CITY OF JASPER, GEORGIA

ANNUAL FINANCIAL REPORT

For the Calendar Year Ended
December 31, 2013

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CITY OF JASPER, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2013

--TABLE OF CONTENTS--

FINANCIAL SECTION

Independent Auditor's Report 1
Management's Discussion and Analysis 3
Basic Financial Statements:
Government-Wide Financial Statements:
Statement of Net Position 13
Statement of Activities 14
Fund Financial Statements:
Governmental Funds—
Balance Sheet 15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 16
Statement of Revenues, Expenditures and Changes In Fund Balances 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 18
Proprietary Funds—
Statement of Fund Net Position 19
Statement of Revenues, Expenses and Changes in Fund Net Position 21
Statement of Cash Flows 22
Notes to Financial Statements 24
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund 43
Notes to Required Supplementary Information 45
Schedule of Funding Progress for the City of Jasper Retirement Plan 46
Other Supplementary Information
Combining and Individual Nonmajor Fund Statements and Schedules:
Non Major Governmental Funds—
Combining Balance Sheet 47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 48
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Confiscated Assets Fund 49
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Hotel/Motel Tax Fund 50

COMPLIANCE AND INTERNAL CONTROL

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*.....51

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....53

Schedule of Expenditures of Federal Awards.....55

Notes to the Schedule of Expenditures of Federal Awards.....56

Schedule of Findings and Questioned Costs.....57

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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, 2013, 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, 2013, 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 and budgetary comparison information on pages 3 through 12 and 43 through 44 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 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, 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, 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 9, 2014, 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 9, 2014

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Mayor
John Weaver

Mayor Pro Tem
Jim Looney

Council
Allison Brown
Tony Fountain
John Foust
Anne Morrow

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, 2013. 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, 2013, by $17,973,917. (reported as *net position*).

- As of December 31, 2013, Jasper's governmental funds reported combined ending fund balances of $559,778. Approximately 49% of this total amount, $272,025, 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 13) 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 14), 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 13-14.

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 47. The City's funds are divided into two broad categories – governmental and proprietary – 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.

  The City of Jasper maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Information from the other two funds, the Confiscated Assets Special Revenue Fund and the Hotel/Motel Tax Special Revenue 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 15-18 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 19-23.

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 24-42 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 13-14):

City of Jasper
Statement of Net Position
For the years ending December 31, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current and other assets	$ 1,827,926	$ 1,940,711	$ 1,402,990	$ 1,617,099	$ 3,230,916	$ 3,557,810
Capital assets	3,565,698	3,501,002	20,246,149	19,707,777	23,811,847	23,208,779
Total Assets	5,393,624	5,441,713	21,649,139	21,324,876	27,042,763	26,766,589
LIABILITIES AND NET POSITION						
Liabilities						
Current and other liabilities	407,218	774,780	1,353,241	1,142,028	1,760,459	1,916,808
Noncurrent liabilities	617,763	675,558	5,719,977	5,733,102	6,337,740	6,408,660
Total Liabilities	1,024,981	1,450,338	7,073,218	6,875,130	8,098,199	8,325,468
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	970,647	-	-	-	970,647	-
Total Deferred Inflows of Resources	970,647	-	-	-	970,647	-
Net Position						
Net investment in capital assets	2,978,743	2,819,828	13,859,088	13,550,193	16,837,831	16,370,021
Restricted	175,396	93,607	-	28,334	175,396	121,941
Unrestricted	243,857	1,077,940	716,833	871,219	960,690	1,949,159
Total Net Position	$ 3,397,996	$ 3,991,375	$ 14,575,921	$ 14,449,746	$ 17,973,917	$ 18,441,121

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 $17,973,917 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 (94%) 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 81% ($14,575,921) of total net position, these resources cannot be used to add to the net asset 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.

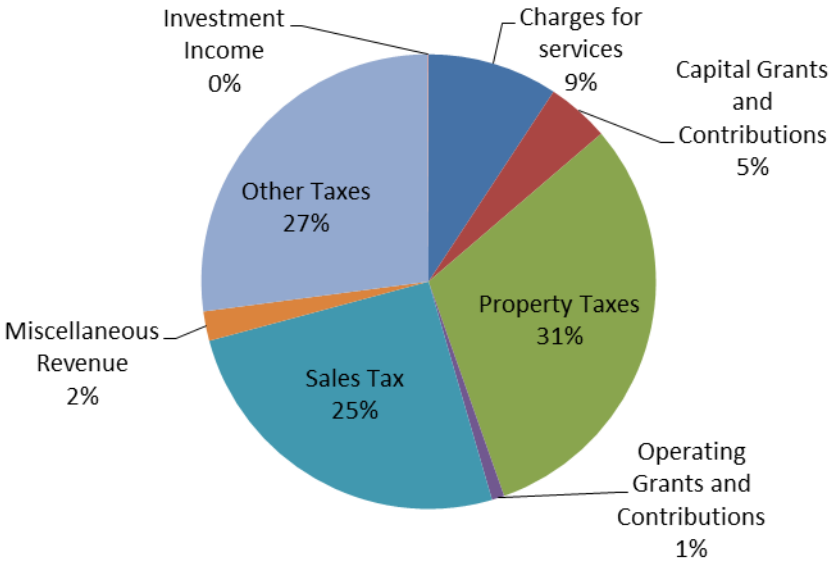
City of Jasper
Changes in Net Position
For the years ending December 31, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
PROGRAM REVENUES						
Charges for services	$ 365,092	$ 424,059	$ 3,675,829	$ 3,767,308	$ 4,040,921	$ 4,191,367
Operating grants and contributions	35,195	12,789	-	-	35,195	12,789
Capital grants and contributions	175,758	-	407,302	169,065	583,060	169,065
General revenues:						
Property taxes	1,216,698	1,087,757	-	-	1,216,698	1,087,757
Sales tax	997,002	1,068,115	-	-	997,002	1,068,115
Other taxes	1,064,981	1,070,931	-	-	1,064,981	1,070,931
Investment income	3,035	23,540	1,371	4,988	4,406	28,528
Miscellaneous revenue	82,540	27,908	31,519	20,977	114,059	48,885
Total revenues	3,940,301	3,715,099	4,116,021	3,962,338	8,056,322	7,677,437
EXPENSES						
General Government	493,834	521,563	-	-	493,834	521,563
Judicial	147,942	140,960	-	-	147,942	140,960
Public Safety	1,911,765	1,859,938	-	-	1,911,765	1,859,938
Public Works	902,790	876,203	-	-	902,790	876,203
Culture and Recreation	74,516	60,593	-	-	74,516	60,593
Housing and Development	162,247	183,453	-	-	162,247	183,453
Interest on long-term debt	29,788	32,033	-	-	29,788	32,033
Water and sewer	-	-	3,476,716	3,443,365	3,476,716	3,443,365
Sanitation	-	-	133,268	148,826	133,268	148,826
Total expenses	3,722,882	3,674,743	3,609,984	3,592,191	7,332,866	7,266,934
Increase (decrease) in net position before transfers	217,419	40,356	506,037	370,147	723,456	410,503
Transfers	379,862	8,694	(379,862)	(8,694)	-	-
Increase (decrease) in net position	597,281	49,050	126,175	361,453	723,456	410,503
Net position - beginning, as restated	2,800,015	3,942,325	14,449,746	14,088,293	17,249,761	18,030,618
Net position - ending	$ 3,397,296	$ 3,991,375	$ 14,575,921	$ 14,449,746	$ 17,973,217	$ 18,441,121

Governmental Activities –

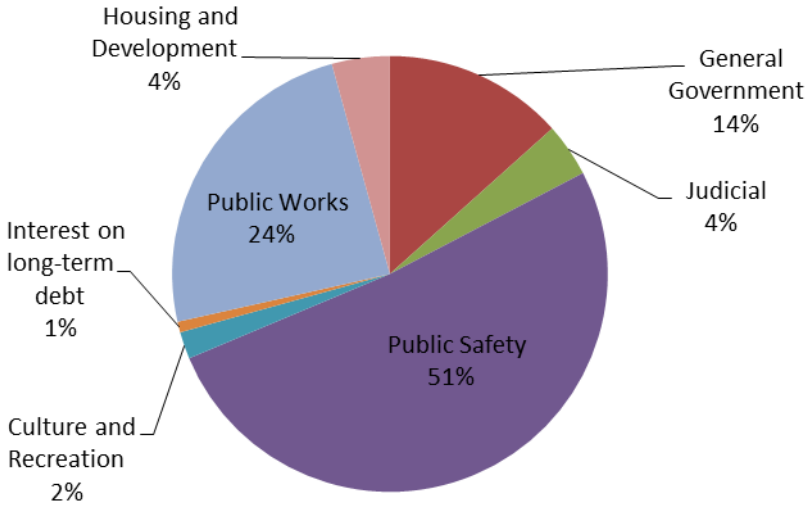
The following chart depicts revenues of the governmental activities for the year:

Revenue by Source – Governmental Activities



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

Expenses by Function – Governmental Activities



Business-type Activities –

Business-type activities increased the City of Jasper's net position by $126,175; this is $235,278 less than the increase in net position for 2012. 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. Not taking into consideration the transfer, the business-type activities net position would have increased by $493,541. The increase before transfer, is primarily due to capital grant income in the amount of 407,302 during 2013 used for water system improvements.

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 $559,778. Of this amount, $272,025 (48%) 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 $272,025, while total fund balance was $470,045. 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 7% of total General Fund expenditures, while total fund balance represents 12% 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:

- Additional overtime and related payroll taxes required in the police department as well as additional amounts needed for repairs and maintenance of equipment caused a budget increase of $40,000.
- Equipment and site improvements budgeted for but not purchased resulted in a budget decrease in the amount of $46,000 in the Fire Department.
- A new Park built using the City's employees resulted in a budget increase to the Parks administration Department of $40,000. Salaries and benefits were capitalized and moved primarily from the Street Department, as well as the Fire and the Fleet Maintenance and Shop departments. In addition, approximately $23,500 in salaries and benefits were transferred from the Water and Sewer Fund.

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 $ 14,550,068
- Sanitation $25,853

The total increase in net position for both funds was $126,175. 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 $23,811,847 in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, and machinery and equipment. Approximately 85% of this investment is related to business-type activities and approximately 15% relates to governmental activities.

During 2013, the City invested $1,478,124 in new capital assets. Major capital asset events during the current year included the following:

Business-type Activities
2013

12,800 feet of water line capital contribution from Pickens County	$	320,000
Infrastructure - Camp Road water line		78,297
Renovations to City Hall - Water Department		13,155
Boring/Auger Mole equipment		26,750
Air Compressor		5,500
Motor for skidsteer		12,585
Pump upgrade Cove road		10,123
500 gal fuel tank (2)		7,000
Hydro Mulcher		15,000
Vehicles		27,499
Infrastructure - fire protection lines		41,699
Land 16.15 ac Cove Road		33,368
CIP - Hwy 515 water line		48,050
CIP - water polution control plant improvements		515,093
	$	1,154,119

Governmental-type Activities
2013

CIP - New city park	$	205,079
Renovations to City Hall		21,764
Roof for police precinct		21,456
Police cruiser and equipment		30,750
Machinery and equipment for street department		10,500
	$	289,549

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, 2013 and 2012

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 975,735	$ 975,735	$ 1,154,128	$ 1,120,760	$ 2,129,863	$ 2,096,495
Construction in progress	219,769	41,526	2,008,129	1,577,366	2,227,898	1,618,892
Buildings and improvements	975,375	905,320	2,286,066	2,237,465	3,261,441	3,142,785
Infrastructure	1,250,153	1,250,153	22,520,469	21,983,539	23,770,622	23,233,692
Machinery and equipment	2,095,442	2,054,191	1,790,063	1,685,606	3,885,505	3,739,797
Park improvements	459,257	459,257	-	-	459,257	459,257
Furniture and fixtures	-	-	8,799	8,799	8,799	8,799
Total	5,975,731	5,686,182	29,767,654	28,613,535	35,743,385	34,299,717
Accumulated depreciation	(2,410,033)	(2,185,180)	(9,521,505)	(8,905,758)	(11,931,538)	(11,090,938)
Net Capital Assets	$ 3,565,698	$ 3,501,002	$ 20,246,149	$ 19,707,777	$ 23,811,847	$ 23,208,779

Additional information on the City of Jasper's capital assets can be found in the Note 6 to the Financial Statements on pages 31-32of this report.

Long-term debt. At December 31, 2013, the City of Jasper had $6,918,196 in long-term debt which was a decrease of $124,249 from 2012. The decrease is attributed to the repayment of debt in excess of debt issued in 2013. There was a slight increase in the amount of compensated absences accrued as well.

City of Jasper
Outstanding Debt
As of December 31, 2013 and 2012

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital leases	$ 149,496	$ 191,707	$ 82,186	$ 176,675	$ 231,682	$ 368,382
Notes payable	-	-	5,350,419	5,266,404	5,350,419	5,266,404
Notes payable - component unit	437,459	489,467	-	-	437,459	489,467
Other contracts payable	-	-	646,318	714,505	646,318	714,505
Compensated absences	175,944	141,230	76,374	63,457	252,318	204,687
Total	$ 762,899	$ 822,404	$ 6,155,297	$ 6,221,041	$ 6,918,196	$ 7,043,445

Additional information on the City's long-term debt can be found in the Notes 9 and 10 to the Financial Statements on pages 34-38 of this report.

Economic Environment and Next Year's Budgets

We, as management, in considering the current and forecasted economic conditions for 2014, still see a continued slow recovery period ahead. The City considered many factors when adopting the fiscal year 2014 budget. The City's tax rates and fees for business-type activities also dominated budget considerations. The City is experiencing 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. The City's budget will experience a small increase in tax revenues during 2014. 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 2014:

- 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 mils 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.
- 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 2014, the City Council approved a total budget of $7,882,119. This budget includes operating and non-operating funds. The General Fund budget is $3,886,468 and the Proprietary Funds are budgeted for $3,928,840 (Water, Sewerage and Sanitation). 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.

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, 2013

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units: Industrial Development Authority	Component Units: Downtown Development Authority	Component Units: Jasper Development Authority
ASSETS						
Cash	$ 376,863	$ 286,749	$ 663,612	$ -	$ -	$ 18,322
Restricted cash	123,737	529,352	653,089	1,000	9,047	-
Cash equivalents	221,558	-	221,558	-	-	-
Accounts receivable, net	-	447,262	447,262	-	-	-
Taxes receivable, net	856,422	-	856,422	-	-	-
Fines receivable, net	3,671	-	3,671	-	-	-
Other receivables	7,626	44,193	51,819	-	-	-
Internal balances	63,766	(63,766)	-	-	-	-
Intergovernmental	100,000	29,710	129,710	-	-	-
Interest receivable-primary government	-	-	-	-	629	-
Note receivable-primary government due within one year	-	-	-	-	53,118	-
Note receivable-primary government due in more than one year	-	-	-	-	384,341	-
Inventories	-	87,817	87,817	-	-	-
Prepaid expenses	74,283	41,673	115,956	-	-	-
Capital assets, not being depreciated	1,195,504	3,162,257	4,357,761	-	-	-
Capital assets, net of accumulated depreciation	2,370,194	17,083,892	19,454,086	-	-	-
Total Assets	$ 5,393,624	$ 21,649,139	$ 27,042,763	$ 1,000	$ 447,135	$ 18,322
LIABILITIES						
Accounts payable	$ 80,434	$ 291,664	$ 372,098	$ -	$ -	$ -
Retainage payable	-	44,261	44,261	-	-	-
Accrued salaries	88,280	24,451	112,731	-	-	-
Accrued interest	3,806	19,089	22,895	-	629	-
Interest payable-component unit	629	-	629	-	-	-
Unearned revenue	65,300	8,000	73,300	-	-	-
Other accrued expenses	23,633	-	23,633	-	-	-
Liabilities Payable from Restricted Assets:						
Customer deposits	-	529,352	529,352	-	-	-
Notes payable due within one year	-	311,428	311,428	-	-	-
Notes payable due in more than one year	-	5,038,991	5,038,991	-	-	-
Capital leases due within one year	44,052	57,095	101,147	-	53,118	-
Capital leases due in more than one year	105,444	25,091	130,535	-	384,341	-
Note payable to component units due within one year	53,118	-	53,118	-	-	-
Note payable to component units due in more than one year	384,341	-	384,341	-	-	-
Other contracts payable due within one year	-	19,540	19,540	-	-	-
Other contracts payable due in more than one year	-	626,778	626,778	-	-	-
Compensated absences due within one year	47,966	48,361	96,327	-	-	-
Compensated absences due in more than one year	127,978	29,117	157,095	-	-	-
Total Liabilities	1,024,981	7,073,218	8,098,199	-	438,088	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	970,647	-	970,647	-	-	-
Total Deferred Inflows of Resources	970,647	-	970,647	-	-	-
NET POSITION						
Net investment in capital assets	2,978,743	13,859,088	16,837,831	-	-	-
Restricted for:						
Public Safety	95,381	-	95,381	-	-	-
Judicial	33,211	-	33,211	-	-	-
Housing and Development	46,804	-	46,804	1,000	9,047	-
Unrestricted	243,857	716,833	960,690	-	-	18,322
Total Net Position	3,397,996	14,575,921	17,973,917	1,000	9,047	18,322
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 5,393,624	$ 21,649,139	$ 27,042,763	$ 1,000	$ 447,135	$ 18,322

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Industrial Development Authority	Component Units: Downtown Development Authority	Component Units: Jasper Development Authority
Primary Government										
Governmental Activities:										
General government	$ 493,834	$ 63,053	$ 402	$ -	$ (430,379)	$ -	$ (430,379)	$ -	$ -	$ -
Judicial	147,942	5,140	-	-	(142,802)	-	(142,802)	-	-	-
Public safety	1,911,765	282,937	29,793	-	(1,599,035)	-	(1,599,035)	-	-	-
Public works	902,790	-	5,000	75,758	(822,032)	-	(822,032)	-	-	-
Culture and recreation	74,517	-	-	100,000	25,483	-	25,483	-	-	-
Housing and development	162,247	14,662	-	-	(147,585)	-	(147,585)	-	-	-
Interest charges	29,787	-	-	-	(29,787)	-	(29,787)	-	-	-
Total Governmental Activities	3,722,882	365,792	35,195	175,758	(3,146,137)	-	(3,146,137)	-	-	-
Business-type Activities:										
Water and sewer	3,476,716	3,588,461	-	407,302	-	519,047	519,047			
Sanitation	133,268	87,368	-	-	-	(45,900)	(45,900)			
Total Business-type Activities	3,609,984	3,675,829	-	407,302	-	473,147	473,147			
Total Primary Government	$ 7,332,866	$ 4,041,621	$ 35,195	$ 583,060	(3,146,137)	473,147	(2,672,990)			
Component Units--										
Industrial Development Authority	$ -	$ -	$ -	$ -				$ -	$ -	$ -
Downtown Development Authority	-	-	-	-				-	-	-
Jasper Development Authority	-	-	-	-				-	-	-
Total Component Units	$ -	$ -	$ -	$ -				-	-	-
General revenues:										
Taxes:										
Property taxes, levied for general purposes					1,216,698	-	1,216,698	-	-	-
General sales and use taxes					997,002	-	997,002	-	-	-
Franchise taxes					392,962	-	392,962	-	-	-
Selective sales and use taxes					364,230	-	364,230	-	-	-
Business taxes					307,789	-	307,789	-	-	-
Unrestricted investment earnings					3,035	1,371	4,406	-	23	46
Miscellaneous					82,540	31,519	114,059	-	-	-
Transfers					379,862	(379,862)	-	-	-	-
Total general revenues and transfers					3,744,118	(346,972)	3,397,146	-	23	46
Change in net position					597,981	126,175	724,156	-	23	46
Net position, beginning of year, as restated					2,800,015	14,449,746	17,249,761	1,000	9,024	18,276
Net position, end of year					$ 3,397,996	$ 14,575,921	$ 17,973,917	$ 1,000	$ 9,047	$ 18,322

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 289,331	$ 87,532	$ 376,863
Restricted cash	123,737	-	123,737
Cash equivalents	221,558	-	221,558
Taxes receivable, net	852,878	3,544	856,422
Fines receivable, net	3,671	-	3,671
Other receivables	7,626	-	7,626
Intergovernmental	100,000	-	100,000
Interfund receivable	64,066	-	64,066
Prepaid items	74,283	-	74,283
Total Assets	$ 1,737,150	$ 91,076	$ 1,828,226
LIABILITIES			
Accounts payable	$ 79,391	$ 1,043	$ 80,434
Accrued salaries	88,280	-	88,280
Other accrued liabilities	23,633	-	23,633
Interfund payable	-	300	300
Unearned revenue	65,300	-	65,300
Total Liabilities	256,604	1,343	257,947
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	1,010,501	-	1,010,501
Total Deferred Inflows of Resources	1,010,501	-	1,010,501
FUND BALANCES			
Nonspendable prepaids	74,283	-	74,283
Restricted for:			
Judicial	33,211	-	33,211
Public safety	90,526	4,855	95,381
Housing and Development	-	46,804	46,804
Assigned for Housing and Development	-	38,074	38,074
Unassigned	272,025	-	272,025
Total Fund Balances	470,045	89,733	559,778
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,737,150	$ 91,076	$ 1,828,226

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, 2013

Total fund balance, governmental funds	$	559,778
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.		3,565,698
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.		39,854
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		(3,806)
Other accrued liabilities		(629)
Compensated absences		(175,944)
Note payable to component units		(437,459)
Capital leases		(149,496)
Net Position of Governmental Activities in the Statement of Net Position	$	3,397,996

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, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 3,210,414	$ 59,433	$ 3,269,847
Licenses and permits	76,662	-	76,662
Intergovernmental	203,555	-	203,555
Charges for services	7,784	-	7,784
Fines and forfeitures	280,737	608	281,345
Investment earnings	2,917	120	3,037
Contributions and donations	7,398	-	7,398
Miscellaneous	63,401	19,141	82,542
Penalties and interest on delinquent taxes	35,016	-	35,016
Total Revenues	3,887,884	79,302	3,967,186
Expenditures:			
Current:			
General government	494,869	-	494,869
Judicial	140,364	-	140,364
Public safety	1,847,269	-	1,847,269
Public works	825,520	-	825,520
Culture and recreation	256,282	-	256,282
Housing and development	96,598	62,177	158,775
Debt Service:			
Principal	94,219	-	94,219
Interest and other charges	29,459	-	29,459
Total Expenditures	3,784,580	62,177	3,846,757
Excess (deficiency) of revenues over (under) expenditures	103,304	17,125	120,429
Other Financing Sources (Uses):			
Transfers in	379,862	-	379,862
Total other financing sources and uses	379,862	-	379,862
Net changes in fund balances	483,166	17,125	500,291
Fund balances (deficit), beginning of year, as restated	(13,121)	72,608	59,487
Fund balances (deficit), end of year	$ 470,045	$ 89,733	$ 559,778

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, 2013

Net change in fund balances - total governmental funds:		$ 500,291
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	289,549	
Depreciation expense	(224,853)	64,696
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.		(26,183)
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.		94,219
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		(328)
Compensated absences		(34,714)
Change in net position - governmental activities		$ 597,981

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	Business-type Activities - Enterprise Funds		
	Major Fund Water and Sewerage Fund	Nonmajor Fund Sanitation	Total
ASSETS			
Current Assets:			
Cash	$ 284,688	$ 2,061	$ 286,749
Restricted cash	529,352	-	529,352
Accounts receivable, net	438,975	8,287	447,262
Intergovernmental	29,710	-	29,710
Interfund receivable	-	8,443	8,443
Other receivables	42,513	1,680	44,193
Inventories	87,817	-	87,817
Prepaid items	39,228	2,445	41,673
Total Current Assets	1,452,283	22,916	1,475,199
Non-Current Assets:			
Capital Assets Not Being Depreciated:			
Land and improvements	1,154,128	-	1,154,128
Construction in progress	2,008,129	-	2,008,129
Capital Assets Net of Accumulated Depreciation:			
Buildings and improvements	1,987,621	-	1,987,621
Machinery and equipment	415,046	8,738	423,784
Vehicles	132,963	-	132,963
Infrastructure	14,539,524	-	14,539,524
Total Non-Current Assets	20,237,411	8,738	20,246,149
Total Assets	$ 21,689,694	$ 31,654	$ 21,721,348
LIABILITIES AND NET POSITION			
Current Liabilities:			
Accounts payable	$ 291,664	$ -	$ 291,664
Retainage payable	44,261	-	44,261
Salaries payable	23,355	1,096	24,451
Accrued interest payable	19,089	-	19,089
Interfund payable	68,608	3,601	72,209
Unearned revenue	8,000	-	8,000
Liabilities Payable from Restricted Assets:			
Customer deposits	529,352	-	529,352
Current Portion of Long-term Liabilities:			
Compensated absences	47,936	425	48,361
Notes payable	311,428	-	311,428
Other contracts payable	19,540	-	19,540
Capital lease obligation	57,095	-	57,095
Total Current Liabilities	1,420,328	5,122	1,425,450

The accompanying notes are an integral part of this statement.

CITY OF JASPER, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2013

Non-Current Liabilities:			
Compensated absences	28,438	679	29,117
Capital lease obligation	25,091	-	25,091
Notes payable	5,038,991	-	5,038,991
Other contracts payable	626,778	-	626,778
Total Non-Current Liabilities	5,719,298	679	5,719,977
Total Liabilities	7,139,626	5,801	7,145,427
Net Position:			
Net investment in capital assets	13,850,350	8,738	13,859,088
Unrestricted	699,718	17,115	716,833
Total Net Position	$ 14,550,068	$ 25,853	$ 14,575,921

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, 2013

	Business-type Activities - Enterprise Funds		
	Major Fund Water and Sewerage	Nonmajor Fund Sanitation	Total
Operating Revenues:			
Charges for services	$ 3,588,461	$ 87,368	$ 3,675,829
Miscellaneous	31,519	-	31,519
Total Operating Revenues	3,619,980	87,368	3,707,348
Operating Expenses:			
Sewer administration	17,220	-	17,220
Sewer maintenance	170,436	-	170,436
Waste water treatment plant	450,892	-	450,892
Water administration	320,556	-	320,556
Meter reading	151,552	-	151,552
Water supply	225,965	-	225,965
Water treatment plant	696,798	-	696,798
Water distribution	545,209	-	545,209
Water fleet maintenance and shop	48,516	-	48,516
Solid waste collection	-	130,971	130,971
Total Operating Expenses before Depreciation	2,627,144	130,971	2,758,115
Depreciation expense	613,450	2,297	615,747
Total Operating Expenses	3,240,594	133,268	3,373,862
Operating Income (Loss)	379,386	(45,900)	333,486
Non-Operating Revenues (Expenses):			
Interest revenue	1,352	19	1,371
Interest expense	(236,122)	-	(236,122)
Total Non-Operating Revenue (Expenses)	(234,770)	19	(234,751)
Income (loss) before capital contributions and transfers	144,616	(45,881)	98,735
Intergovernmental	39,761	-	39,761
Capital contributions	367,541	-	367,541
Transfers in	-	40,000	40,000
Transfers out	(417,356)	(2,506)	(419,862)
Change in net position	134,562	(8,387)	126,175
Total net position, beginning	14,415,506	34,240	14,449,746
Total net position, ending	$ 14,550,068	$ 25,853	$ 14,575,921

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, 2013

	Business-type Activities Enterprise Funds		
	Major Water Fund	Nonmajor Sanitation Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	$ 3,648,545	$ 87,244	$ 3,735,789
Payments to suppliers	(1,040,560)	(43,733)	(1,084,293)
Payments to employees	(1,382,671)	(85,838)	(1,468,509)
Net cash provided by (used in) operating activities	1,225,314	(42,327)	1,182,987
Cash Flows from Noncapital Financing Activities:			
Interfund loans - proceeds and collections	13,023	1,100	14,123
Transfers in	-	40,000	40,000
Transfers out	(417,356)	(2,506)	(419,862)
Net cash provided by (used in) noncapital financing activities	(404,333)	38,594	(365,739)
Cash Flows from Capital and Related Financing			
Purchase of capital assets	(829,982)	-	(829,982)
Principal paid on capital debt	(471,565)	-	(471,565)
Interest paid on capital debt	(238,891)	-	(238,891)
Proceeds from issuance of capital debt	392,904	-	392,904
Capital contributions from customers	47,541	-	47,541
Proceeds from grant revenue	10,051	-	10,051
Net cash provided by (used in) capital and related financing activities	(1,089,942)	-	(1,089,942)
Cash Flows from Investing Activities:			
Interest income	1,352	19	1,371
Net cash provided by (used in) investing activities	1,352	19	1,371
Net increase (decrease) in cash	(267,609)	(3,714)	(271,323)
Cash, beginning of year	1,081,649	5,775	1,087,424
Cash, end of year	$ 814,040	$ 2,061	$ 816,101
Reconciliation of Total Cash:			
Unrestricted	$ 284,688	$ 2,061	$ 286,749
Restricted	529,352	-	529,352
	$ 814,040	$ 2,061	$ 816,101

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, 2013

Reconciliation of operating income (loss) to net cash			
Operating income (loss)	$ 379,386	$ (45,900)	$ 333,486
Adjustments to reconcile operating income (loss) to net			
Depreciation expense	613,450	2,297	615,747
Change in assets and liabilities:			
Accounts receivable	(26,189)	(124)	(26,313)
Other receivables	(68)	-	(68)
Due from other governments			
Inventory	(7,586)	-	(7,586)
Prepaid expenses	(7,717)	57	(7,660)
Accounts payable	172,674	(260)	172,414
Retainage payable	24,919	-	24,919
Customer deposits	54,822	-	54,822
Accrued salaries and benefits	8,650	555	9,205
Compensated absences	12,973	1,048	14,021
	845,928	3,573	849,501
Net cash provided by (used in) operating activities	$ 1,225,314	$ (42,327)	$ 1,182,987
Noncash transactions:			
Contributed water and sewer lines	$ 320,000	$ -	$ 320,000

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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", 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.

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

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

Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Revenue Recognition:

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

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

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

Expenditure Recognition:

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

Proprietary Funds

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

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

D. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Items which qualify to be reported within this element include property taxes levied in 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.

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is considered unnecessary to assure effective budgetary control or to facilitate effective cash planning and control.

F. CASH AND INVESTMENTS

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

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

G. INVENTORIES

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

H. PREPAID ITEMS

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

I. CAPITAL ASSETS AND DEPRECIATION

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

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

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

J. COMPENSATED ABSENCES

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

K. FUND BALANCE

FUND BALANCE

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

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

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

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

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

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

FLOW ASSUMPTIONS

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

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

MINIMUM FUND BALANCE POLICY

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

L. NET POSITION

Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. The remaining portion of net position is reported as unrestricted.

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

M. ESTIMATES

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

N. INTERFUND BALANCES

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

For the year ended December 31, 2013, there were no departmental expenditures that materially exceeded appropriations in the governmental funds.

3. 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, 2013, 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.

4. RESTRICTED CASH

Governmental activities
General Fund – The General Fund has restricted cash of $33,221 for the purpose of judicial and $90,526 for the purpose of technology improvements for public safety.

Business-type activities
Water Fund – The Water Fund has restricted cash totaling $529,352, for the purpose of repayment of customer deposits in the amount of $529,352 (which has a corresponding restricted liability).

5. PROPERTY TAXES AND OTHER RECEIVABLES

Governmental Activities
The City bills and collects its own property taxes. Property taxes receivable are stated at net amounts receivable. An allowance for uncollectible taxes for $196,938 was established by management at December 31, 2013. The property tax bills for 2013 were levied at the end of 2013 and were intended for use during the 2014 budget year, the year in which they are due. Therefore, the entire levy of $970,647 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	October 28, 2013
Due Date	January 30, 2014
Delinquent Date	March 31, 2014
Lien Date	April 30, 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, 2013, amounting to $125,718 in the Water Fund based on prior years' experience and collection policies.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Transfers In (Out)	Balance 12/31/2013
Governmental activities					
Capital assets not being depreciated:					
Land	$ 975,735	$ -	$ -	$ -	$ 975,735
Construction in progress	41,526	226,843	-	(48,600)	219,769
Total capital assets not being depreciated	1,017,261	226,843	-	(48,600)	1,195,504
Capital assets being depreciated:					
Buildings and improvements	905,320	21,455	-	48,600	975,375
Infrastructure	1,250,153	-	-	-	1,250,153
Machinery and equipment	2,054,191	41,251	-	-	2,095,442
Park improvements	459,257	-	-	-	459,257
Total capital assets being depreciated	4,668,921	62,706	-	48,600	4,780,227
Less accumulated depreciation:					
Buildings and improvements	238,520	23,732	-	-	262,252
Infrastructure	218,750	62,663	-	-	281,413
Machinery and equipment	1,468,375	121,182	-	-	1,589,557
Park improvements	259,535	17,276	-	-	276,811
Total accumulated depreciation	2,185,180	224,853	-	-	2,410,033
Total capital assets being depreciated, net	2,483,741	(162,147)	-	48,600	2,370,194
Governmental activities capital assets, net	$ 3,501,002	$ 64,696	$ -	$ -	$ 3,565,698

	Beginning Balances	Increases	Decreases	Transfers In (Out)	Balance 12/31/2013
Business-type activities					
Capital assets not being depreciated:					
Land	$ 1,120,760	$ 33,368	$ -	$ -	$ 1,154,128
Construction in progress	1,577,366	654,594	-	(223,831)	2,008,129
Total capital assets not being depreciated	2,698,126	687,962	-	(223,831)	3,162,257
Capital assets being depreciated:					
Buildings and improvements	2,237,465	-	-	48,601	2,286,066
Water and sewer infrastructure	21,983,539	361,700	-	175,230	22,520,469
Machinery and equipment	1,000,372	76,958	-	-	1,077,330
Vehicles	685,234	27,499	-	-	712,733
Furniture and fixtures	8,799	-	-	-	8,799
Total capital assets being depreciated	25,915,409	466,157	-	223,831	26,605,397
Less accumulated depreciation:					
Buildings and improvements	247,894	50,551	-	-	298,445
Water and sewer infrastructure	7,510,432	470,513	-	-	7,980,945
Machinery and equipment	608,757	55,824	-	-	664,581
Vehicles	529,876	38,859	-	-	568,735
Furniture and fixtures	8,799	-	-	-	8,799
Total accumulated depreciation	8,905,758	615,747	-	-	9,521,505
Total capital assets being depreciated, net	17,009,651	(149,590)	-	223,831	17,083,892
Business-type activities capital assets, net	$ 19,707,777	$ 538,372	$ -	$ -	$ 20,246,149

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

Governmental activities	
General government	$ 19,781
Judicial	6,919
Public safety	91,879
Public works	82,915
Culture and recreation	23,314
Housing and development	45
	$ 224,853
Business-type activities	
Water and Sewerage	$ 613,450
Sanitation	2,297
	$ 615,747

7. INTERFUND BALANCES AND ACTIVITY

Transfer to/from other funds

Transfers In	Transfers Out	Amount
General Fund	Water Fund	$ 377,356
General Fund	Nonmajor Enterprise Fund	2,506
Nonmajor Enterprise Fund	Water Fund	40,000
		$ 419,862

Balances due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	$ 60,165
General Fund	Nonmajor Enterprise Fund	3,601
General Fund	Hotel/Motel	300
Nonmajor Enterprise Fund	Water Fund	8,443
		$ 72,509

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. Included in the $377,356 transfer in to the General Fund from the Water Fund is a non-routine transfer in the amount of $373,096 that was used to pay a judgment against the City in a lawsuit filed in a previous year.

8. DUE FROM OTHER GOVERNMENTS

In the Governmental Activities, amounts due from other governments consist of grant receivables of $100,000 due from the Georgia Department of Natural Resources. In the Business-type Activities, amounts due from other governments consists of grant receivables of $29,710 due from the Georgia Environment Finance Authority.

9. NOTES PAYABLE TO THE COMPONENT UNITS

The Downtown Development Authority of Jasper currently holds three notes at various financial institutions for assets leased to the City through a lease purchase agreement. The annual lease payments for the buildings and adjoining land parcels equal the amount of the annual debt service payments. Upon the payment in full of the debt, the assets are to be sold to the City at a purchase price of $1. The amount due from the General Fund at year end was $437,459.

Regions Bank, land purchase, payable in monthly installments of $1,256, including interest at 5.70%. Original balance $150,927, matures in 2015.	$ 19,231
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.	40,023
Regions Bank, police precinct, payable in monthly installments of $3,104, including interest at 4.75%. Original balance $475,500, matures in 2024.	378,205
	437,459
Less current portion of debt	(53,118)
	$ 384,341

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 $437,459. 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 10. Payments of principal and interest related to the above leases for the next five years and until maturity are as follows:

	Principal	Interest	Total
2014	$ 53,118	$ 19,448	$ 72,566
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 - 2023	193,196	31,663	224,859
2024	32,621	589	33,210
	$437,459	$108,145	$545,604

10. LONG-TERM LIABILITIES

Governmental Activities
Capital Leases:
The following capital leases had outstanding balances at December 31, 2013:

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.	$ 120,034
BB&T Governmental Finance Corporation, turnout gear lease, payable in monthly installments of $1,899, including interest at 2.86%. Oiginal balance $66,359, matures in 2015	29,462
	149,496
Less current portion of debt	(44,052)
	$ 105,444

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

	Principal	Interest	Total
2014	$ 44,052	$ 7,060	$ 51,112
2015	29,700	5,349	35,049
2016	23,941	4,061	28,002
2017	25,225	2,779	28,004
2018	26,578	1,425	28,003
	$149,496	$ 20,674	$170,170

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	$ 5,500	$ 30,500
Vehicles	307,463	205,464	101,999
	$ 343,463	$ 210,964	$ 132,499

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	$ 191,707	$ -	$ 42,211	$149,496	$ 44,052
Note payable-component unit	489,467	-	52,008	437,459	53,118
Compensated absences	141,230	82,680	47,966	175,944	47,966
	$ 822,404	$ 82,680	$ 142,185	$762,899	$ 145,136

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

Business-Type Activities

Capital Leases:

The following capital leases had outstanding balances at December 31, 2013:

Bancorp South Equipment, equipment lease, payable in monthly installments of $1,162, including interest at 3.4%. Original balance $61,370, matures in 2014.	$ 24,874
BB&T Governmental Finance Corporation, equipment lease, payable in monthly installments of $786, including interest at 2.86%. Oiginal balance $28,000, matures in 2015.	13,067
BB&T Governmental Finance Corporation, equipment lease, payable in monthly installments of $2,077, including interest at 3.40%. Oiginal balance $71,000, matures in 2015.	44,245
	82,186
Less current portion of debt	(57,095)
	$ 25,091

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

	Principal	Interest	Total
2014	$ 57,095	$ 1,537	$ 58,632
2015	25,091	349	25,440
	$ 82,186	$ 1,886	$ 84,072

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):

	Asset	Accumulated Depreciation	Net Book Value
Machinery and Equipment	98,370	15,358	83,012
Vehicles	62,000	15,250	46,750
Total	$ 160,370	$ 30,608	$ 129,762

Notes Payable:

The following notes payable had outstanding balances at December 31, 2013:

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.	643,928
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.	464,935
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.	505,792
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.	1,594,944
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.	1,062,693
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.	686,222
Georgia Environmental Facilities Authority, infrastructure construction, accruing interest at 2.82%, not yet in repayment	272,730
Georgia Environmental Facilities Authority, infrastructure construction, accruing interest at 1.82%, not yet in repayment	119,175
	5,350,419
Less current portion of debt	(311,428)
	$ 5,038,991

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
2014	$ 311,428	$ 199,415	$ 510,843
2015	324,681	186,162	510,843
2016	338,500	172,343	510,843
2017	352,907	157,936	510,843
2018	367,927	142,916	510,843
2019 - 2023	1,437,774	524,848	1,962,622
2024 - 2028	1,294,860	240,285	1,535,145
2029 - 2033	530,437	32,671	563,108
	4,958,514	1,656,576	6,615,090
Amounts not yet in repayment	391,905	-	391,905
	$ 5,350,419	$ 1,656,576	$ 7,006,995

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, 2013 was $336,032.

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, 2013 was $310,285.

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	$ 176,675	$ -	$ 94,489	$ 82,186	$ 57,095
Notes payable	5,266,404	392,904	308,889	5,350,419	311,428
Other contracts payable	714,505	-	68,187	646,318	19,540
Compensated absences	63,457	50,023	36,002	77,478	48,361
	$ 6,221,041	$ 442,927	$ 507,567	$ 6,156,401	$ 436,424

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 2013 amounted to $236,257, of which $4,137 was capitalized to construction in progress.

11. PRIOR PERIOD ADJUSTMENTS

General Fund:

Property Taxes – The City has determined that prior period adjustments are required in order to correct for overstated revenues due to the allowance for property taxes having been understated by $153,360 in prior years. Additionally, amounts recorded as unavailable revenues for property taxes were overstated, therefore creating an understatement to property tax revenues in the amount of $215,104. These adjustments also impacted beginning net position for governmental activities on the government-wide financial statements for the same amounts. The beginning net position for governmental activities was also decreased by $1,209,987 for deferred property tax revenue, which was a correction for overstated revenues in prior years.

Bonds Outstanding – The City has determined that revenues were overstated in prior years due to the fact that Bonds Outstanding for tickets paid were not recorded. In prior years, there were $12,074 in Bonds Outstanding for tickets paid prior to year end, but the court date was subsequent to year end.

Salaries Back Pay – The City has determined that salaries expense was understated in the prior year due to an audit conducted by the United States Department of Labor. The results of the audit determined that an additional $16,257 was due to employees for a prior period.

Fines Receivable – The City has determined that the beginning net position for governmental activities should be decreased by $14,785. This was due to overstated fines receivable in the amount of $32,786 and overstated allowance for uncollectible fines receivable in the amount of $18,000 on the government wide statement of net position.

	General Fund Fund Balance	Government-Wide Net Position (Primary Government)
December 31, 2012, as previously reported	$ (46,532)	$ 18,441,121
Adjustment to record allowance for property taxes understated in prior years	(153,360)	(153,360)
Adjustment to record back pay for Fire Department from USDOL audit	(16,257)	(16,257)
Adjustment for understatement of bonds outstanding in prior years	(12,074)	(12,074)
Adjustment for unavailable revenue - property taxes overstated in prior years	215,104	215,104
Adjustment for unavailable revenue - fines overstated in prior years	-	(32,786)
Adjustment for unavailable revenue - property taxes overstated in prior years	-	(1,209,987)
Adjustment for allowance for uncollectible fines overstated in prior years	-	18,000
December 31, 2012, as restated	$ (13,119)	$ 17,249,761

12. 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 $5,837 in unemployment claims during 2013. There were no liabilities for such claims at December 31, 2013.

13. 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, 2013, 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 publicity available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to the Georgia Municipal Association or by calling (404) 688-0472.

The latest actuarial valuation and review report available prior to these financial statements dated December 31 2013 for City of Jasper is dated July 1, 2013 which was used to calculate funding for City of Jasper's retirement plan for the period beginning January 1, 2014. Information relating to the July 1, 2013 valuation and review report is located in the required supplementary information immediately following the notes to financial statements.

Funding Policy - The City is required to contribute at an actuarially determined rate; the current rate is 6.18% 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 January 1, 2012 actuarial valuation (which was the valuation used to determine the City's cost for the year ended 2013), 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, 2013 was $148,731. The required contribution was determined as part of the January 1, 2012 actuarial valuation using the entry age actuarial cost method. The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the Plan meet the actuarial standards of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

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

Plan Membership:	
Retirees and beneficiaries	17
Terminated plan members entitled but not yet receiving benefits	18
Active plan members	65
	100

Trend of Information for CJRP

	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
12/31/2013	$148,731	100%	-
12/31/2012	$148,636	100%	-
12/31/2011	$135,911	100%	-

Funding Schedule for Most Recent Valuation Date (prior to December 31, 2013)

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]
1/1/2012	$2,033,082	$2,309,746	$276,664	88.02%	$2,343,572	11.81%

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

14. JOINT VENTURE

The City, in conjunction with cities and counties in the fifteen (15) county Northwest Georgia area are members of the Northwest Georgia Regional Commission (NWGRC), formerly known as the North Georgia Regional Development Center which merged with Coosa Valley Regional Development Center in 2009 as mandated by state law. Membership in NWGRC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs, and was amended in 2008 to consolidate the existing RDC's into fewer larger organizations called Regional Commissions ("RC"). Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The City paid annual dues to the RC for the year ended December 31, 2013, in the amount of $3,662. The RC Board membership includes the chief elected official of each county and the chief elected official of the largest municipality in each county. The county board members elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a county.

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

Northwest Georgia Regional Commission
503 Waugh Street
Dalton, Georgia 30720

The City is a member of the Northwest Georgia Water Resources Partnership. This is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is a regional organization of water related interests in Northwest Georgia for monitoring and contributing to the development of federal, state and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities; and coordinating the activities of federal, state and local entities. During 2013 the City paid annual dues in the amount of $3,000. 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

15. 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, 2013 the City collected a total of $59,433. The City expended $21,685 (36% of collections) for the promotion of tourism. The City plans to increase tourism expenditures in future years.

REQUIRED SUPPLEMENTARY INFORMATION

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

CITY OF JASPER, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(See Note A)	Final Budget
Revenues:				
Property taxes	$ 1,063,175	$ 1,063,175	$ 1,208,639	$ 145,464
Franchise taxes	410,000	410,000	392,962	(17,038)
Business taxes	306,300	306,300	307,014	714
General sales and use taxes	1,100,000	1,100,000	997,002	(102,998)
Selective use taxes	306,600	306,600	304,797	(1,803)
Licenses and permits	102,300	102,300	76,662	(25,638)
Intergovernmental	120,000	120,000	203,555	83,555
Charges for services	15,420	15,420	7,784	(7,636)
Fines and forfeitures	300,000	300,000	280,737	(19,263)
Investment earnings	7,000	7,000	2,917	(4,083)
Contributions and donations	7,500	7,500	7,398	(102)
Miscellaneous	6,753	6,753	63,401	56,648
Penalties and interest on delinquent taxes	16,600	16,600	35,016	18,416
Total Revenues	3,761,648	3,761,648	3,887,884	126,236
Expenditures:				
Current:				
General government:				
Legislative	66,152	56,152	40,203	15,949
Executive	142,726	147,000	140,271	6,729
Elections	2,805	2,805	140	2,665
Financial administration	311,710	330,000	314,255	15,745
Judicial:				
Municipal court	144,626	144,626	140,364	4,262
Public Safety:				
Police	991,286	1,040,000	1,029,590	10,410
Fire	838,125	791,725	791,549	176
Animal Control	28,120	35,000	26,130	8,870
Public Works:				
Streets	640,546	601,726	596,951	4,775
Fleet maintenance and shop	227,717	236,400	228,544	7,856
Cemetery	2,500	500	25	475
Culture and Recreation:				
Parks administration	217,800	257,800	256,282	1,518
Housing and development:				
Protective inspection	51,014	46,014	38,693	7,321
Planning and zoning	61,552	61,931	57,905	4,026
Debt service	155,969	130,969	123,678	7,291
Total Expenditures	3,882,648	3,882,648	3,784,580	98,068

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, 2013

Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(121,000)	(121,000)	103,304	224,304
Other Financing Sources (Uses)				
Transfer in	15,000	15,000	379,862	364,862
Proceeds from capital leases	106,000	106,000	-	(106,000)
Total Other Financing Sources and Uses	121,000	121,000	379,862	258,862
Net change in fund balance	-	-	483,166	483,166
Fund balance, beginning of year, as restated	(13,121)	(13,121)	(13,121)	-
Fund balance (deficit), end of year	$ (13,121)	$ (13,121)	$ 470,045	$ 483,166

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

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, 2013 General Fund departmental expenditures did not exceed appropriated budget amounts.

CITY OF JASPER, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE
CITY OF JASPER RETIREMENT PLAN
For the Year Ended December 31, 2013

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]
7/1/2013	$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%
5/1/2009	1,271,688	1,841,356	569,668	69.10%	2,243,546	25.40%

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 13 to the financial statements.

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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.

CITY OF JASPER, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2013

	Confiscated Assets Fund	Hotel/Motel Tax Fund	Total
ASSETS			
Cash	$ 4,855	$ 82,677	$ 87,532
Taxes receivable	-	3,544	3,544
Total Assets	$ 4,855	$ 86,221	$ 91,076
LIABILITIES			
Accounts payable	$ -	$ 1,043	$ 1,043
Interfund payable	-	300	300
Total Liabilities	-	1,343	1,343
FUND BALANCES			
Restricted for:			
Public Safety	4,855	-	4,855
Housing and Development	-	46,804	46,804
Assigned for Housing and Development	-	38,074	38,074
Total Fund Balances	4,855	84,878	89,733
Total Liabilities and Fund Balances	$ 4,855	$ 86,221	$ 91,076

CITY OF JASPER, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2013

	Confiscated Assets Fund	Hotel/Motel Tax Fund	Total
REVENUES			
Taxes	$ -	$ 59,433	$ 59,433
Confiscation	608	-	608
Miscellaneous	-	19,141	19,141
Interest	7	113	120
Total Revenues	615	78,687	79,302
EXPENDITURES			
Current			
Housing and Development:			
Tourism	-	62,177	62,177
Total Expenditures	-	62,177	62,177
Net change in fund balances	615	16,510	17,125
Fund balances, beginning	4,240	68,368	72,608
Fund balances, ending	$ 4,855	$ 84,878	$ 89,733

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, 2013

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Confiscation	$ -	$ -	$ 608	$ 608
Interest	50	50	7	(43)
Total Revenues	50	50	615	565
EXPENDITURES				
Current				
Public Safety:				
Custody of property	50	50	-	50
Total Expenditures	50	50	-	50
Net change in fund balances	-	-	615	615
Fund balances, beginning	4,240	4,240	4,240	-
Fund balances, ending	$ 4,240	$ 4,240	$ 4,855	$ 615

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, 2013

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	$ 46,000	$ 50,325	$ 59,433	$ 9,108
Miscellaneous	16,000	19,500	19,141	(359)
Interest	175	175	113	(62)
Total Revenues	62,175	70,000	78,687	8,687
EXPENDITURES				
Current				
Housing and Development:				
Tourism	62,175	70,000	62,177	7,823
Total Expenditures	62,175	70,000	62,177	7,823
Net change in fund balances	-	-	16,510	16,510
Fund balances, beginning	68,368	68,368	68,368	-
Fund balances, ending	$ 68,368	$ 68,368	$ 84,878	$ 16,510

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COMPLIANCE AND INTERNAL CONTROL

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

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, 2013, 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 9, 2014.

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 13-1 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 13-2 and 13-3 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Comment 13-4.

The City of Jasper, Georgia's Response 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 9, 2014

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, 2013. 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, 2013.

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.

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 9, 2014

CITY OF JASPER, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2013

Federal Grant/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Number	Expenditures
U.S. Department of Transportation			
Passed through the Georgia Department of Natural Resources			
Recreational Trails Program	20.219	NRT-10(22)	$ 100,000
U.S. Environmental Protection Agency			
Passed through the Georgia Environmental Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CWSRF 12-006	
Loans			471,307
Grants			39,761
			511,068
Total Federal Awards			$ 611,068

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

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, 2013. 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, 2013

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?	Yes

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

2. Financial Statement Findings

Comment 13-1

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

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 City adopted new financial reconciliation procedures to ensure accounts are accurately recorded at year end. This action was taken immediately upon receipt of the comment from our auditors.

Comment 13-2

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

Criteria: Proper segregation of duties requires that the duties of authorizing and record adjustments to the general ledger be performed by different employees.

Effect: Failure to properly segregate the duties of authorizing and recording adjustments to the general ledger exposes the City to a greater risk of loss due to fraud.

Recommendation: Management should establish a threshold over which all utility customer account adjustments require approval by the Mayor or Finance Director.

Management Response: Management concurs with this finding. The City will establish a threshold for adjustments to utility customer accounts over which the Finance Director will review approve those adjustments. This action was taken immediately upon receipt of the comment from the auditors.

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.

Criteria: Proper segregation of duties requires that the duties of authorizing and record adjustments to the general ledger be performed by different employees.

Effect: Failure to properly segregate the duties of authorizing and recording adjustments to the general ledger exposes the City to a greater risk of loss due to fraud.

2. Financial Statement Findings (continued)

Comment 13-3, continued

Recommendation: In order to provide proper segregation of duties, the Accounting Clerk should post all journal entries to the general ledger. The Finance Director should review and approve all journal entries. The Accounting Clerk should bring to the attention of the Mayor any journal entry originated by the Finance Director which she feels may be inappropriate or for which she does not receive an adequate explanation or supporting documents.

Management Response: Management concurs with this finding. The Finance Director will review and approve all journal entries; the Accounting Clerk will review all journal entries proposed by the Finance Director and will post these entries to the general ledger when feasible. This action was taken immediately upon receipt of the comment from our auditors.

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.

Criteria: OCGA Code Section 48-13-50(a)(3.4) requires local governments levying a tax under this section to expend 50% of the taxes collected on promoting tourism, conventions and trade shows through a contract with authorized entities, or the operation of certain facilities for convention and trade show purposes. The Section also requires an additional 16.67% of the taxes collected be expended on promoting tourism, conventions and trade shows through a contract with authorized entities.

Effect: Failure to expend 66.67% of the hotel/motel tax collected on the promotion tourism, conventions, and trade shows through contracts with authorized entities as required by OCGA Code Section 48-13-50(a)(3.4) will place the City in violation of state law.

Recommendation: The City should enter into contracts totaling at least 66.67% of the hotel/motel taxes collected each year with entities authorized under OCGA Code Section 48-13-50(a)(3.4) to expend the taxes on the promotion of tourism, conventions, and trade shows. The City should also require each contracted entity to provide a detailed accounting of the expenditure of those taxes.

Management Response: Management concurs with this finding. The City will enter into contracts with the Pickens County Chamber of Commerce and other private sector nonprofit organizations for the expenditure of hotel/motel taxes on the promotion of tourism, conventions, and trade shows, as required by OCGA Code Section 48-13-50(a)(3.4). The City will monitor the expenditure of these taxes by requiring a detailed accounting from each entity contracted. This action was implemented immediately upon receipt of the comment from our auditors.

3. Prior Year Audit Findings Follow-Ups

No prior audit findings to report.

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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