

CITY OF JASPER, GEORGIA

ANNUAL FINANCIAL REPORT

**For the Calendar Year Ended
December 31, 2014**



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CITY OF JASPER, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2014

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FINANCIAL SECTION

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

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RUSHTON & COMPANY

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Jasper, Georgia

Report on the Financial Statements

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 the City of Jasper, Georgia, as of and for the year ended December 31, 2014, 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, 2014, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, the budgetary comparison information on pages 46 through 47, and the schedule of funding progress on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jasper, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2015, on our consideration of the City of Jasper, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jasper, Georgia's internal control over financial reporting and compliance.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 21, 2015



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Mayor
John Weaver

Mayor Pro Tem
Jim Looney

Council
Allison Boyle
Tony Fountain
John Foust
Anne Sneve

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Jasper, it is our pleasure to present this narrative discussion and analysis of the City of Jasper's financial performance, providing an overview of the activities for the year ended December 31, 2014. The purpose of this narrative is to provide readers of financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Jasper. This analytical information is designed to be read in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City of Jasper's assets exceeded its liabilities at December 31, 2014, by \$19,097,354 (reported as *net position*).
- As of December 31, 2014, Jasper's governmental funds reported combined ending fund balances of \$1,536,321. Approximately 53% of this total amount, \$818,173, is available for spending at the City Council's discretion (unassigned fund balance of the General Fund).

More detailed information regarding these activities and funds begins on page 6.

Overview of the Financial Statements

This discussion and analysis narrative is intended to serve as an introduction to the City of Jasper's basic financial statements. The City of Jasper's basic financial statements are composed of three elements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information in addition to our basic financial statements.

Government-wide Financial Statements (Reporting the City as a whole)

The focus of the government-wide financial statements is on the overall financial position and activities of the City of Jasper and is designed to provide readers with a broad overview of the City's financial activities in a manner similar to a private business enterprise.

The purpose of the **Statement of Net Position** (page 14) is to attempt to report all of the assets held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the total assets and total liabilities is labeled *net position*. Although the purpose of the City is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the City is improving over time.

The **Statement of Activities** (page 15), on the other hand, presents the revenues and expenses of the City. Under the accrual basis of accounting mentioned earlier, revenues are recognized when earned and expenses when incurred in this statement. Thus, revenues are reported even when they may not be collected for several weeks after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *change in net position*. The primary focus of the Statement of Activities is on the *net cost* of various activities provided by the City and identifies the extent to which each function of the City draws from general revenues or is self-financing through fees, grants, or other sources.

In the Statement of Net Position and the Statement of Activities, we divide the City of Jasper into three types of activities:

- **Governmental activities** – Most of the City's basic services are reported under this category, including police, fire, public works, and general administration. Sales tax, property taxes, and intergovernmental revenues finance most of these services.

- ***Business-type activities*** – The City charges fees to customers to assist in covering all or most of the cost for certain services it provides. The City’s water and sewer system and garbage collection fees are reported in this category.
- ***Discretely Presented Component Units*** – Component units are legally separate organizations for which the elected officials of the City are financially accountable. The Industrial Development Authority, Downtown Development Authority, and the Jasper Development Authority, although legally separate, functions for all practical purposes as departments of the City of Jasper, and therefore have been included as an integral part of the primary government.

The City’s government-wide financial statements are presented on pages 14-15.

Fund Financial Statements (Reporting the City’s Major Funds)

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to track specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the City’s non-major funds can be found beginning on page 50. The City’s funds are divided into three broad categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- ***Governmental Funds*** – These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on the short-term view of the City’s general government operations and the basic services it provides. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. An analysis of the balance sheet and the statement of revenues, expenditures, and changes in fund balances that reconciles the two statements are provided after each statement.

In addition to the General Fund, the City of Jasper maintains two governmental fund types:

1. Special Revenue Funds
2. Capital Projects Funds

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Information from the other five funds: the Technology Surcharge Special Revenue Fund; the Confiscated Assets Special Revenue Fund; the Hotel/Motel Tax Special Revenue Fund; the SPLOST 2008 Capital Projects Fund and the SPLOST 2014 Capital Projects Fund are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements in this report.

The City of Jasper adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The City’s basic governmental fund financial statements are presented on pages 16-19 of this report.

- **Proprietary Funds** – When the City charges customers for the services it provides – whether to outside customers or to other departments of the City – these services are generally reported in proprietary funds. These proprietary funds are prepared using the same accounting basis as the government-wide financial statements.

There are two types of proprietary funds, enterprise funds and internal service funds. The City of Jasper utilizes only enterprise funds. Enterprise fund statements report the same functions presented in the business-type activities columns of the government-wide financial statements. The City of Jasper utilizes enterprise funds to account for its Water and Sewer system, which is reported as a major enterprise fund, and Sanitation function, which is reported as a nonmajor enterprise fund.

The City's proprietary fund financial statements are presented on pages 20-24.

- **Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Jasper's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City acts as a trustee or fiduciary for the Municipal Court Agency Fund.

The City's fiduciary fund financial statements are presented on page 25.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-45 of this report.

Other Supplementary Information

Other supplementary information includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and a budgetary comparison schedule for the general fund which demonstrates compliance with the City's as adopted and final revised budgets.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for this year is summarized as follows based on the information included in the government-wide financial statements (see pages 14-15):

City of Jasper Statement of Net Position For the years ending December 31, 2014 and 2013						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current and other						
assets	\$ 2,925,136	\$ 1,827,926	\$ 1,474,539	\$ 1,402,990	\$ 4,399,675	\$ 3,230,916
Capital assets	3,468,750	3,565,698	21,372,663	20,246,149	24,841,413	23,811,847
Total Assets	<u>6,393,886</u>	<u>5,393,624</u>	<u>22,847,202</u>	<u>21,649,139</u>	<u>29,241,088</u>	<u>27,042,763</u>
LIABILITIES AND NET POSITION						
Liabilities						
Current and other						
liabilities	537,695	407,218	1,204,248	1,353,241	1,741,943	1,760,459
Noncurrent liabilities	529,636	617,763	6,896,405	5,719,977	7,426,041	6,337,740
Total Liabilities	<u>1,067,331</u>	<u>1,024,981</u>	<u>8,100,653</u>	<u>7,073,218</u>	<u>9,167,984</u>	<u>8,098,199</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue -						
property taxes	975,750	970,647	-	-	975,750	970,647
Total Deferred Inflows of Resources	<u>975,750</u>	<u>970,647</u>	<u>-</u>	<u>-</u>	<u>975,750</u>	<u>970,647</u>
Net Position						
Net investment in						
capital assets	2,953,929	2,978,743	13,982,816	13,859,088	16,936,745	16,837,831
Restricted	623,546	175,396	-	-	623,546	175,396
Unrestricted	773,330	243,857	763,733	716,833	1,537,063	960,690
Total Net Position	<u>\$ 4,350,805</u>	<u>\$ 3,397,996</u>	<u>\$ 14,746,549</u>	<u>\$ 14,575,921</u>	<u>\$ 19,097,354</u>	<u>\$ 17,973,917</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets for the City of Jasper exceeded liabilities by \$19,097,354 at the close of the current year. However, much of the net position either is restricted as to the purposes for which it can be used, or are invested in capital assets.

The largest portion (89%) of the City of Jasper's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt outstanding that was needed to construct or acquire the assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Although the net position of our business-type activities represents 77% (\$14,746,549) of total net position, these resources cannot be used to add to the net position surplus in governmental activities. The City generally can only use the net position to finance the continuing operations of the business-type activities.

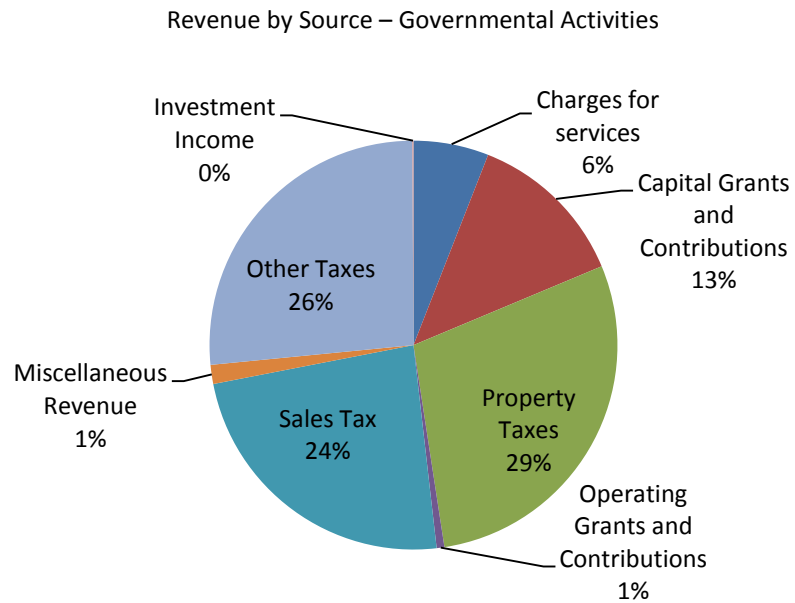
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Jasper's net position changed during the year.

City of Jasper
Changes in Net Position
For the years ending December 31, 2014 and 2013

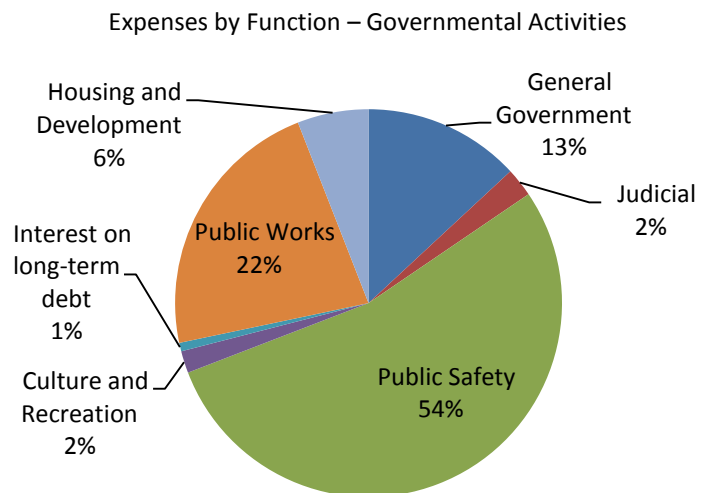
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
PROGRAM REVENUES						
Charges for services	\$ 261,552	\$ 365,792	\$ 3,614,519	\$ 3,675,829	\$ 3,876,071	\$ 4,041,621
Operating grants and contributions	26,868	35,195	-	-	26,868	35,195
Capital grants and contributions	558,974	175,758	160,236	407,302	719,210	583,060
General revenues:						
Property taxes	1,266,033	1,216,698	-	-	1,266,033	1,216,698
Sales tax	1,042,048	997,002	-	-	1,042,048	997,002
Other taxes	1,160,051	1,064,981	-	-	1,160,051	1,064,981
Investment income	3,416	3,035	931	1,371	4,347	4,406
Miscellaneous revenue	66,105	82,540	33,165	31,519	99,270	114,059
Total revenues	<u>4,385,047</u>	<u>3,941,001</u>	<u>3,808,851</u>	<u>4,116,021</u>	<u>8,193,898</u>	<u>8,057,022</u>
EXPENSES						
General Government	482,381	493,834	-	-	482,381	493,834
Judicial	88,493	147,942	-	-	88,493	147,942
Public Safety	1,974,807	1,911,765	-	-	1,974,807	1,911,765
Public Works	822,510	902,790	-	-	822,510	902,790
Culture and Recreation	67,566	74,516	-	-	67,566	74,516
Housing and Development	218,870	162,247	-	-	218,870	162,247
Interest on long-term debt	26,148	29,788	-	-	26,148	29,788
Water and sewer	-	-	3,556,438	3,476,716	3,556,438	3,476,716
Sanitation	-	-	85,570	133,268	85,570	133,268
Total expenses	<u>3,680,775</u>	<u>3,722,882</u>	<u>3,642,008</u>	<u>3,609,984</u>	<u>7,322,783</u>	<u>7,332,866</u>
Increase (decrease) in net position before transfers	704,272	218,119	166,843	506,037	871,115	724,156
Transfers	<u>(3,785)</u>	<u>379,862</u>	<u>3,785</u>	<u>(379,862)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	700,487	597,981	170,628	126,175	871,115	724,156
Net position - beginning, (original)	3,397,996	-	14,575,921	-	17,973,917	-
Prior period adjustments	<u>252,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,322</u>	<u>-</u>
Net position - beginning, (restated)	<u>3,650,318</u>	<u>2,800,015</u>	<u>14,575,921</u>	<u>14,449,746</u>	<u>18,226,239</u>	<u>17,249,761</u>
Net position - ending	<u>\$ 4,350,805</u>	<u>\$ 3,397,996</u>	<u>\$ 14,746,549</u>	<u>\$ 14,575,921</u>	<u>\$ 19,097,354</u>	<u>\$ 17,973,917</u>

Governmental Activities –

The following chart depicts revenues of the governmental activities for the year:



The following chart depicts the expenses of the governmental activities for the year:



Business-type Activities –

Business-type activities increased the City of Jasper's net position by \$170,628; this is \$44,453 more than the increase in net position for 2013. The key elements of this increase are:

- A transfer was made in 2013 to provide funds to the General Fund to pay a judgment ordered against the City in 2013. This was a civil action lawsuit filed against the City during fiscal year 2009. The judgment was in the amount of \$367,366. If the transfer is removed from 2013, there would be a decrease in the amount of \$335,409 from 2013 to 2014. This decrease before 2013 transfer, is primarily due to capital grant and contribution income in the amount of \$407,302 during 2013 versus \$160,236 in capital grant income for 2014 which was used for water system improvements. Other decreases include sewerage treatment charges in the amount of approximately \$180,000 (the City stopped treatment of commercial truckloads of sludge and septic). These decreases were offset, however, with water sales increase of approximately \$105,000.

Financial Analysis of the City's Funds

As noted earlier, the City of Jasper uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Jasper's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As the City completed this year, its governmental funds reported a combined ending fund balance of \$1,536,321. Of this amount, \$818,173 (53%) constitutes unassigned fund balance, meaning no constraints have been placed on how this money may be spent. The General Fund is the only governmental fund that can have positive unassigned fund balance. The remainder of fund balance is either nonspendable, restricted by a third party or assigned for a specific purpose.

The **General Fund** is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$818,173, while total fund balance was \$863,621. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23% of total General Fund expenditures, while total fund balance represents 25% of that same amount.

General Fund Budget Highlights

The City's budget utilized a conservative approach based on available information. Emphasis was placed on long-term stability by meeting financial priorities through disciplined spending. The City employs a budget process whereby appropriations are revisited and compared to actual in order to determine if significant, unexpected variances are present. At this point, any necessary budget amendments are approved by City Council. The original budget for the General Fund was amended by various appropriations approved after the beginning of the year. In addition, Council approved several adjustments to prevent budget overruns.

Adjustments to the General Fund Expenditures: Adjustments were made from one department to another department to prevent budget overruns. Additionally, two new funds were created that previously were accounted for in the General Fund. The Municipal Court agency fund and the Technology Surcharge special revenue fund have been created out of the General Fund:

- Liability insurance in the Legislative Department was more than estimated resulting in a budget increase in the amount of \$4,750.
- Salaries and benefits were less than estimated due to an employee having been relocated to a different fund resulting in a budget decrease to the Financial Administrative Fund in the amount of \$10,200.

- The creation of the Municipal Court agency fund resulted in a budget decrease in the amount of \$65,000 to the Municipal Court Department.
- Salaries were more than estimated as well as necessary supplies resulted in a budget increase to the Animal Control Department.
- Renovations to a building and line extensions capitalized in the Water Fund using the City's General Fund employees resulted in a budget decrease in the Street Department in the amount of \$32,500. These salaries were transferred and capitalized in the Water Fund.
- The termination of two employees and the transfer of one employee to the Water Fund resulted in a budget decrease to the Fleet Maintenance Department in the amount of \$15,000.
- The hours required during 2014 of the City's inspection employee, as well as necessary supplies increased from what was estimated resulting in a budget increase to the Protective Inspection Department in the amount of \$12,062.
- The partial retirement of the previous Director of Planning and Zoning and the appointment of a new Director transferred from the Water Fund resulted in a budget increase to the Planning and Zoning Department in the amount of \$3,795.
- Equipment purchases budgeted for but not purchased and financed in the Police and Fire Department resulted in a budget decrease to the Debt Service Department in the amount of \$23,900.

Proprietary Funds

The City of Jasper's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the City's two proprietary funds totaled as follows:

▪ Water and Sewer	\$ 14,725,046
▪ Sanitation	\$21,503

The total increase in net position for both funds was \$170,628. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The City of Jasper has invested \$24,841,413 in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, and machinery and equipment. Approximately 86% of this investment is related to business-type activities and approximately 14% relates to governmental activities.

During 2014, the City invested \$1,928,043 in new capital assets. Major capital asset events during the current year included the following:

Governmental-type Activities	
2014	
Paving infrastructure	\$ 33,711
.337 acres land Hwy 53 street department	42,000
Major repairs to city vehicles fleet department	3,429
Signs for Park	9,800
Mowers for street department	26,095
	<u>\$ 115,035</u>

Business-type Activities
2014

Three dewatering roll-off boxes for water pollution control plant	\$	75,000
Motor for lift station		6,782
Building renovations for water		81,165
Caterpillar Uniloader		62,757
Vehicle upgrades		17,835
Pump upgrades		44,325
Infrastructure - water lines Liberty Lane		56,429
Infrastructure - water lines Lance Road		49,076
Infrastructure - meter box		7,650
CIP - Hwy 515 water line		41,466
CIP - water pollution control plant improvements		1,370,523
	<u>\$</u>	<u>1,813,008</u>

Capital assets held by the City at the end of the current year are summarized as follows:

City of Jasper
Capital Assets (Net of Accumulated Depreciation)
As of December 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,017,735	\$ 975,735	\$ 1,154,128	\$ 1,154,128	\$ 2,171,863	\$ 2,129,863
Construction in progress	11,109	219,769	2,016,134	2,008,129	2,027,243	2,227,898
Buildings and improvements	975,375	975,375	2,367,231	2,286,066	3,342,606	3,261,441
Infrastructure	1,283,864	1,250,153	24,037,608	22,520,469	25,321,472	23,770,622
Machinery and equipment	2,124,966	2,095,442	1,935,392	1,790,063	4,060,358	3,885,505
Park improvements	677,717	459,257	-	-	677,717	459,257
Furniture and fixtures	-	-	8,799	8,799	8,799	8,799
Total	6,090,766	5,975,731	31,519,292	29,767,654	37,610,058	35,743,385
Accumulated depreciation	(2,622,016)	(2,410,033)	(10,146,629)	(9,521,505)	(12,768,645)	(11,931,538)
Net Capital Assets	<u>\$ 3,468,750</u>	<u>\$ 3,565,698</u>	<u>\$ 21,372,663</u>	<u>\$ 20,246,149</u>	<u>\$ 24,841,413</u>	<u>\$ 23,811,847</u>

Additional information on the City of Jasper's capital assets can be found in the Note 7 to the Financial Statements on pages 34-35 of this report.

Long-term debt. At December 31, 2014, the City of Jasper had \$8,094,938 in long-term debt which was an increase of \$1,175,638 from 2013. The increase is attributed to the excess of debt issued over the repayment of debt in 2014. There was a slight increase in the amount of compensated absences accrued as well.

City of Jasper
Outstanding Debt
As of December 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital leases	\$ 129,575	\$ 149,496	\$ 80,057	\$ 82,186	\$ 209,632	\$ 231,682
Notes payable	-	-	6,593,425	5,350,419	6,593,425	5,350,419
Notes payable - component unit	385,246	437,459	-	-	385,246	437,459
Other contracts payable	-	-	626,077	646,318	626,077	646,318
Compensated absences	178,553	175,944	102,005	77,478	280,558	253,422
Total	<u>\$ 693,374</u>	<u>\$ 762,899</u>	<u>\$7,401,564</u>	<u>\$6,156,401</u>	<u>\$8,094,938</u>	<u>\$6,919,300</u>

Additional information on the City's long-term debt can be found in the Notes 10 and 11 to the Financial Statements on pages 36-41 of this report.

Economic Environment and Next Year's Budgets

We, as management, in considering the current and forecasted economic conditions for 2015, still see a continued slow recovery period ahead. The City considered many factors when adopting the 2015 budget. The City's tax rates and fees for business-type activities also dominated budget considerations. The City continues to experience slow growth in population and local businesses relative to the local economic conditions. The City has low to moderate cost of living and has comparable, sometimes lower, unemployment to relative state levels, and it expects a continued stable but eventually growing economic environment. During 2014, Pickens County residents voted to adopt a one percent special purpose local option sales tax (2014 SPLOST) over the next six years beginning July 1, 2014. The City will receive 20 percent of monthly collections by the County. The City's budget will experience a small increase in tax revenues during 2015. Sales tax will likely continue to slowly increase from the effect of a slowly improving retail economy. The following are some of the major factors considered in preparing the City's budget for 2015:

- Sustainability of existing services – the City has operated with the philosophy of budgetary evaluation which reviews the needs of the City to the standard which realizes that services and associated costs should not be appropriated if they are not justified as long-term goals of the City. This philosophy is solidified in the budget process with a multi-year forecast mindset that assists in evaluating current priorities, realigning and diversifying revenue structures, and providing the data for decision making for continued financial success. Also, the management of the City strives to provide services at or above current level without further burdening those paying for those services, if at all possible.
- Cost of government – The rate of 4.69 mills has been the City's operating millage rate since 2006. The millage rate for the General Fund has steadily decreased over a period of 15 years, which is evidence of this government's commitment to a consistent and fair millage rate for property taxes that will continue to facilitate the provision of city services at the general public's expected level.
- Infrastructure improvements – The City provided substantial capital funding to continue improving the water and sewer infrastructure. This long range plan to replace deteriorating infrastructure and continue to expand treatment facilities to serve the growing customer base was considered. Funding was allocated for park improvements and machinery and equipment necessary for city crews to operate efficiently. The City received \$419,000 during 2014 and anticipates receiving \$840,000 in 2014 SPLOST collections during the year 2015. This revenue will allow major improvements to the road, street and bridge infrastructure of the City.
- Economy impact – The City's revenue and expenditures were implemented with a conservative approach to reflect the continued anticipation of stagnant economy, as seen in the past year and forecasted to continue into the next year.
- The City restricts the use of one-time revenues to capital projects.

For fiscal year 2015, the City Council approved a total budget of \$9,102,567. This budget includes operating and non-operating funds. The General Fund budget is \$3,932,810 and the Proprietary Funds are budgeted for \$3,846,409 (Water, Sewerage and Sanitation). Capital Projects Funds are budgeted at \$946,000. The City's budgets and relative fund balances are maintained in compliance with the City's adopted financial policies.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact Lisa Hoyle, Finance Director/City Clerk, City of Jasper, Georgia, 200 Burnt Mountain Road, Jasper, GA 30143.

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BASIC FINANCIAL STATEMENTS

The basic financial statements include the government-wide statement of net position 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, 2014

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units		
				Industrial Development Authority	Downtown Development Authority	Jasper Development Authority
ASSETS						
Cash	\$ 1,096,743	\$ 414,180	\$ 1,510,923	\$ -	\$ -	\$ 18,368
Restricted cash	20,455	548,769	569,224	1,000	9,070	-
Cash equivalents	523,438	-	523,438	-	-	-
Accounts receivable, net	-	457,718	457,718	-	-	-
Taxes receivable, net	1,036,180	-	1,036,180	-	-	-
Other receivables	16,836	51,037	67,873	-	-	-
Internal balances	107,309	(107,309)	-	-	-	-
Intergovernmental receivable	78,727	114	78,841	-	-	-
Interest receivable-primary government	-	-	-	-	524	-
Note receivable-primary government due within one year	-	-	-	-	45,541	-
Note receivable-primary government due in more than one year	-	-	-	-	339,705	-
Inventories	-	88,285	88,285	-	-	-
Prepaid expenses	45,448	21,745	67,193	-	-	-
Capital assets, not being depreciated	1,028,844	3,170,262	4,199,106	-	-	-
Capital assets, net of accumulated depreciation	2,439,906	18,202,401	20,642,307	-	-	-
Total Assets	<u>\$ 6,393,886</u>	<u>\$ 22,847,202</u>	<u>\$ 29,241,088</u>	<u>\$ 1,000</u>	<u>\$ 394,840</u>	<u>\$ 18,368</u>
LIABILITIES						
Accounts payable	\$ 124,107	\$ 718	\$ 124,825	\$ -	\$ -	\$ -
Retainage payable	-	90,288	90,288	-	-	-
Accrued salaries	64,273	32,603	96,876	-	-	-
Accrued interest	3,160	18,711	21,871	-	524	-
Interest payable-component unit	524	-	524	-	-	-
Unearned revenue	147,447	8,000	155,447	-	-	-
Other accrued expenses	13,991	-	13,991	-	-	-
Liabilities Payable from Restricted Assets:						
Accounts payable	20,455	-	20,455	-	-	-
Customer deposits	-	548,769	548,769	-	-	-
Notes payable due within one year	-	336,071	336,071	-	-	-
Notes payable due in more than one year	-	6,257,354	6,257,354	-	-	-
Capital leases due within one year	35,648	36,647	72,295	-	45,541	-
Capital leases due in more than one year	93,927	43,410	137,337	-	339,705	-
Note payable to component units due within one year	45,541	-	45,541	-	-	-
Note payable to component units due in more than one year	339,705	-	339,705	-	-	-
Other contracts payable due within one year	-	74,405	74,405	-	-	-
Other contracts payable due in more than one year	-	551,672	551,672	-	-	-
Compensated absences due within one year	82,549	58,036	140,585	-	-	-
Compensated absences due in more than one year	96,004	43,969	139,973	-	-	-
Total Liabilities	<u>1,067,331</u>	<u>8,100,653</u>	<u>9,167,984</u>	<u>-</u>	<u>385,770</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	975,750	-	975,750	-	-	-
Total Deferred Inflows of Resources	<u>975,750</u>	<u>-</u>	<u>975,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	2,953,929	13,982,816	16,936,745	-	-	-
Restricted for:						
Police and municipal court departments technological equipment and supplies	93,352	-	93,352	-	-	-
Police department equipment and supplies	5,429	-	5,429	-	-	-
Capital outlay	524,765	-	524,765	-	-	-
Economic Development	-	-	-	1,000	9,070	-
Unrestricted	773,330	763,733	1,537,063	-	-	18,368
Total Net Position	<u>4,350,805</u>	<u>14,746,549</u>	<u>19,097,354</u>	<u>1,000</u>	<u>9,070</u>	<u>18,368</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,393,886</u>	<u>\$ 22,847,202</u>	<u>\$ 29,241,088</u>	<u>\$ 1,000</u>	<u>\$ 394,840</u>	<u>\$ 18,368</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

					Net (Expense) Revenue and Changes in Net Position					
Program Revenue					Primary Government			Component Units		
Functions/Programs	Expenses	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	\$ 482,381	\$ 69,665	\$ 353	\$ -	\$ (412,363)	\$ -	\$ (412,363)	\$ -	\$ -	\$ -
Judicial	88,493	5,167	-	-	(83,326)	-	(83,326)	-	-	-
Public safety	1,974,807	169,690	26,515	-	(1,778,602)	-	(1,778,602)	-	-	-
Public works	822,510	-	-	558,974	(263,536)	-	(263,536)	-	-	-
Culture and recreation	67,566	-	-	-	(67,566)	-	(67,566)	-	-	-
Housing and development	218,870	17,030	-	-	(201,840)	-	(201,840)	-	-	-
Interest charges	26,148	-	-	-	(26,148)	-	(26,148)	-	-	-
Total Governmental Activities	3,680,775	261,552	26,868	558,974	(2,833,381)	-	(2,833,381)	-	-	-
Business-type Activities:										
Water and sewer	3,556,438	3,527,379	-	160,236	-	131,177	131,177			
Sanitation	85,570	87,140	-	-	-	1,570	1,570			
Total Business-type Activities	3,642,008	3,614,519	-	160,236	-	132,747	132,747			
Total Primary Government	\$ 7,322,783	\$ 3,876,071	\$ 26,868	\$ 719,210	(2,833,381)	132,747	(2,700,634)			
Component Units--										
Industrial Development Authority	\$ -	\$ -	\$ -	\$ -				\$ -	\$ -	\$ -
Downtown Development Authority	-	-	-	-				-	-	-
Jasper Development Authority	-	-	-	-				-	-	-
Total Component Units	\$ -	\$ -	\$ -	\$ -				-	-	-
General revenues:										
Taxes:										
Property taxes, levied for general purposes					1,266,033	-	1,266,033	-	-	-
General sales and use taxes					1,042,048	-	1,042,048	-	-	-
Franchise taxes					401,642	-	401,642	-	-	-
Selective sales and use taxes					435,905	-	435,905	-	-	-
Business taxes					322,504	-	322,504	-	-	-
Unrestricted investment earnings					3,416	931	4,347	-	23	46
Miscellaneous					66,105	33,165	99,270	-	-	-
Transfers					(3,785)	3,785	-	-	-	-
Total general revenues and transfers					3,533,868	37,881	3,571,749	-	23	46
Change in net position					700,487	170,628	871,115	-	23	46
Net position, beginning of year, as restated					3,650,318	14,575,921	18,226,239	1,000	9,047	18,322
Net position, end of year					\$ 4,350,805	\$ 14,746,549	\$ 19,097,354	\$ 1,000	\$ 9,070	\$ 18,368

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
<i>ASSETS</i>			
Cash	\$ 497,766	\$ 598,977	\$ 1,096,743
Restricted cash	-	20,455	20,455
Cash equivalents	523,438	-	523,438
Taxes receivable, net	1,032,438	3,742	1,036,180
Other receivables	15,806	1,030	16,836
Intergovernmental	-	78,727	78,727
Interfund receivable	107,850	300	108,150
Prepaid items	45,448	-	45,448
Total Assets	<u>\$ 2,222,746</u>	<u>\$ 703,231</u>	<u>\$ 2,925,977</u>
<i>LIABILITIES</i>			
Accounts payable	\$ 114,572	\$ 9,535	\$ 124,107
Accrued salaries	64,273	-	64,273
Other accrued liabilities	13,991	-	13,991
Interfund payable	300	541	841
Unearned revenue	147,447	-	147,447
Liabilities payable from restricted assets:			
Accounts payable	-	20,455	20,455
Total Liabilities	<u>340,583</u>	<u>30,531</u>	<u>371,114</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>			
Unavailable revenue - property taxes	<u>1,018,542</u>	<u>-</u>	<u>1,018,542</u>
Total Deferred Inflows of Resources	<u>1,018,542</u>	<u>-</u>	<u>1,018,542</u>
<i>FUND BALANCES</i>			
Nonspendable prepaids	45,448	-	45,448
Restricted for:			
Police and municipal court departments			
technological equipment and supplies	-	93,352	93,352
Police department equipment and supplies	-	5,429	5,429
Capital outlay	-	524,765	524,765
Assigned for tourism	-	49,154	49,154
Unassigned	<u>818,173</u>	<u>-</u>	<u>818,173</u>
Total Fund Balances	<u>863,621</u>	<u>672,700</u>	<u>1,536,321</u>
Total Liabilities, Deferred Inflows of			
Resources and Fund Balances	<u>\$ 2,222,746</u>	<u>\$ 703,231</u>	<u>\$ 2,925,977</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, 2014

Total fund balance, governmental funds	\$ 1,536,321
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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.	3,468,750
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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.	42,792
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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	(3,160)
Other accrued liabilities	(524)
Compensated absences	(178,553)
Note payable to component units	(385,246)
Capital leases	<u>(129,575)</u>

Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 4,350,805</u></u>
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The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 3,402,763	\$ 62,731	\$ 3,465,494
Licenses and permits	85,778	-	85,778
Intergovernmental	33,711	524,805	558,516
Charges for services	10,394	-	10,394
Fines, fees and forfeitures	139,426	25,955	165,381
Investment earnings	3,303	571	3,874
Contributions and donations	751	-	751
Miscellaneous	47,972	18,136	66,108
Penalties and interest on delinquent taxes	25,600	216	25,816
Total Revenues	<u>3,749,698</u>	<u>632,414</u>	<u>4,382,112</u>
Expenditures:			
Current:			
General government	459,073	-	459,073
Judicial	79,303	9,440	88,743
Public safety	1,878,265	13,209	1,891,474
Public works	800,967	-	800,967
Culture and recreation	51,373	-	51,373
Housing and development	104,117	116,827	220,944
Capital Outlay	-	497	497
Debt Service:			
Principal	98,229	-	98,229
Interest and other charges	26,901	-	26,901
Total Expenditures	<u>3,498,228</u>	<u>139,973</u>	<u>3,638,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>251,470</u>	<u>492,441</u>	<u>743,911</u>
Other Financing Sources (Uses):			
Transfers in	-	90,526	90,526
Transfers out	(136,311)	-	(136,311)
Proceeds from capital leases	26,095	-	26,095
Total other financing sources and uses	<u>(110,216)</u>	<u>90,526</u>	<u>(19,690)</u>
Net changes in fund balances	141,254	582,967	724,221
Fund balances (deficit), beginning of year, as restated	<u>722,367</u>	<u>89,733</u>	<u>812,100</u>
Fund balances (deficit), end of year	<u>\$ 863,621</u>	<u>\$ 672,700</u>	<u>\$ 1,536,321</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, 2014

Net change in fund balances - total governmental funds: \$ 724,221

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	73,035	
Depreciation expense	<u>(211,983)</u>	(138,948)

Transfers of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

Transfer of capital asset from Water and Sewerage Fund	42,000
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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.

2,938

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.

72,134

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	751	
Compensated absences	<u>(2,609)</u>	<u>(1,858)</u>

Change in net position - governmental activities

\$ 700,487

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	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	\$ 407,086	\$ 7,094	\$ 414,180
Restricted cash	548,769	-	548,769
Accounts receivable, net	448,911	8,807	457,718
Intergovernmental receivable	114	-	114
Interfund receivable	-	1,800	1,800
Other receivables	51,037	-	51,037
Inventories	88,285	-	88,285
Prepaid items	21,237	508	21,745
Total Current Assets	<u>1,565,439</u>	<u>18,209</u>	<u>1,583,648</u>
Non-Current Assets:			
Capital Assets Not Being Depreciated:			
Land and improvements	1,154,128	-	1,154,128
Construction in progress	2,016,134	-	2,016,134
Capital Assets Net of Accumulated Depreciation:			
Buildings and improvements	2,017,256	-	2,017,256
Machinery and equipment	495,247	7,645	502,892
Vehicles	112,443	-	112,443
Infrastructure	15,569,810	-	15,569,810
Total Non-Current Assets	<u>21,365,018</u>	<u>7,645</u>	<u>21,372,663</u>
Total Assets	<u>\$ 22,930,457</u>	<u>\$ 25,854</u>	<u>\$ 22,956,311</u>
LIABILITIES AND NET POSITION			
Current Liabilities:			
Accounts payable	\$ 718	\$ -	\$ 718
Retainage payable	90,288	-	90,288
Salaries payable	32,119	484	32,603
Accrued interest payable	18,711	-	18,711
Interfund payable	105,242	3,867	109,109
Unearned revenue	8,000	-	8,000
Liabilities Payable from Restricted Assets:			
Customer deposits	548,769	-	548,769
Current Portion of Long-term Liabilities:			
Compensated absences	58,036	-	58,036
Notes payable	336,071	-	336,071
Capital lease obligation	36,647	-	36,647
Other contracts payable	74,405	-	74,405
Total Current Liabilities	<u>1,309,006</u>	<u>4,351</u>	<u>1,313,357</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	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	43,969	-	43,969
Notes payable	6,257,354	-	6,257,354
Capital lease obligation	43,410	-	43,410
Other contracts payable	551,672	-	551,672
Total Non-Current Liabilities	<u>6,896,405</u>	<u>-</u>	<u>6,896,405</u>
Total Liabilities	<u>8,205,411</u>	<u>4,351</u>	<u>8,209,762</u>
Net Position:			
Net investment in capital assets	13,975,171	7,645	13,982,816
Unrestricted	<u>749,875</u>	<u>13,858</u>	<u>763,733</u>
Total Net Position	<u>\$ 14,725,046</u>	<u>\$ 21,503</u>	<u>\$ 14,746,549</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, 2014

	Business-type Activities - Enterprise Funds		
	Major Fund Water and Sewerage	Nonmajor Fund Sanitation	Total
Operating Revenues:			
Charges for services	\$ 3,527,379	\$ 87,140	\$ 3,614,519
Miscellaneous	33,165	-	33,165
Total Operating Revenues	<u>3,560,544</u>	<u>87,140</u>	<u>3,647,684</u>
Operating Expenses:			
Sewer administration	19,062	-	19,062
Sewer maintenance	150,582	-	150,582
Waste water treatment plant	421,977	-	421,977
Water administration	338,100	-	338,100
Meter reading	161,729	-	161,729
Water supply	242,221	-	242,221
Water treatment plant	720,348	-	720,348
Water distribution	559,815	-	559,815
Water fleet maintenance and shop	66,534	-	66,534
Solid waste collection	-	84,477	84,477
Total Operating Expenses before Depreciation	<u>2,680,368</u>	<u>84,477</u>	<u>2,764,845</u>
Depreciation expense	636,305	1,093	637,398
Total Operating Expenses	<u>3,316,673</u>	<u>85,570</u>	<u>3,402,243</u>
Operating Income (Loss)	<u>243,871</u>	<u>1,570</u>	<u>245,441</u>
Non-Operating Revenues (Expenses):			
Interest revenue	914	17	931
Interest expense	(214,519)	-	(214,519)
Loss on disposal of assets	(25,246)	-	(25,246)
Total Non-Operating Revenue (Expenses)	<u>(238,851)</u>	<u>17</u>	<u>(238,834)</u>
Income (loss) before capital contributions and transfers	5,020	1,587	6,607
Intergovernmental	100,236	-	100,236
Capital contributions	60,000	-	60,000
Transfers in	51,722	-	51,722
Transfers out	<u>(42,000)</u>	<u>(5,937)</u>	<u>(47,937)</u>
Change in net position	174,978	(4,350)	170,628
Total net position, beginning	<u>14,550,068</u>	<u>25,853</u>	<u>14,575,921</u>
Total net position, ending	<u>\$ 14,725,046</u>	<u>\$ 21,503</u>	<u>\$ 14,746,549</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, 2014

	Business-type Activities		
	Enterprise Funds		
	Major Fund	Nonmajor Fund	Total
	Water and Sewerage	Sanitation	
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,519,501	\$ 88,300	\$ 3,607,801
Payments to suppliers	(1,398,937)	(41,850)	(1,440,787)
Payments to employees	(1,474,431)	(42,406)	(1,516,837)
Net cash provided by (used in) operating activities	<u>646,133</u>	<u>4,044</u>	<u>650,177</u>
Cash Flows from Noncapital Financing Activities:			
Interfund loans - proceeds and collections	36,634	6,909	43,543
Transfers in	51,722	-	51,722
Transfers out	(42,000)	(5,937)	(47,937)
Net cash provided by (used in) noncapital financing activities	<u>46,356</u>	<u>972</u>	<u>47,328</u>
Cash Flows from Capital and Related Financing			
Purchase of capital assets	(1,751,131)	-	(1,751,131)
Principal paid on capital debt	(406,913)	-	(406,913)
Interest paid on capital debt	(234,775)	-	(234,775)
Proceeds from issuance of capital debt	1,627,549	-	1,627,549
Capital contributions from customers	60,000	-	60,000
Proceeds from grant revenue	129,832	-	129,832
Proceeds from sale of capital assets	23,850	-	23,850
Net cash provided by (used in) capital and related financing activities	<u>(551,588)</u>	<u>-</u>	<u>(551,588)</u>
Cash Flows from Investing Activities:			
Interest income	<u>914</u>	<u>17</u>	<u>931</u>
Net cash provided by (used in) investing activities	<u>914</u>	<u>17</u>	<u>931</u>
Net increase (decrease) in cash	141,815	5,033	146,848
Cash, beginning of year	<u>814,040</u>	<u>2,061</u>	<u>816,101</u>
Cash, end of year	<u>\$ 955,855</u>	<u>\$ 7,094</u>	<u>\$ 962,949</u>
Reconciliation of Total Cash:			
Unrestricted	\$ 407,086	\$ 7,094	\$ 414,180
Restricted	<u>548,769</u>	<u>-</u>	<u>548,769</u>
	<u>\$ 955,855</u>	<u>\$ 7,094</u>	<u>\$ 962,949</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, 2014

	Business-type Activities		
	Enterprise Funds		
	Major Fund	Nonmajor Fund	Total
	Water and <u>Sewerage</u>	<u>Sanitation</u>	
Reconciliation of operating income (loss) to net cash			
Operating income (loss)	\$ 243,871	\$ 1,570	\$ 245,441
Adjustments to reconcile operating income (loss) to net			
Depreciation expense	636,306	1,093	637,399
Change in assets and liabilities:			
Accounts receivable	(9,936)	(520)	(10,456)
Other receivables	(50,524)	1,680	(48,844)
Inventory	(468)	-	(468)
Prepaid expenses	17,991	1,937	19,928
Accounts payable	(290,946)	-	(290,946)
Retainage payable	46,027	-	46,027
Customer deposits	19,417	-	19,417
Accrued salaries and benefits	8,764	(612)	8,152
Compensated absences	25,631	(1,104)	24,527
	<u>402,262</u>	<u>2,474</u>	<u>404,736</u>
Net cash provided by (used in) operating activities	\$ <u>646,133</u>	\$ <u>4,044</u>	\$ <u>650,177</u>
Noncash transactions:			
Increase in capital assets through a reduction			
in other receivables	\$ <u>42,000</u>	\$ <u>-</u>	\$ <u>42,000</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2014

ASSETS

Equity in pooled cash	<u>\$ 6,565</u>
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LIABILITIES

Due to other agencies	<u>\$ 6,565</u>
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The accompanying notes are an integral part of this statement.

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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 has not been disclosed on the face of the financial statements.

CITY OF JASPER, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

1. DESCRIPTION OF GOVERNMENT UNIT

The City of Jasper was established in 1857. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, culture and recreation, public improvements and general and administrative services. In addition, the City operates public utilities for water and sewer for the incorporated and immediate surrounding areas.

The City is governed by an elected five-member council.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. 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", as amended by Statement No. 61 (GASB 61), 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 GASBs 14 and 61, 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.

C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

As discussed earlier, the government has three discretely presented component units. While the Development Authorities are not considered to be major component units, they are nevertheless shown in a separate column in the government-wide financial statements.

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

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

2008 SPLOST Capital Projects Fund – This fund is used to account for long-term projects financed by the passage of the 2008 Pickens County special purpose local option sales tax.

2014 SPLOST Capital Projects Fund – This fund is used to account for long-term projects financed by the passage of the 2014 Pickens County special purpose local option sales tax.

The City reports the following major proprietary funds:

Water and Sewer Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Jasper.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds - This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Capital Projects Funds - This fund type is used to account for financial resources to be used for the acquisition or construction of capital assets (other than those financed by the proprietary or fiduciary funds).

Fiduciary Fund Types

Agency Funds – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held either for the City or for others. The City has an agency fund to account for the activity of the Municipal Court.

Component Units

The Industrial Development Authority, the Downtown Development Authority of Jasper and the Jasper Development Authority are accounted for using a current financial resources measurement focus and uses the modified accrual

NOTES TO FINANCIAL STATEMENTS (continued)

basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTES TO FINANCIAL STATEMENTS (continued)

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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 Water and Sewer, Natural Gas, and Solid Waste Funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. 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.

H. 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 2013 for the 2014 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 2014 or the period in which the amounts become available.

I. 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 City

NOTES TO FINANCIAL STATEMENTS (continued)

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

J. 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.

K. 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.

L. 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	10-50 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

M. 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.

N. 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:

NOTES TO FINANCIAL STATEMENTS (continued)

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 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.

O. 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.

NOTES TO FINANCIAL STATEMENTS (continued)

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

P. 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.

Q. 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 position, except for any residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

For the year ended December 31, 2014, there were no departmental expenditures that materially exceeded appropriations in the governmental funds.

4. CASH DEPOSITS

Custodial Credit Risk - 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, 2014, the City had no bank balance that was exposed to custodial credit risk.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.

NOTES TO FINANCIAL STATEMENTS (continued)

5. RESTRICTED CASH

Business-type activities

Water Fund – The Water Fund has restricted cash totaling \$548,769, for the purpose of repayment of customer deposits in the amount of \$548,769 (which has a corresponding restricted liability).

6. 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 \$194,399 was established by management at December 31, 2014. The property tax bills for 2014 were levied at the end of 2014 and were intended for use during the 2015 budget year, the year in which they are due. Therefore, the entire levy of \$975,750 is reported as a deferred inflow on the government-wide 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	November 13, 2014
Due Date	January 16, 2015
Delinquent Date	March 17, 2014
Lien Date	April 16, 2014

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, 2014, amounting to \$126,233 in the Water Fund based on prior years' experience and collection policies.

NOTES TO FINANCIAL STATEMENTS (continued)

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Transfers In (Out)	Balance 12/31/2014
<i><u>Governmental activities</u></i>					
Capital assets not being depreciated:					
Land	\$ 975,735	\$ -	\$ -	\$ 42,000	\$ 1,017,735
Construction in progress	219,769	-	-	(208,660)	11,109
Total capital assets not being depreciated	<u>1,195,504</u>	<u>-</u>	<u>-</u>	<u>(166,660)</u>	<u>1,028,844</u>
Capital assets being depreciated:					
Buildings and improvements	975,375	-	-	-	975,375
Infrastructure	1,250,153	33,711	-	-	1,283,864
Machinery and equipment	2,095,442	29,524	-	-	2,124,966
Park improvements	<u>459,257</u>	<u>9,800</u>	<u>-</u>	<u>208,660</u>	<u>677,717</u>
Total capital assets being depreciated	<u>4,780,227</u>	<u>73,035</u>	<u>-</u>	<u>208,660</u>	<u>5,061,922</u>
Less accumulated depreciation:					
Buildings and improvements	262,252	23,732			285,984
Infrastructure	281,413	62,943			344,356
Machinery and equipment	1,589,557	105,351			1,694,908
Park improvements	<u>276,811</u>	<u>19,957</u>	<u>-</u>	<u>-</u>	<u>296,768</u>
Total accumulated depreciation	<u>2,410,033</u>	<u>211,983</u>	<u>-</u>	<u>-</u>	<u>2,622,016</u>
Total capital assets being depreciated, net	<u>2,370,194</u>	<u>(138,948)</u>	<u>-</u>	<u>208,660</u>	<u>2,439,906</u>
Governmental activities capital assets, net	<u>\$ 3,565,698</u>	<u>\$ (138,948)</u>	<u>\$ -</u>	<u>\$ 42,000</u>	<u>\$ 3,468,750</u>

NOTES TO FINANCIAL STATEMENTS (continued)

	Beginning Balances	Increases	Decreases	Transfers In (Out)	Balance 12/31/2014
<i><u>Business-type activities</u></i>					
Capital assets not being depreciated:					
Land	\$ 1,154,128	\$ 42,000	\$ -	\$ (42,000)	\$ 1,154,128
Construction in progress	2,008,129	1,411,989	-	(1,403,984)	2,016,134
Total capital assets not being depreciated	<u>3,162,257</u>	<u>1,453,989</u>	<u>-</u>	<u>(1,445,984)</u>	<u>3,170,262</u>
Capital assets being depreciated:					
Buildings and improvements	2,286,066	81,165	-	-	2,367,231
Water and sewer infrastructure	22,520,469	113,155	-	1,403,984	24,037,608
Machinery and equipment (1)	1,190,615	188,864	(61,370)	-	1,318,109
Vehicles (1)	599,448	17,835	-	-	617,283
Furniture and fixtures	8,799	-	-	-	8,799
Total capital assets being depreciated	<u>26,605,397</u>	<u>401,019</u>	<u>(61,370)</u>	<u>1,403,984</u>	<u>28,349,030</u>
Less accumulated depreciation:					
Buildings and improvements	298,445	51,530	-	-	349,975
Water and sewer infrastructure	7,980,945	486,853	-	-	8,467,798
Machinery and equipment	766,831	60,660	(12,274)	-	815,217
Vehicles	466,485	38,355	-	-	504,840
Furniture and fixtures	8,799	-	-	-	8,799
Total accumulated depreciation	<u>9,521,505</u>	<u>637,398</u>	<u>(12,274)</u>	<u>-</u>	<u>10,146,629</u>
Total capital assets being depreciated, net	<u>17,083,892</u>	<u>(236,379)</u>	<u>(49,096)</u>	<u>1,403,984</u>	<u>18,202,401</u>
Business-type activities capital assets, net	<u>\$ 20,246,149</u>	<u>\$ 1,217,610</u>	<u>\$ (49,096)</u>	<u>\$ (42,000)</u>	<u>\$ 21,372,663</u>

(1) Beginning balances in the machinery and equipment and vehicle category differ from prior year's report due to some reclassifications from vehicles to machinery and equipment.

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

<i><u>Governmental Activities</u></i>	
General government	\$ 19,657
Judicial	-
Public safety	82,795
Public works	83,498
Culture and recreation	25,993
Housing and development	40
	<u>\$ 211,983</u>
 <i><u>Business-type Activities</u></i>	
Water and Sewerage	\$ 636,305
Sanitation	1,093
	<u>\$ 637,398</u>

NOTES TO FINANCIAL STATEMENTS (continued)

8. INTERFUND BALANCES AND ACTIVITY

Transfer to/from other funds

Transfers In	Transfers Out	Amount
Technology Surcharge Fund	General Fund	\$ 90,526
Water Fund	General Fund	45,785
Water Fund	Sanitation Fund	5,937
		<u>142,248</u>
<i>Transfers of capital assets</i>		
Governmental Activities	Water Fund	42,000
		<u>\$ 184,248</u>

Balances due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	\$ 103,442
General Fund	Sanitation Fund	3,867
General Fund	Hotel/Motel Tax Fund	541
Sanitation Fund	Water Fund	1,800
Hotel/Motel Tax Fund	General Fund	300
		<u>\$ 109,950</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.

9. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at December 31, 2014 consist of 2014 SPLOST in the amount of \$78,727 due from Pickens County in the 2014 SPLOST Fund and GEFA grant receivable in the amount of \$114 in the Water Fund.

10. 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 \$385,246.

NOTES TO FINANCIAL STATEMENTS (continued)

Regions Bank, land purchase, payable in monthly installments of \$1,256, including interest at 5.70%. Original balance \$150,927, matures in 2015. \$ 4,899

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. 29,797

Regions Bank, police precinct, payable in monthly installments of \$3,104, including interest at 4.75%. Original balance \$475,500, matures in 2024. 350,550

385,246

Less current portion of debt (45,541)

\$ 339,705

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 \$385,246. 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 11. Payments of principal and interest related to the above leases for the next five years and until maturity are as follows:

	Principal	Interest	Total
2015	\$ 45,541	\$ 16,913	\$ 62,454
2016	42,586	14,908	57,494
2017	36,960	13,089	50,049
2018	33,437	11,535	44,972
2019	35,062	9,910	44,972
2020 - 2024	191,660	22,342	214,002
	<u>\$385,246</u>	<u>\$ 88,697</u>	<u>\$473,943</u>

11. LONG-TERM LIABILITIES

Governmental Activities

Capital Leases:

The following capital leases had outstanding balances at December 31, 2014:

Kubota Leasing, equipment lease, payable in monthly installments of \$623.81, including interest at 6.91%. Original balance \$26,095, matures in 2018. \$ 24,185

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. 98,467

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 6,923

129,575

Less current portion of debt (35,648)

\$ 93,927

NOTES TO FINANCIAL STATEMENTS (continued)

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

	Principal	Interest	Total
2015	\$ 35,648	\$ 5,349	\$ 40,997
2016	30,372	4,061	34,433
2017	32,114	2,779	34,893
2018	31,441	1,425	32,866
	<u>\$129,575</u>	<u>\$ 13,614</u>	<u>\$143,189</u>

The expense resulting from amortization of assets recorded under capital leases is included with depreciation expense. The following total represents capital assets purchased with the above capital leases and the related accumulated depreciation (which includes amortization):

	Asset	Accumulated Depreciation	Net Book Value
Machinery and Equipment	\$ 36,000	\$ 8,500	\$ 27,500
Vehicles	<u>333,558</u>	<u>229,778</u>	<u>103,780</u>
	<u>\$ 369,558</u>	<u>\$ 238,278</u>	<u>\$ 131,280</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	\$ 149,496	\$ 26,095	\$ 46,016	\$ 129,575	\$ 35,648
Note payable-component unit	437,459	-	52,213	385,246	45,541
Compensated absences	<u>175,944</u>	<u>85,158</u>	<u>82,549</u>	<u>178,553</u>	<u>82,549</u>
	<u>\$ 762,899</u>	<u>\$ 111,253</u>	<u>\$ 180,778</u>	<u>\$ 693,374</u>	<u>\$ 163,738</u>

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Business-Type Activities

Capital Leases:

The following capital leases had outstanding balances at December 31, 2014:

Caterpillar Financial Services, equipment lease, payable in monthly installments of \$1,161, including interest at 3.2%. Original balance \$62,757 matures in 2017.	\$ 55,743
BB&T Governmental Finance Corporation, equipment lease, payable in monthly installments of \$786, including interest at 2.86%. Original balance \$28,000, matures in 2015.	3,861
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.	20,453
	80,057
Less current portion of debt	(36,647)
	<u>\$ 43,410</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 36,647	\$ 1,952	\$ 38,599
2016	12,733	1,203	13,936
2017	30,677	381	31,058
	<u>\$ 80,057</u>	<u>\$ 3,536</u>	<u>\$ 83,593</u>

The expense resulting from amortization of assets recorded under capital leases is included with depreciation expense. The following totals represent capital assets purchased with the above capital leases and the related accumulated depreciation (which includes amortization):

	<u>Asset</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Machinery and Equipment	\$ 99,757	\$ 10,257	\$ 89,500
Vehicles	62,000	25,583	36,417
Total	<u>\$ 161,757</u>	<u>\$ 35,840</u>	<u>\$ 125,917</u>

NOTES TO FINANCIAL STATEMENTS (continued)

Notes Payable:

The following notes payable had outstanding balances at December 31, 2014:

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.	\$ 537,717
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.	427,873
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.	476,037
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.	1,522,391
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.	1,021,191
Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of \$4,172, including interest at 3.81%. Original balance \$700,000, matures in 2033.	661,880
Georgia Environmental Facilities Authority, infrastructure construction, accruing interest at 2.82%, not yet in repayment.	293,439
Georgia Environmental Facilities Authority, infrastructure construction, accruing interest at 1.82%, not yet in repayment.	<u>1,652,897</u>
	6,593,425
Less current portion of debt	<u>(336,071)</u>
	<u>\$ 6,257,354</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
2015	\$ 336,071	\$ 194,290	\$ 530,361
2016	350,214	180,147	530,361
2017	364,956	165,405	530,361
2018	380,320	150,040	530,360
2019	330,017	134,611	464,628
2020 - 2024	1,457,679	494,853	1,952,532
2025 - 2029	1,340,306	204,984	1,545,290
2030 - 2034	<u>380,965</u>	<u>21,613</u>	<u>402,578</u>
	4,940,528	1,545,943	6,486,471
Amounts not yet in repayment	<u>1,652,897</u>	<u>-</u>	<u>1,652,897</u>
	<u>\$ 6,593,425</u>	<u>\$ 1,545,943</u>	<u>\$ 8,139,368</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, 2014 was \$334,397.

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, 2014 was \$291,680.

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	\$ 82,186	\$ 62,757	\$ 64,886	\$ 80,057	\$ 36,647
Notes payable	5,350,419	1,564,792	321,786	6,593,425	336,071
Other contracts payable	646,318	-	20,241	626,077	74,405
Compensated absences	<u>77,478</u>	<u>82,563</u>	<u>58,036</u>	<u>102,005</u>	<u>58,036</u>
	<u>\$6,156,401</u>	<u>\$1,710,112</u>	<u>\$ 464,949</u>	<u>\$7,401,564</u>	<u>\$ 505,159</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 2014 amounted to \$234,397, of which \$19,878 was capitalized to construction in progress.

NOTES TO FINANCIAL STATEMENTS (continued)

12. PRIOR PERIOD ADJUSTMENTS

General Fund:

Franchise Taxes – The City has determined that prior period adjustments are required in order to correct for understated revenues due to Franchise taxes having been understated by \$252,322 in prior years. This adjustment also impacted beginning net position for governmental activities on the government-wide financial statements for the same amount. The beginning net position for governmental activities was also increased by \$252,322 for franchise tax revenue, which was a correction for understated revenue in prior years.

	General Fund Fund Balance	Government-Wide Net Position (Primary Government)
December 31, 2013, as previously reported	\$ 470,045	\$ 17,973,917
Adjustment to record franchise tax revenue understated in prior years	252,322	252,322
December 31, 2013, as restated	<u>\$ 722,367</u>	<u>\$ 18,226,239</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. The City paid \$-0- in unemployment claims during 2014. There were no liabilities for such claims at December 31, 2014.

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, 2014, employee contributions were \$1,316.

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 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 publicly 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, 2014 for City of Jasper is dated July 1, 2014 which was used to calculate funding for City of Jasper's retirement plan for the

NOTES TO FINANCIAL STATEMENTS (continued)

period beginning January 1, 2015. Information relating to the July 1, 2014 valuation and review report is located in the required supplementary information immediately following the notes to financial statements.

Funding Policy - The City is required to contribute at an actuarially determined rate; the current rate is 5.98% of annual covered payroll. 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 July 1, 2014 actuarial valuation (which was the valuation used to determine the City's cost for the year ended December 31, 2014), 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, 2014 was \$155,971.

Funding Schedule for Most Recent Valuation Date (prior to December 31, 2014)

		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2014	\$	155,791	100%	-
12/31/2013	\$	148,731	100%	-
12/31/2012	\$	148,636	100%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (ALL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2013	\$2,322,477	\$2,581,408	\$258,931	89.97%	\$2,562,269	10.11%

The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for inflation of 3.50% plus age and service based merit increases, 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.

The required schedule of funding progress that is located in the supplementary information immediately following the notes to the financial statements 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.

NOTES TO FINANCIAL STATEMENTS (continued)

Below is the information identifying the actuarial methods and significant assumptions used to determine the annual required contribution for the current year:

Valuation Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market for 2014 and later years
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	
Inflation	3.50%
Merit or Seniority	.50% - 7.50%
Cost of Living Adjustments	0.00%
Post-Retirement Benefit Adjustments	0.00%
Membership of the Plan	
Retirees and beneficiaries	19
Terminated plan members entitled to, but not yet receiving benefits	20
Active plan members	<u>64</u>
Total	103
Inflation Rate Assumption	3.50%

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 (the "RDCs") 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 RCs, and was amended in 2008 to consolidate the existing RDCs 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, 2014, in the amount of \$3,708. 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.

NOTES TO FINANCIAL STATEMENTS (continued)

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs (later transferred to RCs) 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 paid during 2014 by the City. 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, 2014 the City collected a total of \$62,731. The City expended \$88,635 for the promotion of tourism.

17. CONTINGENCIES

The City is a defendant in several lawsuits. Management intends to contest these open cases vigorously. The City's legal counsel has stated that the outcome of these lawsuits is not presently determinable. The City expects insurance to cover any negative judgments.

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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, 2014

	<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>
Revenues:				
Property taxes	\$ 1,118,200	\$ 1,118,200	\$ 1,264,017	\$ 145,817
Franchise taxes	385,500	385,500	401,642	16,142
Business taxes	305,500	305,500	322,099	16,599
General sales and use taxes	1,100,000	1,100,000	1,042,048	(57,952)
Selective use taxes	323,000	323,000	372,957	49,957
Licenses and permits	75,700	75,700	85,778	10,078
Intergovernmental	40,000	40,000	33,711	(6,289)
Charges for services	8,030	8,030	10,394	2,364
Fines and forfeitures	300,000	185,136	139,426	(45,710)
Investment earnings	3,400	3,400	3,303	(97)
Contributions and donations	5,000	5,000	751	(4,249)
Miscellaneous	1,638	1,638	47,972	46,334
Penalties and interest on delinquent taxes	33,500	33,500	25,600	(7,900)
Total Revenues	<u>3,699,468</u>	<u>3,584,604</u>	<u>3,749,698</u>	<u>165,094</u>
Expenditures:				
Current:				
General government:				
Legislative	49,503	54,253	50,561	3,692
Executive	133,227	133,227	125,772	7,455
Elections	2,805	2,805	-	2,805
Financial administration	307,547	297,313	282,740	14,573
Judicial:				
Municipal court	149,091	84,138	79,303	4,835
Public Safety:				
Police	1,050,804	1,050,804	1,006,652	44,152
Fire	868,071	868,071	837,576	30,495
Animal Control	26,650	37,819	34,037	3,782
Public Works:				
Streets	686,545	653,997	596,842	57,155
Fleet maintenance and shop	306,616	291,616	204,125	87,491
Cemetery	2,500	2,500	-	2,500
Culture and Recreation:				
Parks administration	59,890	59,890	51,373	8,517
Housing and development:				
Protective inspection	31,443	43,505	38,775	4,730
Planning and zoning	61,698	65,493	65,342	151
Debt service	<u>150,078</u>	<u>126,173</u>	<u>125,130</u>	<u>1,043</u>
Total Expenditures	<u>3,886,468</u>	<u>3,771,604</u>	<u>3,498,228</u>	<u>273,376</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, 2014

	<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>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(187,000)</u>	<u>(187,000)</u>	<u>251,470</u>	<u>438,470</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(136,311)	(136,311)
Proceeds from capital leases	<u>187,000</u>	<u>187,000</u>	<u>26,095</u>	<u>(160,905)</u>
Total Other Financing Sources and Uses	<u>187,000</u>	<u>187,000</u>	<u>(110,216)</u>	<u>(297,216)</u>
Net change in fund balance	-	-	141,254	141,254
Fund balance, beginning of year, as restated	-	-	<u>722,367</u>	<u>722,367</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,621</u>	<u>\$ 863,621</u>

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

CITY OF JASPER, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE
CITY OF JASPER RETIREMENT PLAN
For the Year Ended December 31, 2014

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 Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (ALL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2014	\$2,554,470	\$ 2,568,103	\$ 13,633	99.47%	\$2,488,515	0.55%
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	242,172	88.40%	2,171,370	10.20%

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 14 to the financial statements.

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, 2014

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, 2014 General Fund departmental expenditures did not exceed appropriated budget amounts.

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Technology Surcharge Special Revenue Fund:

This fund is used to account for the Technology Surcharge that is collected on fines and forfeitures and are restricted for technology needs in the police department or municipal court.

Confiscated Assets Special Revenue 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 Special Revenue Fund:

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

2008 SPLOST Capital Projects Fund:

This fund is used to account for long-term projects financed by the passage of the 2008 Pickens County special purpose local option sales tax.

2014 SPLOST Capital Projects Fund:

This fund is used to account for long-term projects financed by the passage of the 2014 Pickens County special purpose local option sales tax.

CITY OF JASPER, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2014

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Technology Surcharge	Confiscated Assets	Hotel/Motel Tax	2008 SPLOST	2014 SPLOST	
ASSETS						
Cash	\$ 93,927	\$ 5,429	\$ 53,583	\$ 105,784	\$ 340,254	\$ 598,977
Restricted cash	-	-	20,455	-	-	20,455
Taxes receivable	-	-	3,742	-	-	3,742
Other receivables	-	-	1,030	-	-	1,030
Intergovernmental	-	-	-	-	78,727	78,727
Interfund receivables	-	-	300	-	-	300
Total Assets	\$ 93,927	\$ 5,429	\$ 79,110	\$ 105,784	\$ 418,981	\$ 703,231
LIABILITIES						
Accounts payable	\$ 575	\$ -	\$ 8,960	\$ -	\$ -	\$ 9,535
Interfund payable	-	-	541	-	-	541
Liabilities payable from restricted assets:						
Accounts payable	-	-	20,455	-	-	20,455
Total Liabilities	575	-	29,956	-	-	30,531
FUND BALANCES						
Restricted for:						
Police and municipal court departments technological equipment and supplies	93,352	-	-	-	-	93,352
Police department equipment and supplies	-	5,429	-	-	-	5,429
Capital outlay	-	-	-	105,784	418,981	524,765
Assigned for tourism	-	-	49,154	-	-	49,154
Total Fund Balances	93,352	5,429	49,154	105,784	418,981	672,700
Total Liabilities and Fund Balances	\$ 93,927	\$ 5,429	\$ 79,110	\$ 105,784	\$ 418,981	\$ 703,231

CITY OF JASPER, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2014

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Technology Surcharge	Confiscated Assets	Hotel/Motel Tax	2008 SPLOST	2014 SPLOST	
REVENUES						
Taxes	\$ -	\$ -	\$ 62,731	\$ -	\$ -	\$ 62,731
Intergovernmental	-	-	-	105,583	419,222	524,805
Fines, fees and forfeitures	25,381	574	-	-	-	25,955
Miscellaneous	-	-	18,136	-	-	18,136
Penalties and interest on delinquent taxes	-	-	216	-	-	216
Interest	94	-	20	201	256	571
Total Revenues	25,475	574	81,103	105,784	419,478	632,414
EXPENDITURES						
<i>Current</i>						
Judicial:						
Materials and supplies	9,440	-	-	-	-	9,440
Public Safety:						
Materials and supplies	13,209	-	-	-	-	13,209
Housing and Development:						
Tourism	-	-	116,827	-	-	116,827
<i>Capital Outlay</i>						
Public Works:						
Streets	-	-	-	-	497	497
Total Expenditures	22,649	-	116,827	-	497	139,973
Excess (Deficiency) of Revenues Over Expenditures						
Before Other Financing Sources (Uses)	2,826	574	(35,724)	105,784	418,981	492,441
Other Financing Sources (Uses)						
Transfer in	90,526	-	-	-	-	90,526
Total Other Financing Sources and Uses	90,526	-	-	-	-	90,526
Net change in fund balances	93,352	574	(35,724)	105,784	418,981	582,967
Fund balances, beginning	-	4,855	84,878	-	-	89,733
Fund balances, ending	\$ 93,352	\$ 5,429	\$ 49,154	\$ 105,784	\$ 418,981	\$ 672,700

CITY OF JASPER, GEORGIA
TECHNOLOGY SURCHARGE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Fines, fees and forfeitures	\$ -	\$ 43,320	\$ 25,381	\$ (17,939)
Interest	-	-	94	94
Total Revenues	<u>-</u>	<u>43,320</u>	<u>25,475</u>	<u>(17,845)</u>
EXPENDITURES				
Current				
Judicial:				
Materials and supplies	-	10,000	9,440	560
Public Safety:				
Materials and supplies	<u>-</u>	<u>33,320</u>	<u>13,209</u>	<u>20,111</u>
Total Expenditures	<u>-</u>	<u>43,320</u>	<u>22,649</u>	<u>20,671</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,826</u>	<u>2,826</u>
Other Financing Sources (Uses)				
Transfer in	<u>-</u>	<u>-</u>	<u>90,526</u>	<u>90,526</u>
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>90,526</u>	<u>90,526</u>
Net change in fund balances	-	-	93,352	93,352
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,352</u>	<u>\$ 93,352</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, 2014

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Fines, fees and forfeitures	\$ 650	\$ 650	\$ 574	\$ (76)
Interest	<u>11</u>	<u>11</u>	<u>-</u>	<u>(11)</u>
Total Revenues	<u>661</u>	<u>661</u>	<u>574</u>	<u>(87)</u>
EXPENDITURES				
<i>Current</i>				
Public Safety:				
Custody of property	<u>661</u>	<u>661</u>	<u>-</u>	<u>661</u>
Total Expenditures	<u>661</u>	<u>661</u>	<u>-</u>	<u>661</u>
Net change in fund balances	-	-	574	574
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>4,855</u>	<u>4,855</u>
Fund balances, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,429</u></u>	<u><u>\$ 5,429</u></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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 50,000	\$ 62,731	\$ 62,731	\$ -
Miscellaneous	16,000	16,000	18,136	2,136
Penalties and interest on delinquent taxes	-	-	216	216
Interest	<u>150</u>	<u>150</u>	<u>20</u>	<u>(130)</u>
Total Revenues	<u>66,150</u>	<u>78,881</u>	<u>81,103</u>	<u>2,222</u>
EXPENDITURES				
<i>Current</i>				
Housing and Development:				
Tourism	<u>66,150</u>	<u>116,830</u>	<u>116,827</u>	<u>3</u>
Total Expenditures	<u>66,150</u>	<u>116,830</u>	<u>116,827</u>	<u>3</u>
Net change in fund balances	-	(37,949)	(35,724)	2,225
Fund balances, beginning	<u>-</u>	<u>37,949</u>	<u>84,878</u>	<u>46,929</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,154</u>	<u>\$ 49,154</u>

CITY OF JASPER, GEORGIA
2008 SPLOST FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ -	\$ 105,583	\$ 105,583	\$ -
Interest	-	201	201	-
Total Revenues	<u>-</u>	<u>105,784</u>	<u>105,784</u>	<u>-</u>
EXPENDITURES				
Capital Outlay				
Public Works:				
Streets	<u>-</u>	<u>105,784</u>	<u>-</u>	<u>105,784</u>
Total Expenditures	<u>-</u>	<u>105,784</u>	<u>-</u>	<u>105,784</u>
Net change in fund balances	-	-	105,784	105,784
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,784</u>	<u>\$ 105,784</u>

CITY OF JASPER, GEORGIA
2014 SPLOST FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ -	\$ 419,222	\$ 419,222	\$ -
Interest	-	256	256	-
Total Revenues	<u>-</u>	<u>419,478</u>	<u>419,478</u>	<u>-</u>
EXPENDITURES				
<i>Capital Outlay</i>				
Public Works:				
Streets	<u>-</u>	<u>419,478</u>	<u>497</u>	<u>418,981</u>
Total Expenditures	<u>-</u>	<u>419,478</u>	<u>497</u>	<u>418,981</u>
Net change in fund balances	-	-	418,981	418,981
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,981</u>	<u>\$ 418,981</u>

**CITY OF JASPER, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF ASSETS AND LIABILITIES
December 31, 2014**

ASSETS

Equity in pooled cash	<u>\$ 6,565</u>
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LIABILITIES

Due to other agencies	<u>\$ 6,565</u>
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CITY OF JASPER, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2014

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
ASSETS				
Equity in pooled cash	\$ <u> -</u>	\$ <u> 211,132 </u>	\$ <u> (204,567) </u>	\$ <u> 6,565 </u>
LIABILITIES				
Due to other agencies	\$ <u> -</u>	\$ <u> 211,132 </u>	\$ <u> (204,567) </u>	\$ <u> 6,565 </u>

COMPLIANCE AND INTERNAL CONTROL

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RUSHTON & COMPANY

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Honorable Mayor and Members
of the City Council
City of Jasper, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jasper, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 21, 2015.

Internal Control over Financial Reporting

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

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

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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Comment 14-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as Comments 14-2 and 14-3 that we consider to be significant deficiencies.

Compliance and Other Matters

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

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City of Jasper, Georgia's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 21, 2015

**Independent Auditor's Report on Compliance for Each Major Program and
Internal Control over Compliance in Accordance with OMB Circular A-133**

Honorable Mayor and Members
of the City Council
City of Jasper, Georgia

Report on Compliance for Each Major Program

We have audited the City of Jasper, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City of Jasper, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibilities

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Jasper, Georgia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 21, 2015

CITY OF JASPER, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2014

<u>Federal Grant/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Number</u>	<u>Expenditures</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through the			
Georgia Environmental Finance Authority			
Capitalization Grants for Clean Water			
State Revolving Funds	66.458	CWSRF 12-006	
Loans			\$ 1,147,600
Grants			<u>100,236</u>
Total Federal Awards			<u>\$ 1,247,836</u>

See accompanying notes to the schedule of expenditures of federal awards and the schedule of findings and questioned costs.

CITY OF JASPER, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2014

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal grant activity of the City of Jasper, Georgia, under programs for the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

CITY OF JASPER, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2014

1. Summary of the Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered material weaknesses?	Yes
Noncompliance material to financial statements noted?	None noted

B. Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None noted
Significant deficiency(ies) identified not considered material weaknesses?	None noted
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	None noted
Identification of major programs:	
66.458 Capitalization Grants for Clean Water State Revolving Funds	
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

CITY OF JASPER, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2014

2. Financial Statement Findings

Comment 14-1

Condition: The 2013 financial statements were restated for the General Fund to adjust taxes receivable.

Criteria: Generally accepted accounting principles require that accruals be properly calculated and recorded.

Effect: Failure to properly apply generally accepted accounting principles led to financial statements that were materially misstated.

Recommendation: Management should verify that all assets and liabilities are correctly calculated and recorded in accordance with governmental accounting standards.

Management Response: Management concurs with this finding. The Finance Director will continually monitor receipts to determine which revenues are receivable. This action was taken immediately upon receipt of the comment from our auditors.

Comment 14-2

Condition: During audit procedures on occupational tax receipts, client was unable to locate supporting documentation for 5 of the 25 items selected for testing. We were unable to trace the corresponding receipts to the deposit on the bank statement.

Criteria: Proper internal controls require that all receipts be properly supported by appropriate documentation.

Effect: Failure to maintain proper supporting documentation for receipts subjects the assets of the City to greater risk of misappropriation.

Recommendation: Adequate detail of supporting documentation should be maintained for all transactions to provide an audit trail to the deposit.

Management Response: Management concurs with this finding. Management will ensure adequate detail of supporting documentation is maintained for all receipts. This action was implemented immediately upon receipt of the comment from our auditors.

Comment 14-3

Condition: While performing audit procedures in the building department, we noted that the same employee recording receipt transactions is also preparing deposit reconciliations for the same receipt transactions.

Criteria: Proper internal controls require adequate segregation of duties in controls over cash receipts.

Effect: Failure to maintain adequate segregation of duties subjects the assets of the City to greater risk of misappropriation.

CITY OF JASPER, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2014

2. Financial Statement Findings (continued)

Comment 14-3, continued

Recommendation: Management should establish a policy to segregate the duties of preparing deposits and recording receipt transactions.

Management Response: Management concurs with this finding. Management will advise the Department Head to implement the recommendation and will offer assistance, if needed, from our Finance Department to insure that adequate segregation of duties exists. This action was taken immediately upon receipt of the comment from our auditors.

3. Prior Year Audit Findings Follow-Ups

Comment 13-1

Condition: The year 2012 financial statements were restated due to prior period misstatements and reclassifications.

Not Corrected

Comment 13-2

Condition: Currently, there is no approval process for adjustments to utility customer accounts. All adjustments reviewed during audit procedures appeared appropriate.

Corrected

Comment 13-3

Condition: During audit procedures on journal entries, we noted that journal entries originated by the Director of Finance did not have evidence of approval. All journal entries reviewed during audit procedures appeared appropriate.

Corrected

Comment 13-4

Condition: The City failed to expend 66.67% of the hotel/motel tax collected on the promotion of tourism, conventions, and trade shows through contracts with authorized entities, as required by state law.

Corrected

4. Federal Award Findings and Questioned Costs

The audit of our basic financial statements and schedule of expenditures of federal awards disclosed no audit findings or questioned costs which are required to be reported under Section 510(a) of OMB A-133.

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STATE REPORTING SECTION

CITY OF JASPER, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2014

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2008 Referendum					
Roads, Streets, and Bridges	\$ 954,889	\$ 954,889	\$ 0	\$ 0	\$ 0
Total	<u>\$ 954,889</u>	<u>\$ 954,889</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
2014 Referendum					
Roads, Streets, and Bridges	\$ 6,000,000	\$ 6,000,000	\$ 0	\$ 497	\$ 497
Total	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 0</u>	<u>\$ 497</u>	<u>\$ 497</u>

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.