to secure the water rights. The total purchase price for those water rights and the land was \$710,900. This was a long-term contract not to exceed 30 years. Annual payments are determined by Council dependent on budgetary considerations, and the contract allowed for additional principal payments to be applied to development costs for future development from the seller. The balance on December 31, 2012 was \$377,537.

The following represents the changes in long-term debt from the previous year for business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Business-Type Activities:					
Capital leases	\$ 169,287	\$ 99,000	\$ 91,612	\$ 176,675	\$ 78,141
Notes payable	4,947,269	620,546	301,411	5,266,404	286,070
Other contracts payable	974,202	-	259,697	714,505	76,965
Compensated absences	<u>60,664</u>	<u>51,815</u>	<u>49,022</u>	<u>63,457</u>	<u>46,763</u>
	<u>\$6,151,422</u>	<u>\$ 771,361</u>	<u>\$ 701,742</u>	<u>\$6,221,041</u>	<u>\$ 487,939</u>

Long-term liabilities such as compensated absences are liquidated by the fund to which the liability is related. Reductions shown above in business-type activities were liquidated primarily by Water and Sewerage Fund. Total interest costs incurred by the business-type activities during 2012 amounted to \$229,104, of which \$20,248 was capitalized to construction in progress.

NOTES TO FINANCIAL STATEMENTS (continued)

11. FUND BALANCE

Beginning with the year ended December 31, 2011, the City adopted GASB Statement No. 54, which redefines how fund balances of governmental funds are presented in the financial statements. Accordingly, fund balances are classified as follows:

Nonspendable: Amounts that are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for specific purposes as imposed by state or federal laws or constraints imposed by grantors or creditors.

Committed: Amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the City Council through resolution or ordinance.

Assigned: Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned: All amounts not included in other spendable classifications for the General Fund and negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The details of fund balances included in the accompanying Governmental Funds Balance Sheet at December 31, 2012, are as follows:

General Fund – Prepaid items in the amount of \$73,066 are considered Nonspendable Fund Balance. Also, in the General Fund, \$60,502 is shown as restricted for the purposes of technology improvements for public safety. The General Fund deficit balance of \$180,100 is classified as unassigned Fund Balance. The General Fund had a total fund deficit balance of \$46,532, resulting from the expenditure of cash resources in excess of revenues in the current year, as well as prior period adjustments as discussed in Note 12.

Other Nonmajor Funds – The nonmajor funds reflect a portion of fund balance as restricted in the amount of \$33,105. This is representative of cash restricted by legislative acts for tourism and public safety, as reflected on the balance sheet. The remainder of the fund balance in the nonmajor funds is shown as assigned in the amount of \$39,503, due to the fact that it is set aside by management for the purposes of the funds—tourism and public safety.

12. PRIOR PERIOD ADJUSTMENTS

General Fund:

Litigation Settlement – In fiscal year 2009, a civil action was filed against the City resulting from the City's efforts to prevent storm water damage to a condominium property. Subsequently the work that the City did for the condominium property increased the storm water runoff which was flowing on to an adjoining property and a lawsuit ensued. At December 31, 2011, the City felt that losing the civil action was improbable and the amount of the loss, if any, could not be estimated. In September 2013, the case was tried and resulted in a judgment against the City in the amount of \$367,366. A prior period adjustment is necessary to correct an understatement of prior year expenditures for this loss in the amount of \$367,366, which is due before December 31, 2013.

Overstated Fines and Forfeitures – The City has determined that prior period adjustments are required in order to correct for overstated fines and forfeiture revenues. In prior years, fines and forfeitures receivable included a large number of cases whereby the offender failed to appear for court. Most of these cases are several years old and it was determined that it is highly unlikely that these receivables would ever be collected. Additionally, fines and forfeitures receivable at December 31, 2011, but not collected within 60 days of the end of 2011 should be recorded and deferred according to the modified accrual basis of accounting and the current financial resources measurement focus. At December 31, 2011, fines and forfeiture revenues were overstated in the amount of \$87,726. The prior

NOTES TO FINANCIAL STATEMENTS (continued)

period adjustment for fines and forfeitures also impacted beginning net position for governmental activities on the government-wide financial statements in the amount of \$66,957, after consideration of an allowance for uncollectible accounts.

Water and Sewerage Fund:

Unbilled Receivables – The City has determined that a prior period adjustment is required to correct an understatement of revenues for unbilled receivables. In prior years the City had been underestimating the amounts to record unbilled revenues based on number of days of water usage. At December 31, 2011, unbilled revenues receivable were underestimated by \$81,223.

	General Fund	Water and Sewerage	Government-Wide
	<u>Fund Balance</u>	<u>Net Position</u>	<u>Net Position (Primary Government)</u>
December 31, 2011, as previously reported	\$ 483,037	\$ 13,956,801	\$ 18,471,444
Adjustment to record a pending litigation which was created in prior years and settled in 2013	(367,366)	-	(367,366)
Adjustment to record fines revenues overstated in prior years	(87,726)	-	(154,683)
Adjustment to record water revenues understated in prior years	-	81,223	81,223
December 31, 2011, as restated	<u>\$ 27,945</u>	<u>\$ 14,038,024</u>	<u>\$ 18,030,618</u>

13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and workers compensation for which the City carries the insurance coverage. There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three years.

Self Insurance

The City pays unemployment claims to the state department of labor on a reimbursement basis. There were no liabilities for such claims at December 31, 2012.

14. RETIREMENT PLANS

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code §457. The Mayor and Council established the defined contribution plan and Southern Financial Advisors administers the plan. All City employees are eligible immediately upon employment at a full-time status and participation is optional. This is a noncontributory plan in that all contributions are made by the employees only. Employees' actual contributions are calculated and made based on a weekly payroll basis, and employees are 100% vested upon participation in the plan. The deferred compensation amounts are not available to employees until termination, retirement, death (payable to a beneficiary) or unforeseeable emergency. During the year ended December 31, 2012, employee contributions were \$2,386.

The City also offers a defined benefit pension plan, City of Jasper Retirement Plan (CJRP), which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CJRP is affiliated with Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The GMEBS assigns the authority to establish and amend the

NOTES TO FINANCIAL STATEMENTS (continued)

benefit provisions of the plans that participate in GMEBS to the respective employer entities; for the CJRP, that authority rests with the City. Georgia Municipal Association issued a publicity available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to the Georgia Municipal Association or by calling (404) 688-0472.

The latest actuarial valuation and review report available prior to these financial statements dated December 31 2012 for City of Jasper is dated January 1, 2012 which was used to calculate funding for City of Jasper's retirement plan for the year ended December 31, 2012. The latest report that is currently available is dated July 1, 2013. Information relating to the July 1, 2013 valuation and review report is located in the required supplementary information immediately following the notes to financial statements.

Funding Policy - The Commission is required to contribute at an actuarially determined rate; the current rate is 6.18% of annual covered payroll through July 1, 2013, and it decreases to 5.98% for the remainder of the calendar year 2013. The contribution requirements of plan members and the City are established and may be amended by the GMEBS Board of Trustees. Participant contributions are not made due to this particular plan being a noncontributory defined benefit pension plan.

Annual Pension Cost - Based on results of the January 1, 2012 actuarial valuation (which was the latest valuation prior to the fiscal year ended December 31, 2012), the City's annual pension cost for GMEBS was equal to the City's required contributions. The City's actual contribution for the year ended December 31, 2012 was \$148,731. The required contribution was determined as part of the January 1, 2012 actuarial valuation using the entry age actuarial cost method. The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the Plan meet the actuarial standards of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for inflation of 3.50% with .5% merit increases for age and service, and (c) no cost of living adjustments. The actuarial value of CJRP assets was determined using a smoothing technique, which gradually incorporates investment performance that exceeds or falls short of the expected return of 7.75%. The period, and related method for amortizing the initial unfunded actuarial accrued liability over 30 years from 1988 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year which any change arises as a level dollar amount. The amortization periods, if applicable, are closed for this plan year.

Plan Membership:

Retirees and beneficiaries	17
Terminated plan members entitled but not yet receiving benefits	18
Active plan members	<u>65</u>
	<u>100</u>

Trend of Information for CJRP			
	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
12/31/2012	\$148,731	100%	-
12/31/2011	\$135,911	100%	-
12/31/2010	\$160,248	100%	-

NOTES TO FINANCIAL STATEMENTS (continued)

Funding Schedule for Most Recent Valuation Date (prior to December 31, 2012)

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (ALL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b)-(a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>[(b-a)/c]</u>
1/1/2012	\$2,033,082	\$2,309,746	\$276,664	88.02%	\$2,343,572	11.81%

Note—one year of this disclosure is included in the notes to the financial statements; however, the remainder (including the latest valuation date of July 1, 2013) is located in required supplementary information immediately following the notes to financial statements. This required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if applicable.

15. JOINT VENTURE

The City, in conjunction with cities and counties in the fifteen (15) county Northwest Georgia area are members of the Northwest Georgia Regional Commission (NWGRC), formerly known as the North Georgia Regional Development Center which merged with Coosa Valley Regional Development Center in 2009 as mandated by state law. Membership in NWGRC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs, and was amended in 2008 to consolidate the existing RDC's into fewer larger organizations called Regional Commissions (RC). Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The City paid annual dues to the RC for the year ended December 31, 2012, in the amount of \$3,684. The RC Board membership includes the chief elected official of each county and the chief elected official of the largest municipality in each county. The county board members elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDC's (later transferred to RC's) as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources, (O.C.G.A. 50-8-39.1). Complete financial statements of the Northwest Georgia Regional Commission can be obtained directly from their office:

Northwest Georgia Regional Commission
503 Waugh Street
Dalton, Georgia 30720

The City is a member of the Northwest Georgia Water Resources Partnership. This is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is a regional organization of water related interests in Northwest Georgia for monitoring and contributing to the development of federal, state and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities; and coordinating the activities of federal, state and local entities. No annual dues were assessed for the year ended December 31, 2012. Complete financial statements of the Northwest Georgia Water Resources Partnership can be obtained directly from their office:

North Georgia Water Resources Partnership
P. O. Box 1793
Rome, Georgia 30162-1793

16. HOTEL/MOTEL TAX REVENUES AND TOURISM EXPENDITURES

In October 2005, the Mayor and Council rescinded the hotel/motel tax at the rate of 7% and established a new ordinance in November 2005 changing the rate of collection to 6%. This tax became effective for collection in January 2006. The code section requires that the City expend an amount equal to 66.66% to promote tourism. For the year ended December 31, 2012 the City collected a total of \$49,576. The City expended \$23,770 (48% of collections) for the promotion of tourism. The City plans to increase tourism expenditures in future years.

REQUIRED SUPPLEMENTARY INFORMATION

The required supplementary information section includes a budgetary comparison schedule for the General Fund as well as pertinent information as to the preparation of and policies pertaining to the City's annual budget. In addition, this section includes additional information and schedules regarding the City's defined benefit pension plan.

CITY OF JASPER, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Property taxes	\$ 1,075,200	\$ 1,075,200	\$ 1,048,697	\$ (26,503)
Franchise taxes	386,000	386,000	408,149	22,149
Business taxes	273,000	273,000	288,770	15,770
General sales and use taxes	1,100,000	1,100,000	1,068,115	(31,885)
Selective use taxes	321,000	321,000	323,683	2,683
Licenses and permits	83,550	83,550	93,556	10,006
Intergovernmental	120,000	120,000	24,714	(95,286)
Charges for services	15,750	15,750	12,748	(3,002)
Fines and forfeitures	325,000	325,000	236,013	(88,987)
Investment earnings	9,500	9,500	5,453	(4,047)
Contributions and donations	7,500	7,500	12,789	5,289
Miscellaneous	7,546	7,546	12,219	4,673
Penalties and interest on delinquent taxes	32,000	32,000	17,813	(14,187)
Total Revenues	<u>3,756,046</u>	<u>3,756,046</u>	<u>3,552,719</u>	<u>(203,327)</u>
Expenditures:				
Current:				
General government:				
Legislative	65,490	65,490	41,178	24,312
Executive	177,941	177,941	177,482	459
Elections	-	100	100	-
Financial administration	389,740	392,293	392,293	-
Judicial:				
Municipal court	146,035	146,035	133,200	12,835
Public Safety:				
Police	984,913	992,673	992,673	-
Fire	803,401	826,709	826,709	-
Animal Control	23,827	23,827	16,514	7,313
Public Works:				
Streets	686,837	686,837	610,006	76,831
Fleet maintenance and shop	191,383	202,021	202,021	-
Cemetery	2,500	2,500	60	2,440
Culture and Recreation:				
Parks administration	201,100	156,741	78,298	78,443
Housing and development:				
Protective inspection	49,453	49,453	47,747	1,706
Planning and zoning	59,653	59,653	59,214	439
Debt service	<u>144,773</u>	<u>144,773</u>	<u>123,858</u>	<u>20,915</u>
Total Expenditures	<u>3,927,046</u>	<u>3,927,046</u>	<u>3,701,353</u>	<u>225,693</u>

The accompanying notes to RSI are an integral part of this schedule.

CITY OF JASPER, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(171,000)</u>	<u>(171,000)</u>	<u>(148,634)</u>	<u>22,366</u>
Other Financing Sources (Uses)				
Transfer in	-	-	8,694	8,694
Proceeds from capital leases	<u>171,000</u>	<u>171,000</u>	<u>65,463</u>	<u>(105,537)</u>
Total Other Financing Sources and Uses	<u>171,000</u>	<u>171,000</u>	<u>74,157</u>	<u>(96,843)</u>
Net change in fund balance	-	-	(74,477)	(74,477)
Fund balance, beginning of year, as restated	<u>27,945</u>	<u>27,945</u>	<u>27,945</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 27,945</u>	<u>\$ 27,945</u>	<u>\$ (46,532)</u>	<u>\$ (74,477)</u>

The accompanying notes to RSI are an integral part of this schedule.

CITY OF JASPER, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2012

A. BUDGETS AND BUDGETARY CONTROL

The Director of Finance prepares a draft of the annual budget and submits it to the Mayor for approval. Once the Mayor approves the budget, it is submitted to the Council Budget Committee for approval to submit to Council. The City then advertises in a local newspaper giving notice regarding a public hearing in which local citizens may give their input regarding the proposed budget. The City also places a copy of the proposed budget on file at City Hall for public inspection, as well as publishes it on the City website. Once the proposed budget has been presented to Council, the City holds a public hearing. After all of the above steps have been taken, the City Council and Mayor then formally adopt the annual balance budget in a legally permissible manner. The legal level of control of the budget of the City is the department level. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to approval by the City Council and Mayor. All appropriations lapse at the fiscal year end.

Budgets have been legally adopted for all funds. Budgets are adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies.

During the year ended December 31, 2012, General Fund departmental expenditures did not exceed appropriated budget amounts.

CITY OF JASPER, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE
CITY OF JASPER RETIREMENT PLAN
For the Year Ended December 31, 2012

Funded Status

The table below sets forth required supplementary information to be disclosed in the schedule of funding progress. The items presented are based on the actuarial valuation date:

Actuarial	Actuarial	Actuarial	Unfunded			UAAL as a
Valuation	Value of	Accrued	AAL	Funded	Covered	Percentage
<u>Date</u>	<u>Assets</u>	Liability (ALL)	(UAAL)	Ratio	Payroll	of Covered
	<u>(a)</u>	<u>Entry Age</u>	<u>(b)-(a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>[(b-a)/c]</u>
7/1/2013	\$2,322,477	\$ 2,581,408	\$ 258,931	89.97%	\$2,562,269	10.11%
1/1/2012	2,033,082	2,309,746	276,664	88.02%	2,343,572	11.81%
1/1/2011	1,889,453	2,150,962	261,509	87.80%	2,439,843	10.70%
1/1/2010	1,668,831	1,911,003	222,172	88.40%	2,171,370	10.20%
5/1/2009	1,271,688	1,841,356	569,668	69.10%	2,243,546	25.40%
5/1/2008	1,577,943	1,759,368	181,425	89.70%	2,530,373	7.20%
5/1/2007	1,384,624	1,615,413	230,789	85.70%	2,291,284	10.10%
5/1/2006	1,209,878	1,399,153	189,275	86.50%	2,181,189	8.70%
5/1/2005	1,063,242	1,311,997	248,755	81.00%	1,914,069	12.90%
5/1/2004	939,199	1,163,891	226,378	80.70%	1,710,569	13.10%
5/1/2003	821,613	1,058,823	237,210	77.60%	1,783,175	13.30%
5/1/2002	750,176	1,036,021	285,845	72.40%	1,480,540	19.30%
5/1/2001	676,800	992,959	316,159	68.20%	1,345,836	23.50%
5/1/2000	612,921	919,604	306,683	66.70%	1,135,820	27.00%
5/1/1999	546,874	824,432	277,558	66.30%	989,015	28.10%
5/1/1998	488,437	764,343	275,906	63.90%	854,064	32.30%

Effect of plan changes on the actuarial accrued liability

The effect on the actuarial accrued liability of any current-year changes in actuarial assumptions or benefit provisions is:

The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation.

Effect of plan changes on recommended contributions

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is:

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

See actuarial assumptions used, disclosed in Note 10 to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Confiscated Assets Fund:

This fund is used to account for the City's share of monies that have been forfeited through the court system that are restricted for law enforcement purposes.

Hotel/Motel Tax Fund:

This fund is used to account for the 6% lodging tax levied in the City.

**CITY OF JASPER, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2012**

	<u>Confiscated Assets Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ -	\$ 37,442	\$ 37,442
Restricted cash	4,240	28,865	33,105
Taxes receivable	-	4,957	4,957
Receivable from other governments	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets	 <u>\$ 4,240</u>	 <u>\$ 71,264</u>	 <u>\$ 75,504</u>
 LIABILITIES			
Accounts payable	\$ -	\$ 2,668	\$ 2,668
Interfund payable	<u>-</u>	<u>228</u>	<u>228</u>
 Total Liabilities	 <u>-</u>	 <u>2,896</u>	 <u>2,896</u>
 FUND BALANCES			
Nonspendable	-	-	-
Restricted fund balance	4,240	28,865	33,105
Assigned fund balance	<u>-</u>	<u>39,503</u>	<u>39,503</u>
Total Fund Balances	<u>4,240</u>	<u>68,368</u>	<u>72,608</u>
 Total Liabilities and Fund Balances	 <u>\$ 4,240</u>	 <u>\$ 71,264</u>	 <u>\$ 75,504</u>

CITY OF JASPER, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2012

	<u>Confiscated Assets Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total</u>
REVENUES			
Taxes	\$ -	\$ 50,329	\$ 50,329
Miscellaneous	-	15,690	15,690
Sales and use tax penalty	-	42	42
Interest	<u>15</u>	<u>218</u>	<u>233</u>
Total Revenues	<u>15</u>	<u>66,279</u>	<u>66,294</u>
EXPENDITURES			
<i>Current</i>			
Public Safety:			
Custody of property	254	-	254
Housing and Development:			
Tourism	<u>-</u>	<u>76,029</u>	<u>76,029</u>
Total Expenditures	<u>254</u>	<u>76,029</u>	<u>76,283</u>
Net change in fund balances	(239)	(9,750)	(9,989)
Fund balances, beginning	<u>4,479</u>	<u>78,118</u>	<u>82,597</u>
Fund balances, ending	<u>\$ 4,240</u>	<u>\$ 68,368</u>	<u>\$ 72,608</u>

**CITY OF JASPER, GEORGIA
CONFISCATED ASSETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Interest	\$ 50	\$ 254	\$ 15	\$ 239
Total Revenues	<u>50</u>	<u>254</u>	<u>15</u>	<u>239</u>
EXPENDITURES				
<i>Current</i>				
Public Safety:				
Custody of property	<u>50</u>	<u>254</u>	<u>254</u>	<u>-</u>
Total Expenditures	<u>50</u>	<u>254</u>	<u>254</u>	<u>-</u>
Net change in fund balances	-	-	(239)	(239)
Fund balances, beginning	<u>4,479</u>	<u>4,479</u>	<u>4,479</u>	<u>-</u>
Fund balances, ending	<u>\$ 4,479</u>	<u>\$ 4,479</u>	<u>\$ 4,240</u>	<u>\$ (239)</u>

CITY OF JASPER, GEORGIA
HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 46,000	\$ 50,329	\$ 50,329	\$ -
Miscellaneous	18,000	25,483	15,690	(9,793)
Sales and use tax penalty	-	-	42	42
Interest	<u>175</u>	<u>217</u>	<u>218</u>	<u>1</u>
Total Revenues	<u>64,175</u>	<u>76,029</u>	<u>66,279</u>	<u>(9,750)</u>
EXPENDITURES				
<i>Current</i>				
Housing and Development:				
Tourism	<u>64,175</u>	<u>76,029</u>	<u>76,029</u>	<u>-</u>
Total Expenditures	<u>64,175</u>	<u>76,029</u>	<u>76,029</u>	<u>-</u>
Net change in fund balances	-	-	(9,750)	(9,750)
Fund balances, beginning	<u>78,118</u>	<u>78,118</u>	<u>78,118</u>	<u>-</u>
Fund balances, ending	<u>\$ 78,118</u>	<u>\$ 78,118</u>	<u>\$ 68,368</u>	<u>\$ (9,750)</u>

COMPLIANCE AND INTERNAL CONTROL

RL Jennings & Associates, PC

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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*

To the Honorable Mayor John W. Weaver and
Members of the City Council
City of Jasper, Georgia

We have audited, in accordance with the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Jasper, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Jasper, Georgia's basic financial statements, and have issued our report thereon dated September 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Jasper, Georgia'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 City of Jasper, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Jasper, Georgia'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Jasper, Georgia's financial statements are free of 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 one instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-1.

City of Jasper, Georgia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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, the communication is not suitable for any other purpose.

R. L. Jennings & Associates, PC

Ellijay, Georgia
September 23, 2013

CITY OF JASPER, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2012

2012-1 Hotel/Motel Tax Ordinance Compliance

Condition/Cause: For the fiscal year ending December 31, 2012, the City has not complied with the expenditure requirement of the provisions of the Official Code of Georgia (OCGA) Section 48-13-51 as it relates to ordinance of counties and municipalities levying and collecting a 6% hotel/motel tax.

Criteria: OCGA 48-13-51 requires the City to meet the expenditure requirement of expending or contractually committing funds equal to 66.66% to promote tourism. The City expended 48% of collections and, therefore, failed to meet the provisions of the code section.

Cause: The City failed to properly monitor the expenditures of the Hotel/Motel Tax Fund to ascertain compliance with the City's ordinance and state statute for the levy of the hotel/motel tax.

Recommendation: The City should expend or contractually commit the shortfall of tourism expenditures as soon as possible, and continue to expend funds annually in conformity with the requirements of the Code Section.

Response: The City concurs with the finding, and will correct the current period shortfall of tourism expenditures and monitor throughout the year to determine if the City is compliant with code section requirement.