

Annual Financial Report

For the Calendar Year Ended December 31, 2008



City of Jasper
The First Mountain City

200 Burnt Mountain Road
Jasper, Georgia 30143

Prepared By:
Tacie Jo Williams, CPA
Director of Finance

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City of Jasper, Georgia

FINANCIAL SECTION



& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

142 River Terrace - Ellijay, GA 30540

Phone: 706-276-3700 Fax: 706-276-3710

www.ellijaycpa.com

INDEPENDENT AUDITOR'S REPORT

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

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 remaining fund information of City of Jasper, Georgia, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Jasper, Georgia's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 remaining fund information of the City of Jasper, Georgia, as of December 31, 2008, and the respective changes in 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009, on our consideration of the City of Jasper, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

The City of Jasper, Georgia has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information and Schedule of Funding Process for the City of Jasper, Georgia's Retirement plan on pages 28 through 30 and 31, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Jasper, Georgia's basic financial statements. The Combining Nonmajor Fund Schedules on pages 32 and 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



Ellijay, Georgia
March 16, 2009

CITY OF JASPER, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2008

				Component Units		
	Governmental	Business-type	Total Primary	Industrial	Downtown	Jasper
	Activities	Activities	Government	Development	Development	Development
	Authority	Authority	Authority	Authority	Authority	Authority
ASSETS						
Current Assets:						
Cash	\$ 342,678	\$ 59,053	\$ 401,731	\$ 1,000	\$ -	\$ 22,617
Restricted cash	53,181	77,923	131,104	-	7,277	-
Investments	76,220	-	76,220	-	-	-
Accounts receivable, net	-	404,447	404,447	-	-	-
Taxes receivable, net	852,873	-	852,873	-	-	-
Internal balances	183,939	(183,939)	-	-	-	-
Due from primary government	-	-	-	-	-	-
Receivable from other governments	179,490	-	179,490	-	-	-
Fines receivable, net	94,905	-	94,905	-	-	-
Other receivables	35,185	3,016	38,201	-	-	-
Note receivable-primary government	-	-	-	-	171,522	-
Inventories	-	64,936	64,936	-	-	-
Prepaid expenses	50,957	34,628	85,585	-	-	-
Total Current Assets	1,869,428	460,064	2,329,492	1,000	178,799	22,617
Capital Assets Not Being Depreciated:						
Land	875,735	979,326	1,855,061	-	-	-
Construction in progress	2,809	1,766,654	1,769,463	-	-	-
Capital Assets Net of Accumulated Depreciation:						
Infrastructure	359,013	14,024,516	14,383,529	-	-	-
Buildings and improvements	382,518	268,356	650,874	-	-	-
Machinery and equipment	703,222	394,094	1,097,316	-	-	-
Furniture and fixtures	-	43	43	-	-	-
Vehicles	-	138,169	138,169	-	-	-
Park improvements	165,975	-	165,975	-	-	-
Total Capital Assets	2,489,272	17,571,158	20,060,430	-	-	-
Total Assets	\$ 4,358,700	\$ 18,031,222	\$ 22,389,922	\$ 1,000	\$ 178,799	\$ 22,617
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	\$ 108,499	\$ 39,348	\$ 147,847	\$ -	\$ -	\$ -
Accrued salaries	39,062	21,595	60,657	-	-	-
Accrued interest	7,831	60,025	67,856	-	-	-
Deferred revenue	81,270	8,000	89,270	-	-	-
Court bonds outstanding	9,900	-	9,900	-	-	-
Other accrued expenses	9,357	-	9,357	-	-	-
Customer deposits	-	441,571	441,571	-	-	-
Restricted liability:						
Retainage payable	-	77,923	77,923	-	-	-
Current Portion of Long-term Liabilities:						
Capital leases	110,324	102,422	212,746	-	19,631	-
Notes payable	-	216,083	216,083	-	-	-
Note payable to component units	19,631	-	19,631	-	-	-
Compensated absences	95,900	81,523	177,423	-	-	-
Total Current Liabilities	481,774	1,048,490	1,530,264	-	19,631	-
Long-term Liabilities:						
Note payable to component units	151,891	-	151,891	-	-	-
Other contracts payable	-	1,043,085	1,043,085	-	-	-
Capital leases	317,000	250,464	567,464	-	151,891	-
Notes payable	-	4,156,228	4,156,228	-	-	-
Compensated absences	124,871	30,016	154,887	-	-	-
Total Long-term Liabilities	593,762	5,479,793	6,073,555	-	151,891	-
Total Liabilities	1,075,536	6,528,283	7,603,819	-	171,522	-
Net Assets:						
Invested in capital assets, net of related debt	1,890,426	11,802,875	13,693,301	-	-	-
Restricted for:						
Other purposes	52,681	-	52,681	-	-	-
Unrestricted	1,340,057	(299,936)	1,040,121	1,000	7,277	22,617
Total Net Assets	3,283,164	11,502,939	14,786,103	1,000	7,277	22,617
Total Liabilities and Net Assets	\$ 4,358,700	\$ 18,031,222	\$ 22,389,922	\$ 1,000	\$ 178,799	\$ 22,617

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

		Net (Expense) Revenue and Changes in Net Assets								
		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	\$ 599,677	\$ 255	\$ -	\$ -	\$ (599,422)	\$ -	\$ (599,422)			
Judicial	132,116	33,462	-	-	(98,654)	-	(98,654)			
Public safety	1,568,807	360,990	-	-	(1,207,817)	-	(1,207,817)			
Public works	675,619	-	15,000	57,096	(603,523)	-	(603,523)			
Culture and recreation	98,076	-	-	-	(98,076)	-	(98,076)			
Housing and development	168,755	98,692	-	-	(70,063)	-	(70,063)			
Tourism	46,745	-	-	-	(46,745)	-	(46,745)			
Interest charges	29,443	-	-	-	(29,443)	-	(29,443)			
Total Governmental Activities	3,319,238	493,399	15,000	57,096	(2,753,743)	-	(2,753,743)			
Business-type Activities:										
Water and sewer	2,864,500	2,684,656	-	44,113	-	(135,731)	(135,731)			
Sanitation	116,673	94,698	-	-	-	(21,975)	(21,975)			
Total Business-type Activities	2,981,173	2,779,354	-	44,113	-	(157,706)	(157,706)			
Total Primary Government	\$ 6,300,411	\$ 3,272,753	\$ 15,000	\$ 101,209	(2,753,743)	(157,706)	(2,911,449)			
Component Units--										
Industrial Development Authority	\$ -	\$ -	\$ -	\$ -				\$ -	\$ -	\$ -
Downtown Development Authority	2,040	-	-	-				-	(2,040)	-
Jasper Development Authority	9,510	-	-	-				-	-	(9,510)
Total Component Units	\$ 11,550	\$ -	\$ -	\$ -				-	(2,040)	(9,510)
General revenues:										
Taxes:										
Property taxes, levied for general purposes					912,820	-	912,820	-	-	-
General sales and use taxes					1,063,438	-	1,063,438	-	-	-
Franchise taxes					346,298	-	346,298	-	-	-
Selective sales and use taxes					364,940	-	364,940	-	-	-
Business taxes					229,237	-	229,237	-	-	-
Grants and contributions not restricted to specific programs					71,326	79,165	150,491			
Unrestricted investment earnings					27,118	3,227	30,345	-	85	391
Miscellaneous					9,436	19,385	28,821	-	-	-
Transfers					-	-	-	-	-	-
Total general revenues and transfers					3,024,613	101,777	3,126,390	-	85	391
Change in net assets					270,870	(55,929)	214,941	-	(1,955)	(9,119)
Net assets, beginning of year					3,029,390	11,558,868	14,588,258	1,000	24,781	31,736
Prior period adjustment					(17,096)	-	(17,096)	-	(15,549)	-
Net assets, end of year					\$ 3,283,164	\$ 11,502,939	\$ 14,786,103	\$ 1,000	\$ 7,277	\$ 22,617

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
<i>ASSETS</i>			
Cash	\$ 333,966	\$ 8,712	\$ 342,678
Restricted cash	14,947	38,234	53,181
Investments	76,220	-	76,220
Taxes receivable, net	847,133	5,740	852,873
Due from other funds	186,825	-	186,825
Receivable from other governments	179,490	-	179,490
Fines receivable, net	94,905	-	94,905
Other receivables	35,185	-	35,185
Prepaid expenses	50,957	-	50,957
Total Assets	<u>\$ 1,819,628</u>	<u>\$ 52,686</u>	<u>\$ 1,872,314</u>
 <i>LIABILITIES AND FUND BALANCES</i>			
Liabilities:			
Accounts payable	\$ 107,999	\$ 500	\$ 108,499
Due to other funds	2,886	-	2,886
Accrued salaries	39,062	-	39,062
Deferred revenue	1,154,004	-	1,154,004
Court bonds outstanding	9,900	-	9,900
Other accrued expenses	9,357	-	9,357
Total Liabilities	<u>1,323,208</u>	<u>500</u>	<u>1,323,708</u>
 Fund balances:			
Reserved for:			
Tourism	-	22,304	22,304
Cash	14,947	15,430	30,377
Prepaid expenses	50,957	-	50,957
Unreserved	430,516	-	430,516
Unreserved, reported in non-major:			
Special revenue funds	<u>-</u>	<u>14,452</u>	<u>14,452</u>
Total Fund Balances	<u>496,420</u>	<u>52,186</u>	<u>548,606</u>
Total Liabilities and Fund Balances	<u>\$ 1,819,628</u>	<u>\$ 52,686</u>	<u>\$ 1,872,314</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 ASSETS
December 31, 2008

Total fund balance, governmental funds	\$ 548,606
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Amounts reported for governmental activities in the Statement of Net Assets 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 Assets. The cost of the capital assets is \$3,840,650, and the accumulated depreciation is \$1,351,378.	2,489,272
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Some of the City's tax revenues will be collected after the fiscal year end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred on the fund financial statements.	1,072,734
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Some 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 Assets. These liabilities include the following:

Accrued interest	(7,831)
Compensated absences	(220,771)
Note payable to component units	(171,522)
Capital leases	<u>(427,324)</u>

Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 3,283,164</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, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,656,876	\$ 48,651	\$ 2,705,527
Licenses and permits	95,942	-	95,942
Intergovernmental	93,406	-	93,406
Charges for services	37,755	-	37,755
Fines and forfeitures	344,281	15,421	359,702
Investment earnings	9,334	429	9,763
Contributions and donations	71,326	-	71,326
Miscellaneous	7,357	2,079	9,436
Penalties and interest on delinquent taxes	17,355	-	17,355
Total Revenues	<u>3,333,632</u>	<u>66,580</u>	<u>3,400,212</u>
Expenditures:			
Current:			
General government	586,349	-	586,349
Judicial	149,693	-	149,693
Public safety	1,502,913	-	1,502,913
Public works	853,228	-	853,228
Culture and recreation	84,195	-	84,195
Housing and development	164,173	-	164,173
Tourism	-	54,956	54,956
Debt Service:			
Principal	118,776	-	118,776
Interest and other charges	32,698	-	32,698
Total Expenditures	<u>3,492,025</u>	<u>54,956</u>	<u>3,546,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(158,393)</u>	<u>11,624</u>	<u>(146,769)</u>
Other Financing Sources (Uses):			
Proceeds from capital leases	83,660	-	83,660
Total other financing sources and uses	<u>83,660</u>	<u>-</u>	<u>83,660</u>
Net changes in fund balances	(74,733)	11,624	(63,109)
Fund balances (deficit), beginning of year	603,798	25,013	628,811
Prior period adjustment	(32,645)	15,549	(17,096)
Fund balances, end of year	<u>\$ 496,420</u>	<u>\$ 52,186</u>	<u>\$ 548,606</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 ACTIVITIES
For the Year Ended December 31, 2008

Net change in fund balances - total governmental funds:	\$	(63,109)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

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

This is the amount of capital outlays \$323,123 netted with depreciation \$168,745 in the current period.		154,378
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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.

		189,896
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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.

		35,116
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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:

Accrued interest		3,410
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Additional amount accrued during the fiscal year for compensated absences related to vacation and comp time for employees.		(48,821)
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Change in net assets of governmental activities	\$	<u>270,870</u>
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The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008

	Business-type Activities - Enterprise Funds		
	Major Fund Water and <u>Sewerage Fund</u>	Nonmajor Fund <u>Sanitation</u>	<u>Total</u>
<i>ASSETS</i>			
Current Assets:			
Cash	\$ 57,460	\$ 1,593	\$ 59,053
Restricted cash	77,923	-	77,923
Accounts receivable, net	398,820	5,627	404,447
Due from other funds	1,396	2,938	4,334
Receivables from other governments	-	-	-
Other receivables	536	2,480	3,016
Inventories	64,936	-	64,936
Prepaid expenses	31,426	3,202	34,628
Total Current Assets	<u>632,497</u>	<u>15,840</u>	<u>648,337</u>
Non-Current Assets:			
Capital Assets Not Being Depreciated:			
Land and improvements	979,326	-	979,326
Construction in progress	1,766,654	-	1,766,654
Capital Assets Net of Accumulated Depreciation:			
Buildings and improvements	268,356	-	268,356
Machinery and equipment	329,235	64,859	394,094
Vehicles	138,169	-	138,169
Furniture and fixtures	43	-	43
Infrastructure	14,024,516	-	14,024,516
Total Non-Current Assets	<u>17,506,299</u>	<u>64,859</u>	<u>17,571,158</u>
Total Assets	<u>\$ 18,138,796</u>	<u>\$ 80,699</u>	<u>\$ 18,219,495</u>
<i>LIABILITIES AND NET ASSETS</i>			
Current Liabilities:			
Accounts payable	\$ 39,348	\$ -	\$ 39,348
Salaries payable	20,977	618	21,595
Accrued interest payable	60,025	-	60,025
Due to other funds	178,587	9,686	188,273
Deferred revenue	8,000	-	8,000
Compensated absences	77,600	3,923	81,523
Notes payable	216,083	-	216,083
Capital lease obligation	86,878	15,544	102,422
Restricted liabilities:			
Customer deposits	441,571	-	441,571
Retainage payable	77,923	-	77,923
Total Current Liabilities	<u>1,206,992</u>	<u>29,771</u>	<u>1,236,763</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008

	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	30,016	-	30,016
Capital lease obligation	207,980	42,484	250,464
Notes payable	4,156,228	-	4,156,228
Other contracts payable	<u>1,043,085</u>	<u>-</u>	<u>1,043,085</u>
Total Non-Current Liabilities	<u>5,437,309</u>	<u>42,484</u>	<u>5,479,793</u>
Total Liabilities	<u>6,644,301</u>	<u>72,255</u>	<u>6,716,556</u>
Net Assets:			
Invested in capital assets, net of related debt	11,796,044	6,831	11,802,875
Restricted for other purposes	-	-	-
Unrestricted	<u>(301,549)</u>	<u>1,613</u>	<u>(299,936)</u>
Total Net Assets	<u>11,494,495</u>	<u>8,444</u>	<u>11,502,939</u>
Total Liabilities and Net Assets	<u>\$ 18,138,796</u>	<u>\$ 80,699</u>	<u>\$ 18,219,495</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds		
	Major Fund Water and <u>Sewerage</u>	Nonmajor Fund <u>Sanitation</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,684,655	\$ 94,698	\$ 2,779,353
Miscellaneous	<u>19,385</u>	<u>-</u>	<u>19,385</u>
Total Operating Revenues	<u>2,704,040</u>	<u>94,698</u>	<u>2,798,738</u>
Operating Expenses:			
Sewer administration	97,840	-	97,840
Sewer maintenance	105,890	-	105,890
Waste water treatment plant	287,756	-	287,756
Water administration	157,895	-	157,895
Meter reading	148,373	-	148,373
Water supply	280,597	-	280,597
Water treatment plant	605,035	-	605,035
Water distribution	475,766	-	475,766
Solid waste collection	<u>-</u>	<u>96,744</u>	<u>96,744</u>
Total Operating Expenses before Depreciation	2,159,152	96,744	2,255,896
Depreciation expense	<u>514,363</u>	<u>17,060</u>	<u>531,423</u>
Total Operating Expenses	<u>2,673,515</u>	<u>113,804</u>	<u>2,787,319</u>
Operating Income (Loss)	<u>30,525</u>	<u>(19,106)</u>	<u>11,419</u>
Non-Operating Revenues (Expenses):			
Interest revenue	3,214	13	3,227
Intergovernmental	44,113	-	44,113
Interest expense	(186,559)	(2,869)	(189,428)
Loss on disposal of assets	<u>(4,426)</u>	<u>-</u>	<u>(4,426)</u>
Total Non-Operating Revenue (Expenses)	<u>(143,658)</u>	<u>(2,856)</u>	<u>(146,514)</u>
Income (loss) before contributions and transfers	(113,133)	(21,962)	(135,095)
Contributions and donations	79,165	-	79,165
Transfers in	-	13,500	13,500
Transfers out	<u>(13,500)</u>	<u>-</u>	<u>(13,500)</u>
Change in net assets	(47,468)	(8,462)	(55,930)
Total net assets, beginning	<u>11,541,963</u>	<u>16,906</u>	<u>11,558,869</u>
Total net assets, ending	<u>\$ 11,494,495</u>	<u>\$ 8,444</u>	<u>\$ 11,502,939</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, 2008

	Business-type Activities Enterprise Funds		
	Major Water Fund	Nonmajor Sanitation Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,506,346	\$ 70,314	\$ 2,576,660
Other receipts	19,385	22,949	42,334
Payments to suppliers	(841,681)	(37,472)	(879,153)
Payments to employees	(1,294,018)	(60,560)	(1,354,578)
Net cash provided by (used in) operating activities	<u>390,032</u>	<u>(4,769)</u>	<u>385,263</u>
Cash Flows from Noncapital Financing Activities:			
Operating subsidies (to) from other funds	(1,762)	9,701	7,939
Proceeds from intergovernmental grants	44,113	-	44,113
Transfers in	-	13,500	13,500
Transfers out	(13,500)	-	(13,500)
Net cash provided by (used in) noncapital financing activities	<u>28,851</u>	<u>23,201</u>	<u>52,052</u>
Cash Flows from Capital Financing Activities:			
Purchase of capital assets	(1,817,024)	-	(1,817,024)
Principal paid on capital debt	(308,997)	(16,714)	(325,711)
Interest paid on capital debt	(137,414)	(2,869)	(140,283)
Proceeds from issuance of capital debt	1,777,609	-	1,777,609
Sale of capital assets	21,920	-	21,920
Contributions related to capital assets	79,165	-	79,165
Net cash provided by (used in) capital financing activities	<u>(384,741)</u>	<u>(19,583)</u>	<u>(404,324)</u>
Cash Flows from Investing Activities:			
Interest income	<u>3,214</u>	<u>13</u>	<u>3,227</u>
Net cash provided by (used in) investing activities	<u>3,214</u>	<u>13</u>	<u>3,227</u>
Net increase (decrease) in cash	37,356	(1,138)	36,218
Cash, beginning of year	<u>98,027</u>	<u>2,731</u>	<u>100,758</u>
Cash, end of year	<u>\$ 135,383</u>	<u>\$ 1,593</u>	<u>\$ 136,976</u>
Reconciliation of Total Cash:			
Unrestricted	\$ -	\$ 1,593	\$ 1,593
Restricted	<u>135,383</u>	<u>-</u>	<u>135,383</u>
	<u>\$ 135,383</u>	<u>\$ 1,593</u>	<u>\$ 136,976</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, 2008

	Business-type Activities Enterprise Funds		
	Major Water Fund	Nonmajor Sanitation Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 30,525	\$ (19,106)	\$ 11,419
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	514,363	17,060	531,423
Change in assets and liabilities:			
Accounts receivable	(214,497)	(1,013)	(215,510)
Other receivables	18,809	(422)	18,387
Inventory	(5,618)	-	(5,618)
Prepaid expenses	(14,508)	(1,944)	(16,452)
Accounts payable	7,340	-	7,340
Customer deposits	17,379	-	17,379
Accrued salaries	6,900	(62)	6,838
Compensated absences	29,339	718	30,057
	<u>359,507</u>	<u>14,337</u>	<u>373,844</u>
Net cash provided by (used in) operating activities	<u>\$ 390,032</u>	<u>\$ (4,769)</u>	<u>\$ 385,263</u>

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2008

1. SUMMARY OF ACCOUNTING POLICIES

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

A. THE REPORTING ENTITY

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

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

B. BASIS OF PRESENTATION – FUND ACCOUNTING

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

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

C. BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

NOTES TO FINANCIAL STATEMENTS (continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Revenue Recognition:

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

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

Other revenues, including licenses and permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

NOTES TO FINANCIAL STATEMENTS (continued)

Expenditure Recognition:

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt and other long term obligations, which have not matured, are recognized when due. Allocation of costs, such as depreciation, is not recognized in the governmental funds.

Proprietary Funds

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for water and sewer usage and solid waste collection. Operating expenses for the enterprise funds include all costs to operate the water and sewer system and to deliver water and sewer service to customers as well as providing solid waste collection services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

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

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

E. 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

NOTES TO FINANCIAL STATEMENTS (continued)

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.

F. PROPERTY TAXES AND OTHER RECEIVABLES

Collection of each year's property taxes by the City is not always completed in the current year. Consequently, current year property taxes receivable are only measurable based on actual collections within sixty days of the year end. Those current and prior property taxes which are collected within sixty days of the year end are susceptible to accrual and therefore are accrued and reflected in revenue. It is not practical to measure delinquent taxes at the end of the year and, further, the amounts thereof are not material in relation to the financial statements taken as a whole. Collections within sixty days of the year end are recorded as revenue and those taxes which are not collected within the specified time period are shown as deferred revenues on the balance sheet. Property taxes receivable are stated at net amounts receivable. An allowance for uncollectible taxes for \$20,911 was established by management at December 31, 2008. The property tax bills for 2008 were levied at the end of 2008 and were intended for use during the 2009 calendar year, the year in which they are due. Therefore, the entire levy of \$971,406 was included in deferred revenue on the governmental financial statements.

The City property tax calendar is as follows:

Levy Date	November 11, 2008
Due Date	January 31, 2009
Delinquent Date	February 28, 2009
Lien Date	June 30, 2009

Accounts receivable in the Water Fund and fines receivable in the General Fund are stated at net amounts receivable. An allowance for doubtful accounts was established by management at December 31, 2008, amounting to \$55,814 in the Water Fund and \$73,800 in the General Fund based on prior years experience and collection policies.

G. INVENTORIES

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

H. PREPAID EXPENSES

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

I. CAPITAL ASSETS AND DEPRECIATION

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

NOTES TO FINANCIAL STATEMENTS (continued)

October 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

J. COMPENSATED ABSENCES

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

K. 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.

L. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Eliminations have been made in the governmental and business-type activities columns of the government-wide statements.

Receipts and/or payments to or from other governmental units not included in the reporting entity of the City are not reported as transfers. They are classified according to the purpose for which the receipt or payment has been made.

2. 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, 2008, the City had no bank balance that was exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS (continued)

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balances</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 875,735	\$ -	\$ -	\$ 875,735
Construction in progress	2,809	-	-	2,809
Total capital assets not being depreciated	878,544	-	-	878,544
Capital assets being depreciated:				
Buildings and improvements	538,126	1,229	-	539,355
Infrastructure	167,775	222,883	-	390,658
Machinery and equipment	1,564,752	94,854	-	1,659,606
Park improvements	368,330	4,157	-	372,487
Total capital assets being depreciated	2,638,983	323,123	-	2,962,106
Less accumulated depreciation:				
Buildings and improvements	(141,858)	(14,979)	-	(156,837)
Infrastructure	(19,106)	(12,539)	-	(31,645)
Machinery and equipment	(828,559)	(127,825)	-	(956,384)
Park improvements	(193,110)	(13,402)	-	(206,512)
Total accumulated depreciation	(1,182,633)	(168,745)	-	(1,351,378)
Total capital assets being depreciated, net	1,456,350	154,378	-	1,610,728
Governmental activities capital assets, net	\$ 2,334,894	\$ 154,378	\$ -	\$ 2,489,272
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 979,326	\$ -	\$ -	\$ 979,326
Construction in progress	747,348	1,141,036	(121,730)	1,766,654
Total capital assets not being depreciated	1,726,674	1,141,036	(121,730)	2,745,980
Capital assets being depreciated:				
Buildings and improvements	351,886	-	-	351,886
Machinery and equipment	873,751	58,429	(45,819)	886,361
Vehicles	425,379	-	-	425,379
Furniture and fixtures	8,799	-	-	8,799
Water and sewer infrastructure	19,626,562	245,632	-	19,872,194
Total capital assets being depreciated	21,286,377	304,061	(45,819)	21,544,619
Less accumulated depreciation:				
Buildings and improvements	(74,549)	(8,981)	-	(83,530)
Machinery and equipment	(448,771)	(62,969)	19,473	(492,267)
Vehicles	(231,094)	(56,115)	-	(287,209)
Furniture and fixtures	(8,718)	(38)	-	(8,756)
Water and sewer infrastructure	(5,444,359)	(403,320)	-	(5,847,679)

NOTES TO FINANCIAL STATEMENTS (continued)

Total accumulated depreciation	(6,207,491)	(531,423)	19,473	(6,719,441)
Total capital assets being depreciated, net	15,078,886	(227,362)	(26,346)	14,825,178
Business-type activities capital assets, net	\$ 16,805,560	\$ 913,674	\$ (148,076)	\$ 17,571,158

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

Governmental activities:

General government	\$ 19,283
Public safety	82,635
Public works	44,936
Culture and recreation	19,238
Housing and development	<u>2,653</u>
	<u>\$ 168,745</u>

Business-type activities:

Water and Sewerage	\$ 514,363
Sanitation	<u>17,060</u>
	<u>\$ 531,423</u>

4. INTERFUND BALANCES AND ACTIVITY

A. TRANSFER TO/FROM OTHER FUNDS

Transfers between funds consisted of the following at year end:

\$13,500 Transfer to Sanitation Fund from Water Fund for administrative supplement

B. BALANCES DUE TO/FROM OTHER FUNDS

Balances due to/from other funds consisted of the following at year end:

\$177,139 Due from Water Fund to General Fund for vendor payments
9,686 Due from Sanitation Fund to General Fund for vendor payments
\$186,825

\$ 1,396 Due from General Fund to Water Fund for labor costs on capital project

\$ 1,490 Due from General Fund to Sanitation Fund for auction proceeds
1,448 Due from Water Fund to Sanitation Fund for solid waste collection charges
\$ 2,938

All interfund balances are expected to be repaid within one year from the date of the financial statements.

5. DUE FROM OTHER GOVERNMENTS

The receivable consists of the following at year end:

Governmental Activities

Georgia Department of Revenue	\$164,490
Pickens County Government	<u>15,000</u>
	<u>\$179,490</u>

NOTES TO FINANCIAL STATEMENTS (continued)

6. RESTRICTED ASSETS AND RESERVED EQUITY

At December 31, 2008, the General Fund reserved a portion of fund balance for the purposes of restricted cash and prepaid insurance totaling \$14,947 and \$50,957, respectively, reflected in the current assets of the fund. The Hotel/Motel Tax Fund reserved a portion of fund balance for tourism purposes totaling \$22,304, which is the balance of cash restricted of \$22,804 less the restricted liability of \$500, as reflected on the balance sheet. The Confiscated Assets Fund reserved a portion of fund balance for restricted cash totaling \$15,430, as reflected on the balance sheet.

7. NOTES PAYABLE TO THE COMPONENT UNITS

The Downtown Development Authority of Jasper currently holds two notes at various financial institutions for assets leased to the City through a lease purchase agreement. The annual lease payments for the building and adjoining land 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 \$171,522.

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 \$171,522. The long-term debt activity for this note has been included in the summary of changes in long-term debt at the end of Note 8.

8. CHANGES IN LONG-TERM DEBT

Governmental Activities:

The following capital leases had outstanding balances at December 31, 2008:

Kansas State Bank, fire truck lease, payable in annual installments of \$18,359, including interest at 7%. Original balance \$156,994, matures in 2009.	\$ 17,245
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.	212,947
BB&T Governmental Finance Corporation, turnout gear lease, payable in monthly installments of \$529, including interest at 4.53%. Original balance \$28,326, matures in 2012.	18,228
RBC Centura Bank, vehicle lease, payable in monthly installments of \$1,323, including interest at 4.19%. Original balance \$71,903, matures in 2012.	48,613
Agricredit Acceptance, equipment lease, payable in monthly installments of \$958, including interest at 4.186%. Original balance \$52,300, matures in 2010.	17,966
RBC Centura Bank, vehicle lease, payable in monthly installments of \$2,687, including interest at 4.25%. Original balance \$72,500, matures in 2011.	38,154
BB&T Governmental Finance Corporation, court software lease, payable in monthly installments of \$1,111, including interest at 3.87%. Original balance \$37,741, matures in 2011.	33,739
Agricredit Acceptance, equipment lease, payable in monthly installments of \$501, including interest at 5.015%. Original balance \$11,420, matures in 2010.	8,669
BB&T Governmental Finance Corporation, phone upgrades, payable in monthly installments of \$458, including interest at 3.66%. Original balance \$10,582, matures	

NOTES TO FINANCIAL STATEMENTS (continued)

in 2010. 8,434

BB&T Governmental Finance Corporation, police cruiser lease, payable in monthly installments of \$706, including interest at 3.85%. Original balance \$23,917, matures in 2011.

23,329
427,324
(110,324)
\$ 317,000

Less current portion of debt

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>
2009	\$ 110,324	\$ 19,206	\$ 129,530
2010	87,440	14,033	101,473
2011	64,249	10,635	74,884
2012	24,338	8,607	32,945
2013	20,469	7,534	28,003
2014	<u>120,504</u>	<u>19,982</u>	<u>140,486</u>
TOTAL	<u>\$ 427,324</u>	<u>\$ 79,997</u>	<u>\$ 507,321</u>

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

	<u>Asset</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Machinery and equipment	<u>\$ 743,472</u>	<u>\$ 280,905</u>	<u>\$ 462,567</u>

Business-Type Activities:

The following capital leases had outstanding balances at December 31, 2008:

Jasper Banking Company, land acquisition, payable in monthly installments of \$1,462, including interest at 5.25%. Original balance \$181,832, matures in 2014.	\$ 76,921
RBC Centura Bank, vehicle lease, payable in monthly installments of \$2,687, including interest at 4.25%. Original balance \$72,500, matures in 2001.	37,943
Agricredit Acceptance, equipment lease, payable in monthly installments of \$933, including interest at 9.61%. Original balance \$45,374, matures in 2010.	19,533
Kubota Credit, equipment lease, payable in monthly installments of \$797, including interest at 5.99%. Original balance \$41,235, matures in 2011.	18,688
BB&T Governmental Finance Corporation, equipment lease, payable in monthly installments of \$1,175, including interest at 4.59%. Original balance \$61,680, matures in 2012.	41,499
RBC Centura Bank, vehicle lease, payable in monthly installments of \$3,088, including interest at 4.186%. Original balance \$166,250, matures in 2012.	111,911
Bancorp South Equipment, equipment lease, payable in monthly installments of \$969, including interest at 3.9%. Original balance \$54,603, matures in 2011.	<u>46,391</u>
	352,886

NOTES TO FINANCIAL STATEMENTS (continued)

Less current portion of debt	<u>(102,422)</u>
	<u>\$ 250,464</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>
2009	\$ 102,422	\$ 7,445	\$ 109,867
2010	106,773	4,550	111,323
2011	99,288	2,352	101,640
2012	27,160	1,429	28,589
2013	16,977	562	17,539
2014	<u>266</u>	<u>10</u>	<u>276</u>
	<u>\$ 352,886</u>	<u>\$ 16,348</u>	<u>\$ 369,234</u>

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

	<u>Asset</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 181,832	\$ -	\$ 181,832
Machinery and equipment	<u>348,202</u>	<u>79,799</u>	<u>268,403</u>
	<u>\$ 530,034</u>	<u>\$ 79,799</u>	<u>\$ 450,235</u>

The following notes payable had outstanding balances at December 31, 2008:

Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of \$2,459, including interest at 6.7%. Original balance \$306,432, matures in 2011.	\$ 65,679
Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of \$1,686, including interest at 5.12%. Original balance \$198,107, matures in 2011.	47,378
Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of \$3,304, including interest at 5.5%. Original balance \$391,283, matures in 2013.	157,721
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.	1,112,495
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.	628,586
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.	637,446
Georgia Environmental Facilities Authority, infrastructure construction, accruing interest at 4%, not yet in repayment.	<u>1,723,006</u>
	4,372,311

NOTES TO FINANCIAL STATEMENTS (continued)

Less current portion of debt	<u>(216,083)</u>
	<u>\$4,156,228</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 216,083	\$ 110,834	\$ 326,917
2010	226,646	100,270	326,916
2011	210,010	89,575	299,585
2012	196,508	80,665	277,173
2013	185,403	71,947	257,350
2014-2018	942,795	244,839	1,187,634
2019-2023	513,093	82,948	596,041
2024-2027	<u>158,767</u>	<u>9,798</u>	<u>168,565</u>
	2,649,305	790,876	3,440,181
Amount not yet in repayment	<u>1,723,006</u>	<u>49,759</u>	<u>1,772,765</u>
	<u>\$ 4,372,311</u>	<u>\$ 840,635</u>	<u>\$ 5,212,946</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
Capital leases	\$ 448,824	\$ 83,660	\$ 105,160	\$ 427,324	\$ 110,324
Note payable-component unit	185,293	-	13,771	171,522	19,631
Compensated absences	<u>171,950</u>	<u>144,693</u>	<u>95,872</u>	<u>220,771</u>	<u>95,900</u>
	<u>806,067</u>	<u>228,353</u>	<u>214,803</u>	<u>819,617</u>	<u>225,855</u>
Business-Type Activities:					
Capital leases	417,967	54,603	119,684	352,886	102,422
Notes payable	2,855,332	1,723,006	206,027	4,372,311	216,083
Compensated absences	<u>78,277</u>	<u>106,979</u>	<u>77,640</u>	<u>107,616</u>	<u>77,600</u>
	<u>3,351,576</u>	<u>1,884,588</u>	<u>403,351</u>	<u>4,832,813</u>	<u>396,105</u>
Total long-term liabilities	<u>\$4,157,643</u>	<u>\$ 2,112,941</u>	<u>\$ 618,154</u>	<u>\$5,652,430</u>	<u>\$ 621,960</u>

Long-term liabilities such as compensated absences are liquidated by the fund to which the liability is related. Interest expense for the year was included in the Statement of Activities as follows:

General Fund	\$ 29,443
Water and Sewerage Fund	\$186,559
Sanitation Fund	\$ 2,869

9. 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.

NOTES TO FINANCIAL STATEMENTS (continued)

Self Insurance

The City pays unemployment claims to the state department of labor on a reimbursement basis. There were no liabilities for such claims at December 31, 2008.

10. 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, 2008, employee contributions were \$3,542.

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.

Funding Policy. The Commission is required to contribute at an actuarially determined rate; the current rate is 6% 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 May 1, 2008 actuarial valuation, 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, 2008 was \$139,214. The required contribution was determined as part of the May 1, 2008 actuarial valuation using the projected unit credit actuarial cost method. The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the Plan meet the actuarial standards of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

The actuarial assumptions included (a) 8.0% investment rate of return, and (b) projected salary increases for inflation of 5.0% and for merit or seniority of .5%. 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 8%. 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 as a level dollar amount. The amortization periods, if applicable, are open for this plan year.

NOTES TO FINANCIAL STATEMENTS (continued)

Trend of Information for CJRP
(Dollar amounts in thousands)
Note: Year-end change beginning 2007

	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
12-31-08	\$ 139,214	100%	-
12-31-07	\$ 35,027	100%	-
9-30-07	\$ 123,842	100%	-
9-30-06	\$ 118,156	100%	-
9-30-05	\$ 114,854	100%	-
9-30-04	\$ 100,735	100%	-

11. JOINT VENTURE

The City, in conjunction with cities and counties in the five (5) county Northwest Georgia area are members of the North Georgia Regional Development Center (RDC). Membership in an RDC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RDC. The City paid annual dues to the RDC for the year ended December 31, 2008, in the amount of \$2,888. The RDC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDC's 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 RDC beyond its resources, (O.C.G.A. 50-8-39.1).

Complete financial statements of the North Georgia Regional Development Center can be obtained directly from their office:

North Georgia Regional Development Center
503 Waugh Street
Dalton, Georgia 30720

The City is a member of the Northwest Georgia Regional Water Sources 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. The City pays annual dues in the amount of \$1,500. Complete financial statements of the Northwest Georgia Water Resources Partnership can be obtained directly from their office:

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

12. 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, 2008, the City collected a total of \$46,460. The City expended the required funds in accordance

NOTES TO FINANCIAL STATEMENTS (continued)

with state law and had \$31,516 remaining at the year end. Note that these totals reflect the cash activity of the tax collected and expended, which excludes any accrued collections at the end of the fiscal year.

13. COMMITMENTS AND CONTINGENCIES

The City is in the process of designing and constructing a 500,000 gallon elevated water storage tank for an estimated total cost of \$1,000,000. \$300,000 of the cost will be funded by an Appalachian Regional Commission grant, and the remaining cost will be funded by a loan from Georgia Environmental Facilities Authority. The loan funds will be distributed from the current outstanding GEFA note (2007 L05 WS) shown as “not yet in repayment” in Note 8. The total note was intended to fund a two part project including a water treatment plant expansion for \$1,827,000 and the elevated tank construction for \$1,000,000. Upon completion of the water treatment plant expansion in early 2009, the City will begin repayment on the portion of the note used for the expansion and will continue to draw down funds for the elevated tank. Upon completion of the tank project, the entire balance of the loan will be re-amortized and placed in repayment.

The Downtown Development Authority of the City of Jasper (DDA) entered into an Intergovernmental Agreement with Pickens County Government and Pickens County Industrial Development Authority (PCIDA) for the purpose of funding the repairs to the wooden bridge in Jasper in the amount of \$80,000. In this agreement, Pickens County Government agreed to contribute \$20,000 for the repair cost and PCIDA agreed to provide a matching contribution of \$20,000. In addition, PCIDA agreed to loan DDA the remaining amount for the repairs of \$40,000, which must be repaid by December 31, 2010. At December 31, 2008, no funds had been exchanged, and no repairs had taken place on the bridge.

14. RESTATEMENTS OF PRIOR PERIOD FINANCIAL INFORMATION

The General Fund required a prior period adjustment to properly state deferred revenues in the December 31, 2007 conversion year financial statements, issued for the three months ended December 31, 2007. In those statements, \$11,645 for business license fees collected was not deferred. In addition, a receivable for payments in lieu of taxes was accrued in error in the amount of \$21,000. This resulted in a total restatement of \$32,645 in the General Fund.

The Hotel/Motel Tax Fund required a prior period adjustment in the amount of \$15,549 to properly restate liability for the financial statements for the fiscal year ended September 30, 2007. In April 2008, the Mayor and Council voted to reallocate funds originally designated to the Downtown Development Authority of Jasper to the Pickens County Chamber of Commerce. The original designation had been recorded correctly as an amount “due to component unit”; however, this was no longer correct after the transfer of funds by Council. Therefore, the liability was reversed and the payment was made in the current year statements as a “payment to other agencies”.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Property taxes	\$ 996,128	\$ 1,003,820	\$ 701,614	\$ (302,206)
Franchise taxes	319,000	346,278	346,298	20
Business taxes	228,000	256,275	229,237	(27,038)
General sales and use taxes	1,235,000	927,300	1,063,438	136,138
Selective use taxes	320,000	281,600	316,289	34,689
Licenses and permits	115,950	85,050	95,942	10,892
Intergovernmental	94,142	94,096	93,406	(690)
Charges for services	35,200	42,200	37,755	(4,445)
Fines and forfeitures	250,000	290,000	344,281	54,281
Investment earnings	20,000	9,000	9,334	334
Contributions and donations	8,500	85,053	71,326	(13,727)
Miscellaneous	5,500	2,300	7,357	5,057
Penalties and interest on delinquent taxes	39,843	18,910	17,355	(1,555)
Total Revenues	<u>3,667,263</u>	<u>3,441,882</u>	<u>3,333,632</u>	<u>(108,250)</u>
Expenditures:				
Current:				
General government:				
Legislative	44,840	29,793	27,785	2,008
Executive	172,688	176,865	183,830	(6,965)
Elections	1,745	5,416	2,187	3,229
Financial administration	375,615	388,299	372,547	15,752
Judicial:				
Municipal court	149,854	145,166	149,693	(4,527)
Public Safety:				
Police	908,352	790,252	793,913	(3,661)
Fire	766,989	688,663	708,323	(19,660)
Animal Control	-	-	677	(677)
Public Works:				
Streets	728,251	783,595	764,273	19,322
Fleet maintenance and shop	107,761	85,320	86,455	(1,135)
Cemetery	2,500	2,500	2,500	-
Culture and Recreation:				
Parks administration	109,975	81,743	84,195	(2,452)
Housing and development:				
Protective inspection	108,338	107,168	107,669	(501)
Planning and zoning	61,396	56,282	56,504	(222)
Debt service	<u>172,657</u>	<u>147,822</u>	<u>151,474</u>	<u>(3,652)</u>
Total Expenditures	<u>3,710,961</u>	<u>3,488,884</u>	<u>3,492,025</u>	<u>(3,141)</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(43,698)</u>	<u>(47,002)</u>	<u>(158,393)</u>	<u>(111,391)</u>
Other Financing Sources (Uses)				
Transfer in	18,698		-	-
Transfer out	-	-	-	-
Proceeds from capital leases	25,000	47,002	83,660	36,658
Sale of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>43,698</u>	<u>47,002</u>	<u>83,660</u>	<u>36,658</u>
Net change in fund balance	-	-	(74,733)	(74,733)
Fund balance, beginning of year	603,798	603,798	603,798	-
Prior period adjustments	<u>(32,645)</u>	<u>(32,645)</u>	<u>(32,645)</u>	<u>-</u>
Fund balance, end of year	<u>\$ 571,153</u>	<u>\$ 571,153</u>	<u>\$ 496,420</u>	<u>\$ (74,733)</u>

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

CITY OF JASPER, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2008

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. 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.

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: operating expenditures/expenses, capital outlay and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to approval by the City Council and Mayor. Revisions to the budget were made throughout the year.

During the year ended December 31, 2008, some expenditures exceeded appropriated amounts as shown in the preceding budgetary comparison statement. However, management operated overall within only \$3,141 of budget by covering shortages in some departments with unused budgeted funds in other departments. Also, management began the year with revenues in excess from previous periods, which were used to cover the total shortage of \$3,141. The following expenditure categories in the General Fund exceeded budgeted amounts by a minimum of \$1,000 as indicated below in the City's funds:

Executive	\$ 6,965
Municipal Court	\$ 4,527
Police	\$ 3,661
Fire	\$19,660
Fleet maintenance	\$ 1,135
Parks	\$ 2,452
Debt service	\$ 3,652

CITY OF JASPER, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE
CITY OF JASPER RETIREMENT PLAN
For the Year Ended December 31, 2008

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]
5/1/08	\$1,577,943	\$1,759,368	\$181,425	89.7%	\$2,530,373	7.2%
5/1/07	\$1,384,624	\$1,615,413	\$230,789	85.7%	\$2,291,284	10.1%
5/1/06	\$1,209,878	\$1,399,153	\$189,275	86.5%	\$2,181,189	8.7%
5/1/05	\$1,063,242	\$1,311,997	\$248,755	81.0%	\$1,914,069	12.9%
5/1/04	\$ 939,199	\$1,163,891	\$226,378	80.7%	\$1,710,569	13.1%
5/1/03	\$ 821,613	\$1,058,823	\$237,210	77.6%	\$1,783,175	13.3%
5/1/02	\$ 750,176	\$1,036,021	\$285,845	72.4%	\$1,480,540	19.3%
5/1/01	\$ 676,800	\$ 992,959	\$316,159	68.2%	\$1,345,836	23.5%
5/1/00	\$ 612,921	\$ 919,604	\$306,683	66.7%	\$1,135,820	27.0%
5/1/99	\$ 546,874	\$ 824,432	\$277,558	66.3%	\$ 989,015	28.1%
5/1/98	\$ 488,437	\$ 764,343	\$275,906	63.9%	\$ 854,064	32.3%

Effect of plan changes on the actuarial accrued liability

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

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

Effect of plan changes on recommended contributions

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

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

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

COMBINING SCHEDULES

CITY OF JASPER, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2008

	<u>Confiscated Assets Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ -	\$ 8,712	\$ 8,712
Restricted cash	15,430	22,804	38,234
Taxes receivable	<u> -</u>	<u> 5,740</u>	<u> 5,740</u>
 Total Assets	 <u>\$ 15,430</u>	 <u>\$ 37,256</u>	 <u>\$ 52,686</u>
 LIABILITIES			
Accounts payable	\$ -	\$ 500	\$ 500
 Total Liabilities	 <u> -</u>	 <u> 500</u>	 <u> 500</u>
 FUND BALANCES			
Reserved fund balance	15,430	22,804	38,234
Unreserved fund balance	<u> -</u>	<u> 13,952</u>	<u> 13,952</u>
Total Fund Balances	<u> 15,430</u>	<u> 36,756</u>	<u> 52,186</u>
 Total Liabilities and Fund Balances	 <u>\$ 15,430</u>	 <u>\$ 37,256</u>	 <u>\$ 52,686</u>

CITY OF JASPER, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2008

	<u>Confiscated Assets Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total</u>
REVENUES			
Taxes	\$ -	\$ 48,651	\$ 48,651
Confiscation	15,421	-	15,421
Miscellaneous	-	2,079	2,079
Interest	9	420	429
Total Revenues	<u>15,430</u>	<u>51,150</u>	<u>66,580</u>
EXPENDITURES			
<i>Current:</i>			
Tourism	<u>-</u>	<u>54,956</u>	<u>54,956</u>
Total Expenditures	<u>-</u>	<u>54,956</u>	<u>54,956</u>
Net change in fund balances	15,430	(3,806)	11,624
Fund balances, beginning	-	25,013	25,013
Prior period adjustment	<u>-</u>	<u>15,549</u>	<u>15,549</u>
Fund balances, ending	<u>\$ 15,430</u>	<u>\$ 36,756</u>	<u>\$ 52,186</u>

City of Jasper, Georgia

COMPLIANCE AND INTERNAL CONTROL



& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

142 River Terrace - Ellijay, GA 30540

Phone: 706-276-3700 Fax: 706-276-3710

www.ellijaycpa.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of City of Jasper, Georgia, as of and for the year ended December 31, 2008, which collectively comprise the City of Jasper, Georgia's basic financial statements and have issued our report thereon dated March 16, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Jasper, Georgia's internal control over financial reporting as a basis for designing our auditing procedures 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 of Jasper, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jasper, Georgia's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Jasper, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Jasper, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Jasper, Georgia's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Jasper, Georgia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Jasper, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

We noted certain matters that we reported to management of City of Jasper, Georgia, in a separate letter dated March 16, 2009.

This report is intended solely for the information and use of management, City Council and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Carl R. Smith".

Ellijay, Georgia
March 16, 2009