

TOWN OF JASPER, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2012



HENDERSON HUTCHERSON & McCULLOUGH, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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JUNE 30, 2012**

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HENDERSON HUTCHERSON & McCULLOUGH, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Honorable Mayor and
Board of Aldermen
Town of Jasper
Jasper, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jasper, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Jasper, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jasper, Tennessee, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2012, on our consideration of the Town of Jasper, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 through 13 and page 43 be presented to supplement the basic financial statements. Such information, although not 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jasper's basic financial statements. The budgetary comparison schedules, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Chattanooga, Tennessee
December 15, 2012

Henderson Hutcherson

TOWN OF JASPER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

This discussion and analysis is intended to be an easily readable analysis of the Town of Jasper's financial activities based on currently known facts, decisions, or conditions. This analysis focuses on current year activities and should be read with the financial statements that follow. In most areas we have included comparison tables in the MD&A showing major variances in dollars and percent.

Financial Highlights

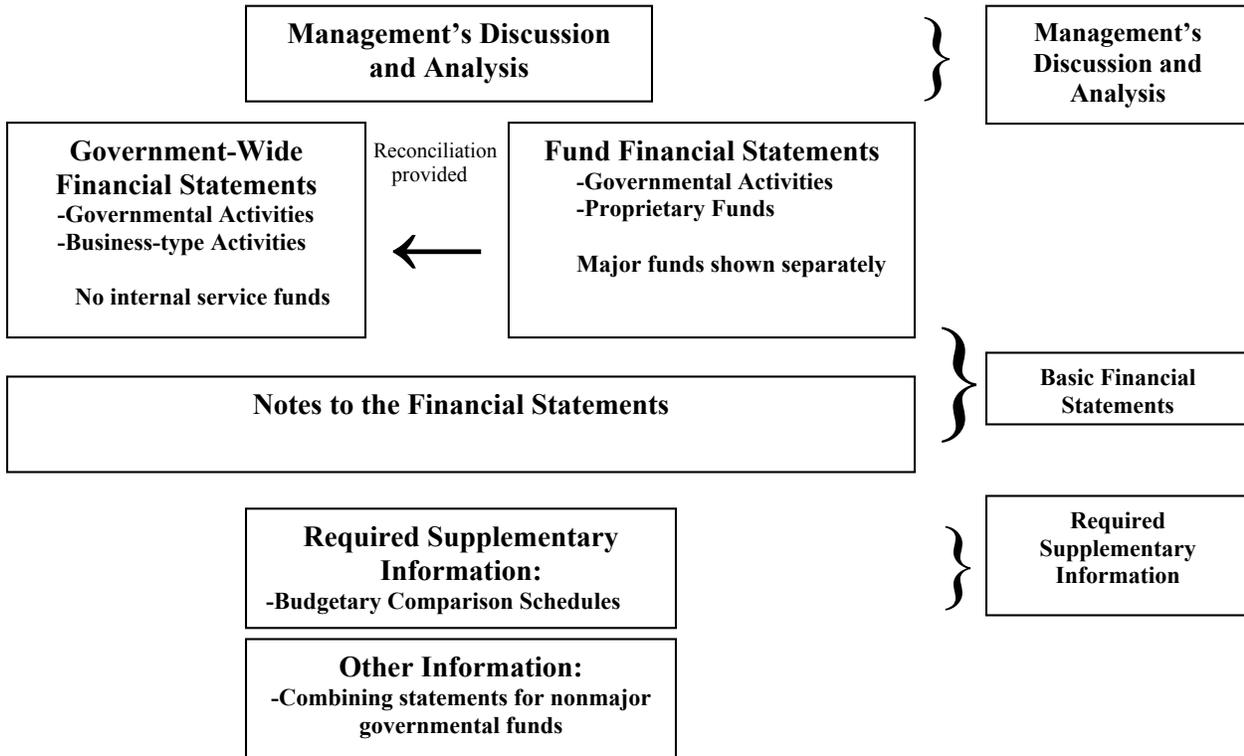
- The Town's total net assets increased approximately 1.9% or \$234,699 over the course of this year's operations.
- During the year, the Town's revenues from taxes and other revenues exceeded its expenses from governmental activities by \$68,271.
- In the Town's business-type activities, total revenues exceeded operating expenses by \$166,428.
- The general fund reported a net increase in fund balance of \$126,871 for the year.

Overview of the Financial Statements

The Town of Jasper's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Figure 1 shows how the required parts of this annual report are arranged and related to one another.

The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, there is included a section with combining statements that provides details about the nonmajor governmental funds, each of which are added together and presented in single columns in the basic financial statements. Also included as additional supplementary information are budget to actual comparisons for governmental funds and the water and waste water funds.

Figure 1



Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town’s net assets and how they have changed. Net assets—the difference between the Town’s assets and liabilities—is one way to measure the Town’s financial health, or position.

Over time, increases or decreases in the Town’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the Town, additional nonfinancial factors need to be considered, such as changes in the Town’s property tax base and the condition of the Town’s roads.

The government-wide financial statements of the Town are divided into two categories:

Governmental activities – Most of the Town’s basic services are included here, such as the police, fire, public works, parks and recreation departments, and general administration. Sales and use taxes, property taxes, and intergovernmental revenue finance most of these activities.

Business-type activities – The Town charges fees to customers to recover most of the costs of certain activities. The Town’s water and sewer system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Town establishes other funds to control and manage money for particular purposes.

The Town has two kinds of funds:

Governmental funds – The General Fund, State Street Aid Fund, Drug Fund and Debt Service Fund are all governmental funds. Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash were received and used, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on schedules immediately following the governmental fund statements that explains the relationship (or differences) between them.

Proprietary funds – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

The Town's proprietary funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.

Government-wide Financial Analysis

A condensed version of the Statement of Net Assets at June 30, 2012 and 2011 follows:

GOVERNMENT-WIDE FINANCIALS

	<u>Governmental Activities</u>		Increase (decrease)
	<u>2012</u>	<u>2011</u>	<u>2012/2011</u>
Statement of Net Assets			
Cash and investments	\$ 444,139	\$ 353,183	\$ 90,956
Current and other assets	471,935	450,852	21,083
Noncurrent assets	<u>1,898,686</u>	<u>2,002,284</u>	<u>(103,598)</u>
Total assets	<u>2,814,760</u>	<u>2,806,319</u>	<u>8,441</u>
Long-term liabilities	41,175	58,190	(17,015)
Other liabilities	<u>674,014</u>	<u>716,829</u>	<u>(42,815)</u>
Total liabilities	<u>715,189</u>	<u>775,019</u>	<u>(59,830)</u>
Net assets:			
Invested in capital assets, net of related debt	1,821,410	1,866,584	(45,174)
Restricted	54,092	51,380	2,712
Unrestricted	<u>224,069</u>	<u>113,336</u>	<u>110,733</u>
Total net assets	<u>\$2,099,571</u>	<u>\$2,031,300</u>	<u>\$ 68,271</u>

	Business-type Activities		Increase
	2012	2011	(decrease)
			2012/2011
Statement of Net Assets			
Cash and investments	\$ 2,787,184	\$ 2,861,861	\$ (74,677)
Current and other assets	760,428	720,790	39,638
Noncurrent asset	<u>9,836,555</u>	<u>9,828,755</u>	<u>7,800</u>
Total assets	<u>13,384,167</u>	<u>13,411,406</u>	<u>(27,239)</u>
Long-term liabilities	2,054,456	2,149,868	(95,412)
Other liabilities	<u>581,444</u>	<u>679,696</u>	<u>(98,252)</u>
Total liabilities	<u>2,635,900</u>	<u>2,829,564</u>	<u>(193,664)</u>
Net assets:			
Invested in capital assets, net of related debt	7,682,393	8,839,383	(1,156,990)
Unrestricted	<u>3,065,874</u>	<u>1,742,457</u>	<u>1,323,417</u>
Total net assets	<u>\$10,748,267</u>	<u>\$10,581,840</u>	<u>\$ 166,428</u>

	Total Government		Increase
	2012	2011	(decrease)
			2012/2011
Statement of Net Assets			
Cash and investments	\$ 3,238,668	\$ 3,215,045	\$ 23,623
Current and other assets	1,225,018	1,171,641	53,377
Noncurrent assets	<u>11,735,241</u>	<u>11,831,037</u>	<u>(95,797)</u>
Total assets	<u>16,198,927</u>	<u>16,217,723</u>	<u>(18,797)</u>
Long-term liabilities	2,095,631	2,208,058	(112,427)
Other liabilities	<u>1,255,458</u>	<u>1,396,528</u>	<u>(141,070)</u>
Total liabilities	<u>3,351,089</u>	<u>3,604,586</u>	<u>(253,497)</u>
Net assets:			
Invested in capital assets, net of related debt	9,503,803	9,452,556	51,247
Restricted	54,092	51,380	2,712
Unrestricted	<u>3,289,943</u>	<u>3,109,204</u>	<u>180,739</u>
Total net assets	<u>\$12,847,838</u>	<u>\$12,613,140</u>	<u>\$ 234,698</u>

Of the Town's total assets of \$16,198,927, the largest components which represent 92.4% of the total are: 1) cash and investments of \$3,238,668 and 2) capital assets net of accumulated depreciation of \$11,735,240. Capital assets are non-liquid assets and cannot be utilized to satisfy Town obligations. Out of the total liabilities of \$3,351,089, about \$1,255,458 or 37.1% are current liabilities.

The Town's assets exceeded liabilities by \$12,847,838 at the close of the most current year. Approximately 0.40% or \$54,092 of the Town's net assets represents restricted net assets, which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. The most significant portion of the Town's net assets, or \$9,503,803, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment less accumulated depreciation) net of any related debt used to acquire those assets that is still outstanding.

In order to provide a complete picture of the changes in net assets of the Town, information is provided separately for the net assets of governmental and business-type activities. See the table below.

Statement of Activities	Governmental Activities		Increase
	<u>2012</u>	<u>2011</u>	<u>(decrease)</u> <u>2012/2011</u>
Net program revenues			
Charges for services	\$ 128,977	\$ 121,418	\$ 7,559
Operating grants & contributions	91,109	87,813	3,296
Capital grants & contributions	7,883	36,109	(28,226)
General revenues:			
Property taxes	295,582	284,217	11,365
Other taxes	1,063,517	994,048	69,469
Other revenues	<u>16,989</u>	<u>19,115</u>	<u>(2,126)</u>
Total revenues	<u>1,604,057</u>	<u>1,542,720</u>	<u>61,337</u>
Program expenses			
General government	468,131	437,795	30,336
Public safety	527,663	573,532	(45,869)
Highways and streets	247,135	179,376	67,759
Parks and library	289,648	303,006	(13,358)
Interest on long-term debt	<u>3,209</u>	<u>8,683</u>	<u>(5,474)</u>
Total expenses	<u>1,535,786</u>	<u>1,502,392</u>	<u>33,394</u>
Change in net assets	68,271	40,328	27,943
Beginning net assets	<u>2,031,300</u>	<u>1,990,972</u>	<u>40,328</u>
Ending net assets	<u>\$2,099,571</u>	<u>\$2,031,300</u>	<u>\$ 68,271</u>

Statement of Activities	Business-type Activities		Increase
	2012	2011	(decrease)
			2012/2011
Net program revenues			
Charges for services	\$ 1,916,278	\$ 2,269,877	\$ (353,599)
Operating grants & contributions	80,200	7,755	72,445
Capital grants & contributions	-	-	-
General revenues:			
Other revenues	<u>22,983</u>	<u>41,027</u>	<u>(18,044)</u>
Total revenues	<u>2,019,461</u>	<u>2,318,659</u>	<u>(299,198)</u>
Program expenses			
Water Works	1,077,648	1,090,201	(12,553)
Waste Water	554,406	519,339	35,067
Sanitation	<u>220,979</u>	<u>216,400</u>	<u>4,579</u>
Total expenses	<u>1,853,033</u>	<u>1,825,940</u>	<u>(27,093)</u>
Change in net assets	166,428	492,719	(326,291)
Beginning net assets	<u>10,581,839</u>	<u>10,089,121</u>	<u>492,719</u>
Ending net assets	<u>\$10,748,267</u>	<u>\$10,581,840</u>	<u>\$ 166,427</u>

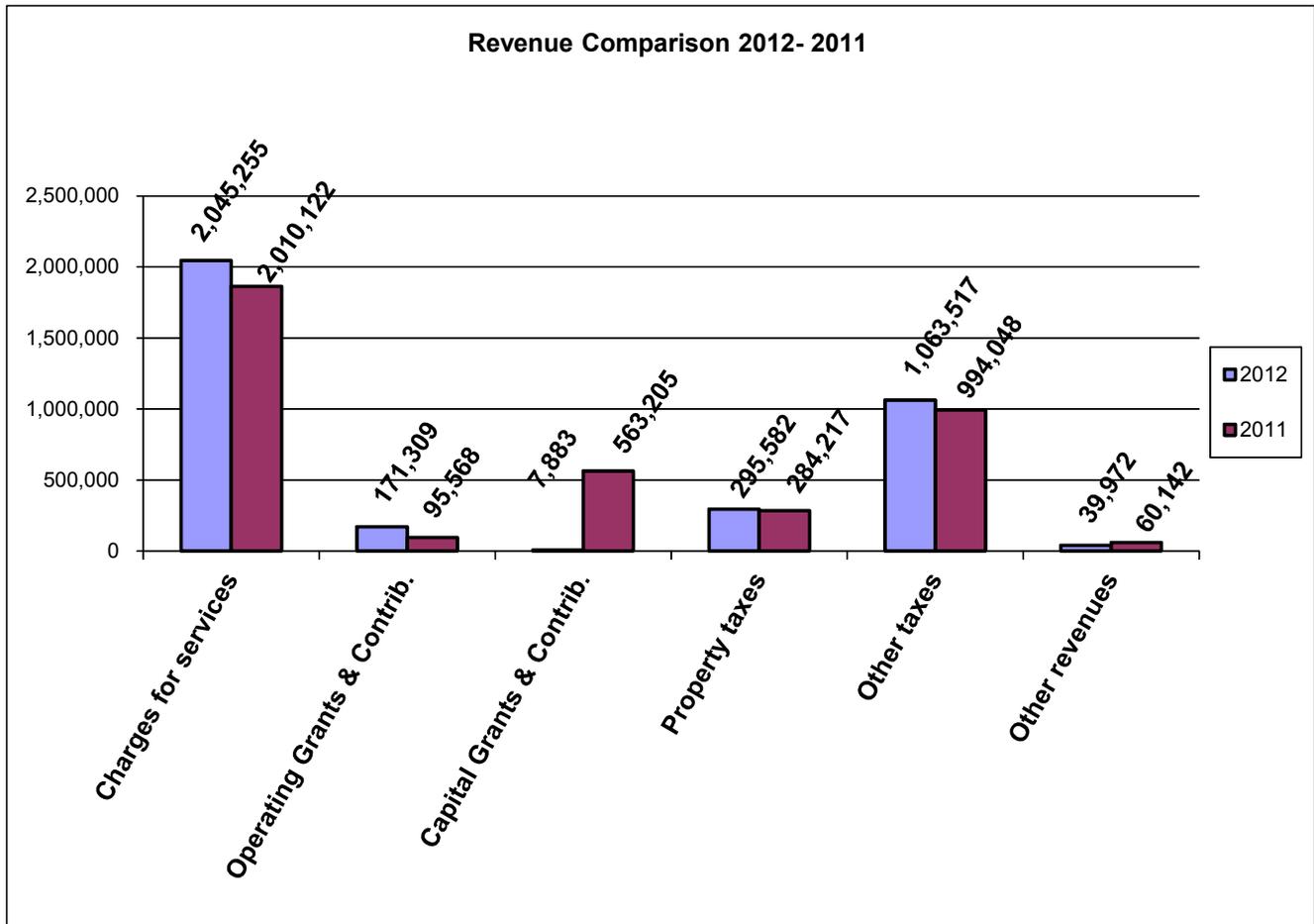
Statement of Activities	Total Government		Increase
	2012	2011	(decrease)
			2012/2011
Net program revenues			
Charges for services	\$ 2,045,255	\$ 1,864,199	\$ 181,056
Operating grants & contributions	171,309	95,568	75,741
Capital grants & contributions	7,883	563,205	(555,322)
General revenues:			
Property taxes	295,582	284,217	11,365
Other taxes	1,063,517	994,048	69,469
Other revenues	<u>39,972</u>	<u>60,142</u>	<u>(20,170)</u>
Total revenues	<u>3,623,518</u>	<u>3,861,379</u>	<u>(237,861)</u>
Program expenses			
General government	468,131	437,795	30,336
Public safety	527,663	573,532	(45,869)
Highways and streets	247,135	179,376	67,759
Parks and library	289,648	303,006	(13,358)
Interest on long-term debt	3,209	8,683	(5,474)
Water & Waste	1,632,054	1,609,540	22,514
Sanitation	<u>220,979</u>	<u>216,400</u>	<u>4,579</u>
Total expenses	<u>3,388,819</u>	<u>3,328,332</u>	<u>60,487</u>
Change in net assets	234,699	533,047	(298,348)
Beginning net assets	<u>12,613,139</u>	<u>12,080,093</u>	<u>533,047</u>
Ending net assets	<u>\$12,847,838</u>	<u>\$12,613,140</u>	<u>\$ 234,699</u>

Governmental activities increased the Town's net assets by \$68,271 for the year ended June 30, 2012. Revenues for the most current year were \$1,604,057, an increase of \$61,337 from the previous year's total of \$1,542,720. The

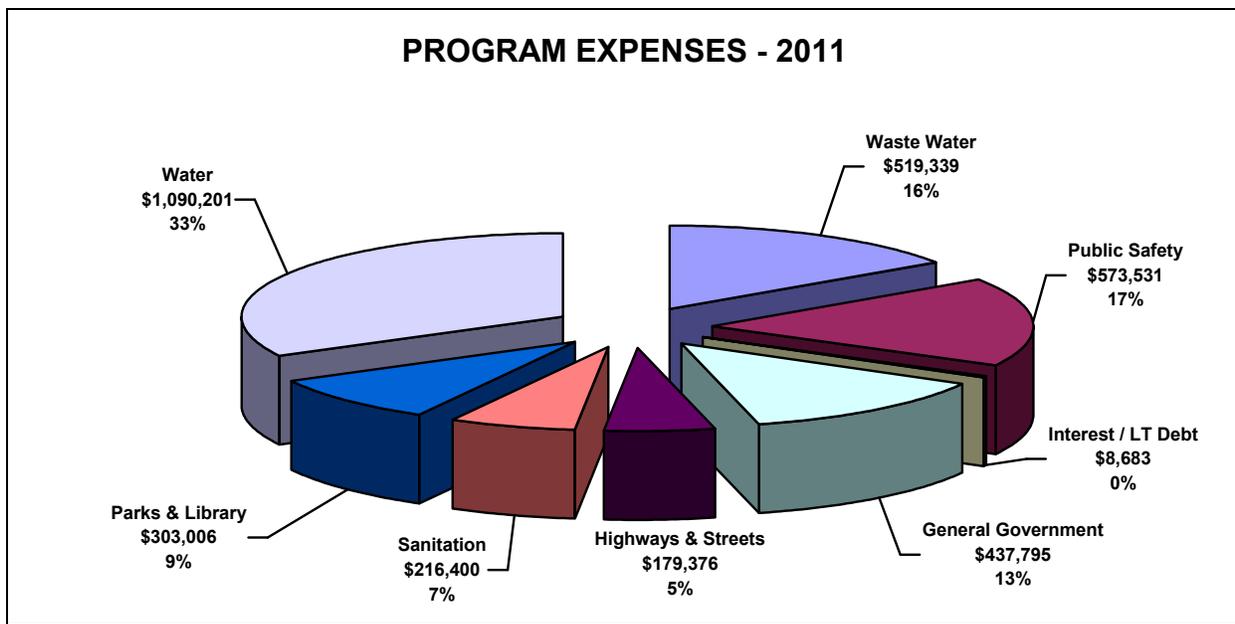
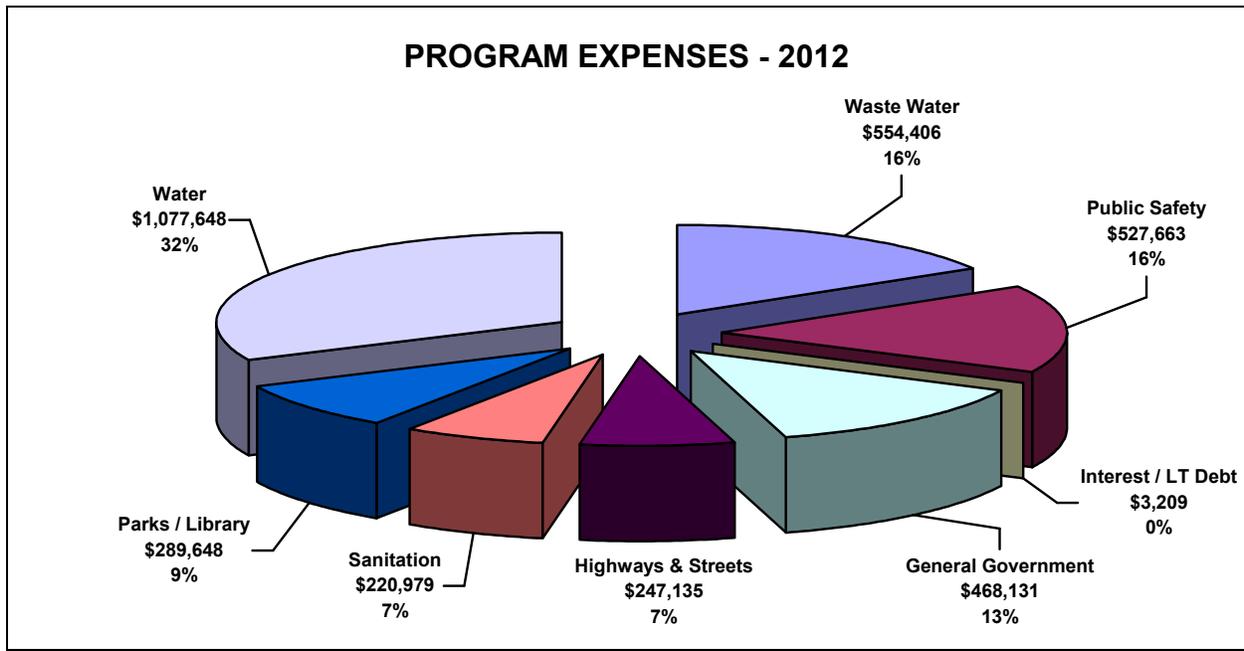
increase in revenues occurred mainly due to an increase in tax revenues. Expenses increased \$33,394 from the previous year.

Business-type activities increased the Town's net assets by \$166,427 for the year ended June 30, 2012. The increase in net assets is due to the receipt of \$80,200 in operating grants and a reduction in water works expenses of \$110,103.

The graph below summarizes the sources of the Town's total revenues of \$3,623,518 at June 30, 2012 compared to revenues at June 30, 2011. This graph includes combined governmental and business-type information.



The following charts summarize total program expenses at June 30, 2012 of \$3,388,819 and total program expenses at June 30, 2011 of \$3,328,332. These graphs include combined governmental and business-type information.



Financial Analysis of the Governmental Funds

As the Town completed the year, its governmental funds reported a combined fund balance of \$330,412, an increase of \$128,395 over last year. Some items to be noted within the funds are:

- The general fund's revenues increased by \$59,545 over the prior year. The increase was due to greater revenue from taxes and charges for service.
- Total general fund expenditures decreased by \$74,612 over the previous year. During the prior year, the Town purchased four new vehicles for use in the police department.

General Fund Budgetary Highlights

The general fund's expenditures were over budget by \$53,676 while its revenues were over budget by \$189,780.

The most significant variances between budget and actual revenues were reflected in tax and intergovernmental revenues. Actual tax revenues were higher than the budget by \$118,816. Also, the Town received \$17,049 more in miscellaneous revenue and \$10,254 more in court fines and costs.

Salary and vehicle expenses both were over budget in public safety – police by \$19,741 and \$11,976 respectively. Recreation incurred \$14,813 more in repairs and cleaning expenses than budgeted.

Capital Assets

At June 30, 2012, the Town had \$11,735,240 invested in capital assets, including police and fire equipment, park and recreational equipment, buildings and water and sewer lines. This amount represents a net decrease (additions, deletions, and depreciation) of \$95,797 or 0.8% from last year.

CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land and rights-of-way	\$ 481,145	\$ 456,145	\$ 111,583	\$ 111,583	\$ 592,728	\$ 567,728
Construction in progress	-	-	-	-	-	-
Infrastructure – roads, sidewalks	452,381	452,381	-	-	452,381	452,381
Buildings and improvements	899,754	899,754	5,098,511	5,098,511	5,998,265	5,998,265
Improvements other than buildings	959,621	952,173	-	-	959,621	952,173
Equipment, furniture and fixtures	847,087	848,485	287,434	277,901	1,134,521	1,126,386
Vehicles	330,792	330,792	209,795	197,295	540,587	528,087
Water system	-	-	9,277,559	9,146,723	9,277,559	9,146,723
Waste water system	-	-	1,343,147	1,138,457	1,343,147	1,138,457
Total capital assets	<u>3,970,780</u>	<u>3,939,730</u>	<u>16,328,029</u>	<u>15,970,470</u>	<u>20,298,809</u>	<u>19,910,200</u>
Accumulated depreciation	<u>2,072,094</u>	<u>1,937,446</u>	<u>6,505,417</u>	<u>6,156,344</u>	<u>8,577,511</u>	<u>8,093,790</u>
Capital assets, net	<u>\$1,898,686</u>	<u>\$2,002,284</u>	<u>\$ 9,822,612</u>	<u>\$ 9,814,127</u>	<u>\$11,721,298</u>	<u>\$11,816,410</u>

During the year the Town’s total capital assets increased by \$109,739 or 0.01% over the previous year. Asset additions during the year totaled \$388,610 made up of:

- Land - \$25,000
- Vehicle additions - \$12,500
- General equipment - \$24,508
- Water system extensions - \$63,999
- Water Treatment Plant improvements - \$51,053
- Manhole rehabilitation - \$205,400
- Police dashboard cameras - \$6,050

There were no significant disposals during the current year. Depreciation expense for the year totaled \$483,722.

Debt.

At the end of the current fiscal year, the Town had \$ 2,231,437 debt outstanding compared to \$ 2,378,482 at the end of the prior fiscal year. This represents a 6.0% decrease from the prior year’s debt.

DEBT OUTSTANDING AT YEAR-END

	Governmental Activities		Business-type Activities		Total Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Bonds payable	\$ -	\$ -	\$1,257,703	\$1,272,713	\$1,257,703	\$1,272,713
Mortgage and notes payable	<u>77,276</u>	<u>135,700</u>	<u>896,458</u>	<u>970,069</u>	<u>973,734</u>	<u>1,105,769</u>
Total outstanding debt	<u>\$ 77,276</u>	<u>\$135,700</u>	<u>\$2,154,161</u>	<u>\$2,242,782</u>	<u>\$2,231,437</u>	<u>\$2,378,482</u>

Economic Factors and Next Year's Budgets and Rates

The local economy of the Town is beginning to level out. Real estate development and local business growth is stagnant.

In adopting the budget for the fiscal year 2012, the Town officials considered many factors in making decisions and estimates about the finances of the upcoming year. Interest earnings and sales tax collected by the State indicated reduced levels of resource certainty. A large multi-year water and sewer project continues to be suspended. A primary objective of the Town is to continue to provide basic city services to the citizens while attempting to keep the property tax rate substantially the same.

Other concerns in the forefront of the revenue and expenditures projections include:

- Price fluctuation of materials involved in capital projects
- The continued aging of the waste water infrastructure
- Any unbudgeted, unexpected expenditures due to age of equipment and facilities

Contacting the Town's Financial Management

This management's discussion and analysis is designed to provide users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, contact Jo Ann Jones at Town of Jasper, 4460 Main Street, Jasper, TN 37347.

TOWN OF JASPER, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 444,139	\$ 881,930	\$ 1,326,069
Investments	-	1,905,254	1,905,254
Accounts receivable, net of allowances	338,706	403,278	741,984
Due from other governments	94,369	-	94,369
Due from other funds	8,785	312,351	321,136
Inventories	3,478	20,841	24,319
Prepaid expenses	26,597	23,959	50,556
Total current assets	<u>916,074</u>	<u>3,547,613</u>	<u>4,463,687</u>
Non-current assets:			
Deferred debt issuance costs, net of amortization	-	13,942	13,942
Capital assets:			
Land and right-of-way	481,145	111,583	592,728
Other capital assets, net of accumulated depreciation	1,417,541	9,711,029	11,128,570
Total non-current assets	<u>1,898,686</u>	<u>9,836,554</u>	<u>11,735,240</u>
Total assets	<u>2,814,760</u>	<u>13,384,167</u>	<u>16,198,927</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	47,135	70,413	117,548
Accrued interest	3,915	-	3,915
Wages and benefits payable	84,122	70,932	155,054
Due to other funds	212,216	108,920	321,136
Customer deposits	-	231,474	231,474
Deferred revenue	290,525	-	290,525
Notes, bonds and capital leases payable, current	36,101	99,705	135,806
Total current liabilities	<u>674,014</u>	<u>581,444</u>	<u>1,255,458</u>
Non-current liabilities:			
Note and lease obligations payable	41,175	796,753	837,928
Bonds payable, non-current	-	1,257,703	1,257,703
Total non-current liabilities	<u>41,175</u>	<u>2,054,456</u>	<u>2,095,631</u>
Total liabilities	<u>715,189</u>	<u>2,635,900</u>	<u>3,351,089</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,821,410	7,682,393	9,503,803
Restricted for other	54,092	-	54,092
Unrestricted	224,069	3,065,874	3,289,943
Total net assets	<u>\$ 2,099,571</u>	<u>\$ 10,748,267</u>	<u>\$ 12,847,838</u>

TOWN OF JASPER, TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Government activities:				
General government	\$ 468,131	\$ 52,461	\$ -	\$ 7,883
Public safety - police	527,663	32,254	-	-
Public safety - fire	33,837	-	202	-
Public safety - other	20,846	1,540	-	-
Public works	192,452	-	90,107	-
Parks and recreation	132,567	42,722	800	-
Library	157,081	-	-	-
Interest on long-term debt	3,209	-	-	-
Total governmental activities	<u>1,535,786</u>	<u>128,977</u>	<u>91,109</u>	<u>7,883</u>
Business-type activities:				
Water works	1,077,648	1,127,294	80,200	-
Waste Water	554,406	543,104	-	-
Sanitation	220,979	245,880	-	-
Total Business-type activities	<u>1,853,033</u>	<u>1,916,278</u>	<u>80,200</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,388,819</u>	<u>\$ 2,045,255</u>	<u>\$ 171,309</u>	<u>\$ 7,883</u>
General revenues:				
Property taxes				
Sales and use taxes				
State shared revenues				
Other taxes				
Interest income				
Other				
Insurance proceeds				
Total general revenues				
Change in net assets				
Net assets, beginning				
Net assets, ending				

Net (Expense) Revenues and
Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (407,787)		\$ (407,787)
(495,409)		(495,409)
(33,635)		(33,635)
(19,306)		(19,306)
(102,345)		(102,345)
(89,045)		(89,045)
(157,081)		(157,081)
(3,209)		(3,209)
(1,307,817)		(1,307,817)
	\$ 129,846	129,846
	(11,302)	(11,302)
	24,901	24,901
	143,445	143,445
(1,307,817)	143,445	(1,164,372)
295,582	-	295,582
715,331	-	715,331
283,071	-	283,071
65,115	-	65,115
1,760	22,983	24,743
11,729	-	11,729
3,500	-	3,500
1,376,088	22,983	1,399,071
68,271	166,428	234,699
2,031,300	10,581,839	12,613,139
\$ 2,099,571	\$ 10,748,267	\$ 12,847,838

TOWN OF JASPER, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 424,898	\$ 19,241	\$ 444,139
Property taxes receivable, net	313,832	-	313,832
Accounts receivable, net	24,831	-	24,831
Interest, dividends and royalties receivable	43	-	43
Due from other governments	94,369	-	94,369
Due from other funds	-	8,785	8,785
Prepaid expenses	26,597	-	26,597
Inventories	<u>-</u>	<u>3,478</u>	<u>3,478</u>
 Total assets	 <u>\$ 884,570</u>	 <u>\$ 31,504</u>	 <u>\$ 916,074</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 44,121	\$ 3,014	\$ 47,135
Accrued liabilities	3,915	-	3,915
Wages and benefits payable	9,867	995	10,862
Due to other funds	212,216	-	212,216
Deferred revenue	<u>311,534</u>	<u>-</u>	<u>311,534</u>
 Total liabilities	 <u>581,653</u>	 <u>4,009</u>	 <u>585,662</u>
 Fund balances:			
Nonspendable	26,597	3,478	30,075
Restricted	-	24,017	24,017
Unassigned	<u>276,320</u>	<u>-</u>	<u>276,320</u>
 Total fund balances	 <u>302,917</u>	 <u>27,495</u>	 <u>330,412</u>
 Total liabilities and fund balances	 <u>\$ 884,570</u>	 <u>\$ 31,504</u>	 <u>\$ 916,074</u>

TOWN OF JASPER, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Differences in amounts reported for governmental activities in the statement of net assets on page 14:

Fund balances - total governmental funds	\$ 330,412
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,898,686
Long-term liabilities of governmental funds, including notes and capital leases payable	
Notes payable	(77,276)
Compensated absences	(24,907)
Pension liability	(48,353)
Certain revenues will be collected after year-end but are not available soon enough to pay for current period's expenditures and therefore are deferred in the funds	<u>21,009</u>
Net assets of governmental activities	<u>\$ 2,099,571</u>

TOWN OF JASPER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,076,416	\$ -	\$ 1,076,416
Intergovernmental	283,071	90,107	373,178
Licenses and permits	36,581	-	36,581
Charges for services	32,254	-	32,254
Interest income	1,752	8	1,760
Donations	1,002	-	1,002
Grant revenue	7,883	-	7,883
Miscellaneous	73,440	1,540	74,980
Total revenues	<u>1,512,399</u>	<u>91,655</u>	<u>1,604,054</u>
EXPENDITURES			
Current:			
General government	318,165	-	318,165
Public works	102,321	90,131	192,452
Library	157,081	-	157,081
Public safety			
Police	527,663	-	527,663
Fire	33,837	-	33,837
Other	22,554	-	22,554
Culture and recreation	132,567	-	132,567
Capital outlay	31,050	-	31,050
Debt service:			
Principal retirement	-	83,424	83,424
Interest	-	1,867	1,867
Total expenditures	<u>1,325,238</u>	<u>175,422</u>	<u>1,500,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>187,161</u>	<u>(83,767)</u>	<u>103,394</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out) for debt service	(85,290)	85,290	-
Notes issued	25,000	-	-
Total other financing sources and uses	<u>(60,290)</u>	<u>85,290</u>	<u>-</u>
Net change in fund balances	126,871	1,523	128,394
Fund balances, beginning	<u>176,046</u>	<u>25,972</u>	<u>202,018</u>
Fund balances, ending	<u>\$ 302,917</u>	<u>\$ 27,495</u>	<u>\$ 330,412</u>

TOWN OF JASPER, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Differences in amounts reported for governmental activities in the statement of activities on pages 15-16:

Net change in fund balances - total governmental funds	\$	128,394
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay expenditures in governmental funds, that meet the capitalization threshold, are shown as capital assets in the statement of net assets.	31,050
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Depreciation expense on governmental capital assets are included in the governmental activities	(134,648)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets

Issuance of new debt	(25,000)	
Principal paid on debt	<u>84,424</u>	
		59,424

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental activities.	<u>(15,950)</u>
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Change in net assets of governmental activities	\$	<u><u>68,270</u></u>
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TOWN OF JASPER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 265,000	\$ 265,000	\$ 273,666	\$ 8,666
Penalty and interest on property taxes	2,200	2,200	3,772	1,572
Delinquent property tax	17,000	17,000	18,144	1,144
Other taxes:				
Local beer tax	125,000	125,000	151,857	26,857
Local sales tax	486,000	486,000	530,356	44,356
Business tax	35,000	35,000	65,503	30,503
Liquor tax	25,000	25,000	30,597	5,597
Mixed drink state	2,400	2,400	2,521	121
Total taxes	<u>957,600</u>	<u>957,600</u>	<u>1,076,416</u>	<u>118,816</u>
Intergovernmental revenues:				
State sales tax	210,000	210,000	221,253	11,253
State income tax	20,000	20,000	11,082	(8,918)
State beer and alcoholic beverage tax	1,150	1,150	1,610	460
Streets and transportation	5,800	5,800	6,731	931
Gross receipts State of Tennessee, in lieu of TVA replacement	18,000	18,000	37,884	19,884
Corporate excise tax	3,500	3,500	4,323	823
Telecommunications tax	250	250	188	(62)
Total intergovernmental revenues	<u>258,700</u>	<u>258,700</u>	<u>283,071</u>	<u>24,371</u>
Licenses and permits:				
Beer permits/privilege tax	2,000	2,000	700	(1,300)
Building permits and fees	6,000	6,000	7,070	1,070
Cable franchise fees	25,000	25,000	28,811	3,811
Total licenses and permits	<u>33,000</u>	<u>33,000</u>	<u>36,581</u>	<u>3,581</u>
Charges for services:				
Court fines and costs	22,000	22,000	32,254	10,254
Total charges for services	<u>22,000</u>	<u>22,000</u>	<u>32,254</u>	<u>10,254</u>
Miscellaneous revenue:				
Dixie youth income	12,000	12,000	10,980	(1,020)
Concession income	25,000	25,000	26,533	1,533
Rent	10,000	10,000	15,880	5,880
Animal shelter revenue	20	20	389	369
Donations	300	300	612	312
Grant revenue	-	-	7,883	7,883
Miscellaneous revenue	3,000	3,000	20,049	17,049
Interest income	1,000	1,000	1,752	752
Total miscellaneous revenue	<u>51,320</u>	<u>51,320</u>	<u>84,078</u>	<u>32,758</u>
Total revenues	<u>1,322,620</u>	<u>1,322,620</u>	<u>1,512,400</u>	<u>189,780</u>

(continued)

TOWN OF JASPER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (continued)
GENERAL FUND
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
General government (administrative):				
Salaries	\$ 75,514	\$ 75,514	\$ 75,084	\$ 430
Printing and office supplies	7,500	7,500	10,255	(2,755)
Postage	1,200	1,200	1,110	90
Payroll taxes	45,900	45,900	44,712	1,188
Unemployment	375	375	1,022	(647)
Utilities	19,000	19,000	13,870	5,130
Telephone	4,500	4,500	5,941	(1,441)
Water bills	1,300	1,300	456	844
Insurance	33,265	33,265	24,407	8,858
July 4th activities	9,000	9,000	8,650	350
Membership fees	15,000	15,000	14,637	363
Municipal building expense	2,200	2,200	3,328	(1,128)
Legal and accounting	36,400	36,400	32,861	3,539
Pension	64,000	64,000	63,389	611
Maintenance and repairs	900	900	2,268	(1,368)
Vehicle expense	650	650	724	(74)
Miscellaneous	<u>77,586</u>	<u>77,586</u>	<u>15,451</u>	<u>62,135</u>
Total general government	<u>394,290</u>	<u>394,290</u>	<u>318,165</u>	<u>76,125</u>
Public works (highways and streets):				
Salaries	32,252	32,252	32,633	(381)
Insurance	12,250	12,250	11,607	643
Vehicle expense	5,000	5,000	5,879	(879)
Pryor Cove Branch	-	-	6,812	(6,812)
Signs	100	100	-	100
Uniforms	360	360	466	(106)
Miscellaneous	-	-	9	(9)
Repairs and cleaning	7,000	7,000	14,554	(7,554)
Utilities	<u>31,500</u>	<u>31,500</u>	<u>30,361</u>	<u>1,139</u>
Total public works	<u>88,462</u>	<u>88,462</u>	<u>102,321</u>	<u>(13,859)</u>

(continued)

TOWN OF JASPER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (continued)
GENERAL FUND
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued):				
Library:				
Salaries	\$ 93,636	\$ 93,636	\$ 97,117	\$ (3,481)
Printing and office supplies	4,000	4,000	4,212	(212)
Utilities	10,000	10,000	8,349	1,651
Insurance	22,875	22,875	22,852	23
Telephone	4,500	4,500	4,703	(203)
Repairs and cleaning	4,000	4,000	3,146	854
Water bills	600	600	747	(147)
Books, tapes, etc.	10,000	10,000	9,123	877
Miscellaneous	450	450	2,908	(2,458)
Young adult program	2,000	2,000	2,610	(610)
Technology	2,000	2,000	1,314	686
Total library	<u>154,061</u>	<u>154,061</u>	<u>157,081</u>	<u>(3,020)</u>
Animal shelter:				
Salaries	19,664	19,664	15,664	4,000
Utilities	700	700	1,251	(551)
Insurance	3,825	3,825	3,082	743
Telephone	500	500	207	293
Repairs and cleaning	950	950	1,153	(203)
Vehicle expense	900	900	961	(61)
Uniforms	100	100	-	100
Shelter Expense	600	600	166	434
Miscellaneous	100	100	70	30
Veterinary Expense	400	400	-	400
Total animal shelter	<u>27,739</u>	<u>27,739</u>	<u>22,554</u>	<u>5,185</u>
Public safety (police):				
Salaries	312,120	312,120	331,861	(19,741)
Printing and office supplies	4,800	4,800	6,516	(1,716)
Insurance	86,800	86,800	78,786	8,014
Repairs and cleaning	750	750	1,155	(405)
Telephone	-	-	7,129	(7,129)
Vehicle expense	34,000	34,000	45,976	(11,976)
County executive/Marion County	50,000	50,000	50,000	-
Uniforms	1,400	1,400	2,398	(998)
State/litigation etc.	1,700	1,700	2,214	(514)
Postage	150	150	6	144
Capital outlay	30,758	30,758	-	30,758
Miscellaneous	3,300	3,300	1,622	1,678
Total public safety (police)	<u>525,778</u>	<u>525,778</u>	<u>527,663</u>	<u>(1,885)</u>

(continued)

TOWN OF JASPER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (continued)
GENERAL FUND
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued):				
Public safety (fire):				
Salaries	\$ 15,096	\$ 15,096	\$ 16,469	\$ (1,373)
Printing and office supplies	1,000	1,000	719	281
Utilities	90	90	51	39
Insurance	9,000	9,000	7,238	1,762
Telephone	3,700	3,700	4,365	(665)
Repairs and cleaning	2,000	2,000	1,395	605
Water bills	135	135	-	135
Vehicle expense	1,900	1,900	2,998	(1,098)
Miscellaneous	13,600	13,600	378	13,222
Fire school expense	-	-	224	(224)
Total public safety (fire)	<u>46,521</u>	<u>46,521</u>	<u>33,837</u>	<u>12,684</u>
Recreation:				
Salaries	41,616	41,616	39,278	2,338
Printing and office supplies	1,800	1,800	1,837	(37)
Utilities	17,000	17,000	18,810	(1,810)
Insurance	15,250	15,250	10,294	4,956
Telephone	2,800	2,800	3,403	(603)
Repairs and cleaning	7,000	7,000	21,813	(14,813)
Water bills	1,500	1,500	2,330	(830)
Vehicle expense	2,600	2,600	2,097	503
Uniforms	200	200	110	90
Dixie youth expense	12,000	12,000	7,424	4,576
Concession expense	18,000	18,000	17,932	68
Capital outlay	-	-	7,000	(7,000)
Tools	50	50	-	50
Miscellaneous	186	186	239	(53)
Total recreation	<u>120,002</u>	<u>120,002</u>	<u>132,567</u>	<u>(12,565)</u>

(continued)

TOWN OF JASPER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (continued)
GENERAL FUND
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued):				
Capital outlay	\$ -	\$ -	\$ 31,050	\$ (31,050)
Debt service:				-
Principal retirement	-	-	83,424	(83,424)
Interest	<u>-</u>	<u>-</u>	<u>1,867</u>	<u>(1,867)</u>
Total expenditures	<u>1,356,853</u>	<u>1,356,853</u>	<u>1,410,529</u>	<u>(53,676)</u>
Excess of revenues over expenditures	<u>(34,233)</u>	<u>(34,233)</u>	<u>101,871</u>	<u>136,104</u>
OTHER FINANCING SOURCES (USES)				
Notes issued	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ (34,233)</u>	<u>\$ (34,233)</u>	126,871	<u>\$ 161,104</u>
Fund balance at beginning of year			<u>176,046</u>	
Fund balance at end of year			<u>\$ 302,917</u>	

TOWN OF JASPER, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

Business-Type Activities - Enterprise Funds

	Water Works Fund	Waste Water Fund	Sanitation Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 590,818	\$ 245,804	\$ 45,308	\$ 881,930
Investments	1,166,387	703,867	35,000	1,905,254
Receivables, net	400,852	2,334	91	403,278
Inventories	20,479	362	-	20,841
Due from other funds	165,564	122,676	24,111	312,351
Prepaid expenses	14,551	5,514	3,894	23,959
Total current assets	<u>2,358,651</u>	<u>1,080,557</u>	<u>108,404</u>	<u>3,547,613</u>
Non-current assets:				
Deferred debt issuance costs, net	7,853	6,089	-	13,942
Capital assets:				
Land and construction in progress	45,601	65,982	-	111,583
Other capital assets, net of accumulated depreciation	7,336,114	2,353,256	21,659	9,711,029
Total non-current assets	<u>7,389,568</u>	<u>2,425,327</u>	<u>21,659</u>	<u>9,836,554</u>
Total assets	<u>9,748,219</u>	<u>3,505,884</u>	<u>130,063</u>	<u>13,384,167</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	37,639	28,175	4,599	70,413
Wages and benefits payable	40,138	14,056	16,738	70,932
Due to other funds	108,920	-	-	108,920
Customer deposits	231,474	-	-	231,474
Notes, bonds and capital leases payable, current	59,229	40,476	-	99,705
Total current liabilities	<u>477,400</u>	<u>82,707</u>	<u>21,337</u>	<u>581,444</u>
Non-current liabilities:				
Note and lease obligations payable	382,198	414,555	-	796,753
Bonds payable, non-current	1,257,703	-	-	1,257,703
Total non-current liabilities	<u>1,639,901</u>	<u>414,555</u>	<u>-</u>	<u>2,054,456</u>
Total liabilities	<u>2,117,301</u>	<u>497,262</u>	<u>21,337</u>	<u>2,635,900</u>
NET ASSETS				
Invested in capital assets, net	5,690,438	1,970,296	21,659	7,682,393
Unrestricted	1,940,481	1,038,326	87,067	3,065,874
Total net assets	<u>\$ 7,630,919</u>	<u>\$ 3,008,622</u>	<u>\$ 108,726</u>	<u>\$ 10,748,267</u>

TOWN OF JASPER, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Water Works Fund	Waste Water Fund	Sanitation Fund	Total
OPERATING REVENUES				
Metered water sales	\$ 968,407	\$ -	\$ -	\$ 968,407
Connection fees	6,825	1,450	-	8,275
Delinquent penalties collected	31,510	-	-	31,510
Service charges	11,200	508,060	245,880	765,140
Transfer fees	640	-	-	640
Line maintenance fees	87,431	-	-	87,431
Operating grant revenue	80,200	-	-	80,200
Miscellaneous revenues	21,281	33,594	-	54,875
Total operating revenues	<u>1,207,494</u>	<u>543,104</u>	<u>245,880</u>	<u>1,996,478</u>
OPERATING EXPENSES				
Salaries	329,551	111,063	105,369	545,983
Printing, postage and office expense	29,290	8,652	943	38,885
Utilities	125,855	74,152	-	200,007
Insurance	78,888	37,362	31,334	147,584
Repairs and cleaning	82,849	48,299	286	131,434
Vehicle	17,066	7,404	11,280	35,750
Payroll taxes	24,569	8,186	7,943	40,698
Pension	34,669	9,177	13,548	57,394
Legal and accounting	14,245	11,993	-	26,238
Membership/state fees	6,824	425	-	7,249
Chemicals	36,276	20,184	-	56,460
Analysis and lab expense	10,856	27,917	-	38,773
Miscellaneous	5,469	17,742	1,847	25,058
Bad debt	12,961	-	-	12,961
Disposal	-	-	41,433	41,433
Equipment expense	-	1,569	-	1,569
Engineering cost	4,741	44,341	-	49,082
Depreciation	221,671	120,725	6,996	349,392
Total operating expenses	<u>1,035,780</u>	<u>549,191</u>	<u>220,979</u>	<u>1,805,950</u>
Operating income (loss)	<u>171,714</u>	<u>(6,087)</u>	<u>24,901</u>	<u>190,529</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment income	14,130	8,487	366	22,983
Amortization expense	(367)	-	-	(367)
Interest on bonds, notes, lease obligations	(41,501)	(5,215)	-	(46,716)
Total non-operating revenue (expense)	<u>(27,738)</u>	<u>3,272</u>	<u>366</u>	<u>(24,101)</u>
CHANGES IN NET ASSETS				
	<u>143,976</u>	<u>(2,815)</u>	<u>25,267</u>	<u>166,428</u>
Net assets, beginning	<u>7,486,943</u>	<u>3,011,437</u>	<u>83,459</u>	<u>10,581,839</u>
Net assets, ending	<u>\$ 7,630,919</u>	<u>\$ 3,008,622</u>	<u>\$ 108,726</u>	<u>\$ 10,748,267</u>

TOWN OF JASPER, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	<u>Water Works Fund</u>	<u>Waste Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 1,146,372	\$ 549,117	\$ 245,917	\$ 1,941,406
Cash payments to suppliers for goods and services	(457,298)	(282,765)	(101,077)	(841,140)
Cash payments to employees	(334,773)	(109,824)	(102,481)	(547,078)
Cash payments for insurance premiums	(80,648)	(38,256)	(31,894)	(150,798)
Cash payments received from (paid to) other funds	<u>16,230</u>	<u>(21,425)</u>	<u>(1,959)</u>	<u>(7,154)</u>
Net cash provided (used) by operating activities	<u>289,883</u>	<u>96,848</u>	<u>8,506</u>	<u>395,237</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(130,836)	(226,723)	-	(357,559)
Principal paid on bonds, notes and lease obligations	(51,257)	(37,364)	-	(88,621)
Interest paid on bonds, notes, and lease obligations	<u>(41,501)</u>	<u>(5,215)</u>	<u>-</u>	<u>(46,716)</u>
Net cash used by capital and related financing activities	<u>(223,594)</u>	<u>(269,302)</u>	<u>-</u>	<u>(492,896)</u>
Cash flows from investing activities:				
Investment income	<u>14,130</u>	<u>8,487</u>	<u>366</u>	<u>22,983</u>
Net cash provided (used) by investing activities	<u>14,130</u>	<u>8,487</u>	<u>366</u>	<u>22,983</u>
Net increase (decrease) in cash and cash equivalents	80,419	(163,968)	8,872	(74,677)
Beginning cash and cash equivalents	<u>510,399</u>	<u>409,772</u>	<u>36,436</u>	<u>956,607</u>
Ending cash and cash equivalents	<u>\$ 590,818</u>	<u>\$ 245,804</u>	<u>\$ 45,308</u>	<u>\$ 881,930</u>

TOWN OF JASPER, TENNESSEE
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
Year Ended June 30, 2012

	<u>Water Works Fund</u>	<u>Waste Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ 171,714</u>	<u>\$ (6,087)</u>	<u>\$ 24,901</u>	<u>\$ 190,529</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	221,671	120,725	6,996	349,392
Changes in assets and liabilities:				
Change in accounts receivable	(51,598)	6,013	37	(45,548)
Change in due from other funds	7,244	(21,425)	(1,959)	(16,140)
Change in inventories	25,264	-	-	25,264
Change in prepaids	(1,760)	(894)	(560)	(3,214)
Change in accounts payable	(89,853)	(2,724)	(23,797)	(116,374)
Change in accrued liabilities	(5,222)	1,239	2,888	(1,095)
Change in due to other funds	8,986	-	-	8,986
Change in customer deposits	<u>3,437</u>	<u>-</u>	<u>-</u>	<u>3,437</u>
Total adjustments	<u>(103,502)</u>	<u>(17,791)</u>	<u>(23,391)</u>	<u>(144,684)</u>
Net cash provided (used) by operating activities	<u>\$ 289,883</u>	<u>\$ 96,848</u>	<u>\$ 8,506</u>	<u>\$ 395,237</u>

TOWN OF JASPER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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**TOWN OF JASPER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Town of Jasper, Tennessee (the Town) was incorporated in 1959 under Tennessee law. The Town is governed by the elected Mayor and four elected Aldermen and provides services to the citizens of the Town including police and fire protection, water, sewer and garbage services, parks and recreation facilities, maintenance of streets and highways, and general administrative services.

As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements include all the funds and the account groups relevant to the operations of the Town.

Government-Wide and Fund Financial Statements

Financial information of the Town is presented as follows:

Management’s Discussion and Analysis (MD&A) provides a narrative introduction and analytical overview of the Town’s financial activities.

The Basic Financial Statements consist of the following:

- 1) Government-wide financial statements;
- 2) Fund financial statements; and
- 3) Notes to the basic financial statements.

The Government-Wide Financial Statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government (governmental and business-type activities) and its component units, if applicable. The Town reports capital assets in the government-wide statement of net assets and reports depreciation expense - the cost of “using up” capital assets - in the statement of activities. As a general rule, the effect of interfund activity has been eliminated from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely significantly on fees and charges for support. The governmental activities of the Town include general government, public safety (police and fire), public works, parks and recreation and general administrative support services. The business-type activities of the Town include water, sewer and garbage services.

The **statement of activities** reports expenses and revenues in a format that focuses on the cost of each of the Town’s functions (public safety, public works, etc.). The expense of individual functions is compared to the revenue generated directly by the function. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Town are reported in three specific categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The **governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current fiscal period are considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the Town.

The **proprietary funds** distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the proprietary funds is charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Town has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregate non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide Financial Statements.

The GASB Statement No. 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town has presented all major funds that meet the qualifications of GASB Statement No. 34. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining section.

The Town reports the following major governmental fund:

The General Fund is the government's primary operating fund and is the only fund that qualifies as a major fund under GASB No. 34. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

Water Works Fund: This fund accounts for providing water services to the citizens of the Town and surrounding areas. Activities of the fund include administration, operation and maintenance of the water system and billing and collection activities.

Wastewater Fund: This fund accounts for the activities of maintaining sanitary sewer and storm drain systems within the Town and surrounding areas.

Sanitation Fund: This fund, accounts for sanitation pick up fees and expenditures associated with garbage services.

Additionally, the Town reports the following other fund types:

Special Revenue Fund: These funds are used to account for revenues from sources which, by law, are designated to finance particular functions or activities of the Town. These funds include the following:

State Street Aid Fund: All state-shared gasoline tax revenue received to provide for street lighting and road maintenance is accounted for in this fund.

Drug Fund: The Drug Fund is used to account for confiscated drug monies and related expenditures.

Debt Service Fund: This fund is established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt other than those payable from proprietary funds.

Net Assets

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) is intended to reflect the position of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Assets represent net assets that have third party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Net Assets represent net assets that are not restricted for any project or other purpose. While management may have categorized and segmented portions for various purposes, the Town has the unrestricted authority to revisit or alter these managerial decisions.

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, street lights, traffic lights, sidewalks and other assets that are immovable and of value only to the Town) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, unless the related interest is insignificant. No interest was capitalized during the fiscal year ended June 30, 2012.

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

	Useful Life
Buildings and improvements	20-50 years
Water distribution system	39-50 years
Infrastructure	15-75 years
Sewer system	25-50 years
Vehicles	5 years
Machinery and equipment	5-10 years
Furniture and fixtures	7-10 years
Computer software	3 years

As a result of the implementation of GASB 34, which was effective for fiscal year ending June 30, 2004, the government-wide financial statements include infrastructure assets. Under GASB No. 34, phase 3 governments (governments with annual revenues of less than \$10 million) were not required to report infrastructures retroactively. As a result the government-wide financial statements do not reflect those infrastructure assets that were completed prior to July 1, 2003.

Budgets and Budgetary Accounting

Formal budgets are adopted by the Mayor and Board of Aldermen as a management control device during the year for the governmental type funds, special revenue funds and the proprietary funds.

The Mayor and Board of Aldermen approve departmental budgets. Transfers between departments and any revisions in the total appropriations must be approved by the Mayor and Board of Aldermen. Expenditures and encumbrances may not legally exceed appropriations authorized by the Mayor and Board of Aldermen and any authorized revisions.

Unused appropriations for any of the annually budgeted funds lapse at the end of the year.

Interfund Receivables and Payables

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “due to/from other funds”. Long-term loans between funds are classified as “loans to/from other funds”. All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Use of Estimates in the Preparation of Financial Statements

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 during the reporting period. Actual results could differ from those estimates.

Vacation Pay and Sick Leave

Sick leave is earned at a rate of one day per month and can be carried over up to a maximum of ninety days. Any unused sick leave is lost in the event of termination of employment. Employees are eligible for vacation leave after one year of employment. Vacation leave ranges from two to four weeks depending on the number of years of service. Unused vacation leave cannot be carried over and taken in a later employment year without the approval of management. In the event of termination, in most cases, an employee will receive pay for any unused vacation leave that has accumulated.

At June 30, 2012, the Town's liability for unused vacation leave of current employees by fund is as follows:

Fund	Amount
General Fund	\$ 24,907
Water Fund	10,362
Waste Water Fund	5,484
Sanitation Fund	5,302

Property Tax Information

Property taxes attach as an enforceable lien on the property as of January 1. The Town's property taxes are levied on October 1 and payable by the following March 1 to avoid penalties and interest.

Property taxes are recognized when they become available. Available includes those property taxes receivable which are expected to be collected within 60 days after year-end. Any taxes still receivable after 10 years are removed from receivables and the reserved fund balance.

Property taxes levied for 2012 are recorded as receivables, net of estimated uncollectible.

The receivables collected during the current fiscal year related to tax levies for fiscal year 2011 are recorded as revenue in accordance with the principles established by the Governmental Accounting Standards Board. The net receivables estimated to be collectible subsequent to August 29, 2012 are recorded as deferred revenues at June 30, 2012.

Estimated Uncollectible Receivables

Allowances have been provided for uncollectible property taxes and uncollectible proprietary fund accounts receivable in the amounts of \$4,808 and \$7,390, respectively.

Investments

The Town follows state investment policy guidelines for types of allowable investments.

Inventories

Inventories, which consist primarily of materials used in the Water Works and Waste Water Funds, are recorded at the lower of cost (first-in, first-out method) or market.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of construction when material. During fiscal year ended June 30, 2012, no interest costs were capitalized.

Use of Restricted Resources

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

Long-term Obligations

In the Government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Similarly, long-term debt and other obligations of the Town are reported as liabilities in the appropriate fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Assigned Fund Balance - represents amounts the Town intends to use for specific purposes as expressed by the Town alderman or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. Assignment of amounts to a specific purpose as part of the annual budget ordinance may be made by resolution of motion of the board. Assigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Unassigned Fund Balance - represents the residual classification for the general fund or deficit balances in other funds. Unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable-			
Inventory	\$ -	\$ 3,478	\$ 3,478
Prepaid expenses	26,597	-	26,597
Restricted			
Drug	-	2,548	2,548
Public works	-	21,469	21,469
Unassigned	<u>276,320</u>	<u>-</u>	<u>276,320</u>
Total fund balances	<u>\$ 302,917</u>	<u>\$ 27,495</u>	<u>\$ 330,412</u>

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The Town incurred no material violations of finance related legal and contractual provisions.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits

State statutes require that all deposits with financial institutions be collateralized by an amount equal to 105 percent of the face amount of uninsured deposits. The collateral should be held by the Town or the Town’s agent in the Town’s name. The statutes also authorize the types of investments in which the Town can invest. At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities
Cash	\$ 444,139	\$ 881,930
Investments in Certificates of Deposit	<u>-</u>	<u>1,905,254</u>
Total	<u>\$ 444,139</u>	<u>\$ 2,787,184</u>

The breakdown between deposits and petty cash for the Town is as follows:

	Primary Government
Bank deposits (checking accounts, savings accounts, and certificates of deposits)	\$ 3,231,223
Petty cash or cash on hand	<u>100</u>
Total	<u>\$ 3,231,323</u>

From time to time, the amount of cash exceeds federally insured limits.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2012 consist of the following:

	General	Other Governmental	Water Works	Waste Water	Sanitation
Property taxes	\$318,640	\$ -	\$ -	\$ -	\$ -
Accounts	24,831	-	401,938	50	-
Interest	<u>43</u>	<u>-</u>	<u>6,303</u>	<u>2,284</u>	<u>93</u>
Gross receivables	343,514	-	408,241	2,334	93
Less: allowance for uncollectibles	<u>(4,808)</u>	<u>-</u>	<u>(7,390)</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$338,706</u>	<u>\$ -</u>	<u>\$ 400,851</u>	<u>\$ 2,334</u>	<u>\$ 93</u>

NOTE 5 – DUE TO/DUE FROM OTHER FUNDS

Balances due to/due from other funds at June 30, 2012 are as follows:

Due to/from other funds – Primary Government		
Receivable Fund	Payable Fund	Amount
Waste Water	General	\$ 37,867
Waste Water	Water Works	84,809
Sanitation	Water Works	24,111
Drug	General	1,440
Water Works	General	165,564
Street Aid	General	<u>7,345</u>
		<u>\$ 321,136</u>

NOTE 6 – LOAN TO/FROM OTHER FUND

In past years, the Water Works Fund loaned the General Fund monies for the purpose of balancing the budget. The loan bears interest at an annual rate of 4.3% and is to be repaid by payments from the General Fund of at least \$14,377 annually. At June 30, 2012, interest totaling \$7,244 was due under this loan and was included in amounts due from General Fund and due to Water Works Fund (see above).

Interfund loan to/from other fund at June 30, 2012 is:

Loan to/from other fund – Primary Government		
Receivable Fund	Payable Fund	Amount
Water Works	General Fund	<u>\$ 165,564</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 is as follows:

Primary Government	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Governmental Activities:					
Non-depreciable assets:					
Land	\$ 404,627	\$ 25,000	\$ -	\$ -	\$ 429,627
Rights of way	<u>51,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,518</u>
Total non-depreciable assets	<u>456,145</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>481,145</u>
Depreciable assets:					
Infrastructure	452,381	-	-	-	452,381
Buildings	899,754	-	-	-	899,754
Improvements other than buildings	959,621	-	-	-	959,621
Equipment, furniture & fixtures	841,037	6,050	-	-	847,087
Vehicles	<u>330,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,792</u>
Total depreciable assets	<u>3,483,585</u>	<u>6,050</u>	<u>-</u>	<u>-</u>	<u>3,489,635</u>
Less accumulated depreciation for:					
Buildings	435,552	17,312	-	-	452,864
Infrastructure	109,374	22,619	-	-	131,993
Improvements other than buildings	349,108	62,031	-	-	411,139
Equipment, furniture & fixtures	809,304	9,794	-	-	819,098
Vehicles	<u>234,108</u>	<u>22,892</u>	<u>-</u>	<u>-</u>	<u>257,000</u>
Total accumulated depreciation	<u>1,937,446</u>	<u>134,648</u>	<u>-</u>	<u>-</u>	<u>2,072,094</u>
Depreciable assets, net	<u>1,546,139</u>	<u>(128,598)</u>	<u>-</u>	<u>-</u>	<u>1,417,541</u>
Governmental activities capital assets, net	<u>\$ 2,002,284</u>	<u>\$ (103,598)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,898,686</u>

Business-Type Activities	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Business-Type Activities:					
Non-depreciable assets:					
Land	\$ 111,583	\$ -	\$ -	\$ -	\$ 111,583
Total non-depreciable assets	<u>111,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,583</u>
Depreciable assets:					
Buildings and improvements	5,098,511	-	-	-	5,098,511
Water system	9,146,723	130,836	-	-	9,277,559
Sewer system	1,138,457	204,690	-	-	1,343,147
Vehicles	197,295	12,500	-	-	209,795
Equipment, furniture & fixtures	<u>277,901</u>	<u>9,533</u>	<u>-</u>	<u>-</u>	<u>287,434</u>
Total depreciable assets	<u>15,858,887</u>	<u>357,559</u>	<u>-</u>	<u>-</u>	<u>16,216,446</u>
Less accumulated depreciation for:					
Buildings	3,040,367	97,980	-	-	3,138,347
Water system	2,488,463	185,808	-	-	2,674,270
Sewer system	223,830	46,061	-	-	269,891
Vehicles	168,641	8,453	-	-	177,094
Equipment, furniture & fixtures	<u>235,043</u>	<u>10,772</u>	<u>-</u>	<u>-</u>	<u>245,815</u>
Total accumulated depreciation	<u>6,156,344</u>	<u>349,074</u>	<u>-</u>	<u>-</u>	<u>6,505,417</u>
Depreciable assets, net	<u>9,702,543</u>	<u>8,485</u>	<u>-</u>	<u>-</u>	<u>9,711,029</u>
Business-type activities capital assets, net	<u>\$ 9,814,127</u>	<u>\$ 8,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,822,612</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

General	\$ 33,519
Public safety – police	12,531
Public safety – fire	16,865
Public safety – other	5,744
Parks and recreation	61,812
Library	<u>4,177</u>
Total	<u>\$ 134,648</u>

Business-type activities:

Water	\$ 221,671
Waste water	120,407
Sanitation	<u>6,996</u>
Total	<u>\$ 349,074</u>

NOTE 8 – BONDS AND NOTES PAYABLE

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance July 1	Additions	Payments	Outstanding June 30	Due Within One Year
Governmental Activities:					
Notes Payable					
Note payable to owner of land, March 1, 2012, bearing interest at 2.00%, payable in semi-annual installments of \$3,949 through December 29, 2014	\$ -	\$25,000	\$ 5,914	\$ 19,086	\$ 7,552
General Obligation Capital Outlay, Series 2006 dated October 1, 2006, 5.21 % interest due semi-annually; extended for 3 years on October 1, 2008, no principal payments during current year.	50,000	-	50,000	-	-
Note payable to Citizens Tri County Bank dated December 22, 2010, 3.80% interest; principal due annually in three installments.	<u>85,700</u>	<u>-</u>	<u>27,510</u>	<u>58,190</u>	<u>28,549</u>
Total notes payable	<u>135,700</u>	<u>-</u>	<u>83,424</u>	<u>77,276</u>	<u>36,101</u>
Governmental Activities Long-term debt	<u>\$ 135,700</u>	<u>\$ 25,000</u>	<u>\$ 83,424</u>	<u>\$ 77,276</u>	<u>\$ 36,101</u>
Business-Type Activities:					
Bonds Payable					
Water Revenue and Tax Bond, Series 2003; dated June 23, 2005; payable in 456 monthly installments of \$6,097, including interest at 4.25% through June 23, 2043.	<u>\$1,272,713</u>	<u>\$ -</u>	<u>\$ 15,010</u>	<u>\$1,257,703</u>	<u>\$19,966</u>
Total bonds payable	<u>1,272,713</u>	<u>-</u>	<u>15,010</u>	<u>1,257,703</u>	<u>19,966</u>
Notes Payable					
Loan agreement dated Sept. 13, 2004. Interest at an adjustable rate payable monthly. Principal payment is due annually on May 25th in increasing amounts from \$11,719 to \$33,255. (Water Fund's portion)	477,674	-	36,247	441,427	39,072
Loan agreement dated Sept. 13, 2004. Interest at the adjustable rate payable monthly. Principal payment is due annually on May 25th in increasing amounts from \$12,054 to \$34,281. (Waste Water Fund's portion)	<u>492,395</u>	<u>-</u>	<u>37,364</u>	<u>455,031</u>	<u>40,667</u>
Total notes payable	<u>970,069</u>	<u>-</u>	<u>73,611</u>	<u>896,458</u>	<u>79,739</u>
Business-Type Activities Long-term debt	<u>\$2,242,782</u>	<u>\$ -</u>	<u>\$ 88,621</u>	<u>\$2,154,161</u>	<u>\$ 99,705</u>

The annual debt service requirements for all bonds, notes and capital leases outstanding as of June 30, 2012 are as follows:

Governmental Fund Debt

Year	Principal	Interest	Total
2013	\$ 36,101	\$ 2,557	\$ 38,658
2014	37,345	1,319	38,664
Thereafter	<u>3,830</u>	<u>38</u>	<u>3,868</u>
Total	<u>\$ 77,276</u>	<u>\$ 3,914</u>	<u>\$ 81,190</u>

Business-Type Activities Debt

Year	Principal	Interest	Total
2013	\$ 99,705	\$ 68,675	\$ 168,380
2014	101,759	68,038	169,797
2015-2019	518,190	324,833	843,023
2020-2024	303,195	249,566	552,761
2025-2029	272,057	202,038	474,095
2030-2034	313,277	158,732	472,009
2035-2039	277,506	88,314	365,820
2040-2043	197,139	24,014	219,493
	<u>268,472</u>	<u>1,660</u>	<u>72,993</u>
Total	<u>\$ 2,154,161</u>	<u>\$ 1,184,210</u>	<u>\$ 3,338,371</u>

The Water Revenue and Tax Bond Series 2003 is payable from and secured by a pledge of the net revenues to be derived from the operation of the systems. The bond document also requires that certain restrictive covenants be maintained. As of June 30, 2012, the Town was not in compliance with bond covenants requiring that service be discontinued to any customer whose bill is over 60 days past due.

The Loan Agreement dated September 13, 2004, in the original amount of \$1,393,000 bears interest at an adjustable rate. This rate is adjusted monthly on the 15th of the month and is calculated by the Trustee based on the interest rates determined by the Remarketing Agent. The rate, which was 3.25% on June 30, 2011, remains that same as of June 30, 2012. The anticipated interest rate used to compute the maturities of the debt over its remaining term is 3.25%.

NOTE 9 – NONSPENDABLE AND RESTRICTED FUND BALANCE

In accordance with state and federal fingerprinting requirements, the Drug Fund is required to reserve 20% of its annual net income for the purchase of an electronic fingerprint imaging system that is compatible with the Federal Bureau of Investigation’s system. Instead of purchasing such fingerprinting equipment, a local law enforcement agency may enter into an agreement with another agency for the use of their equipment. During the fiscal year ended June 30, 2012, the Town of Jasper had a user agreement with the Marion County Sheriff’s Department for the use of their fingerprinting equipment. As a result, no revenue was restricted for the current year. At June 30, 2012, the restricted fund balance totaled \$10,730.

In addition, state statute requires the Street Aid Fund to reserve its income for the use of street related public works such as repairs to streets, manhole covers, sidewalks, biking paths and street related projects for the Town. During the fiscal year ended June 30, 2012, the nonspendable and restricted fund balance totaled \$16,765.

NOTE 10 – OPERATING LEASES

During the fiscal year ended June 30, 2012, the Town of Jasper leased copier equipment under long-term operating leases with terms of 60 months. Rental expenses relative to these leases totaled approximately \$7,612 for the year.

The following is a schedule of future minimum lease payments required under the operating leases as of June 30, 2012.

Year	
2013	\$7,612
2014	4,814
2015	2,088
2016	2,088
2017	1,740

NOTE 11 – PENSION PLAN

The Town of Jasper participates in a single-employer defined benefit pension plan whose benefit provisions are established and amended under the authority of the Mayor and Board of Aldermen. The “Town of Jasper Employees’ Retirement Plan”, which was established in 1973, covers all eligible employees of the Town. Employees become eligible to participate once they have completed twelve months of employment and have attained age 21.

The plan provides a basic monthly pension beginning at normal retirement age (age 65) equal to 25% of the average monthly compensation plus 24% of the average compensation in excess of \$600. Under the plan, death benefits payable to the participant’s beneficiary are the minimum required by law.

Participants become vested in the plan at a rate of 20% per year and are fully vested after five years. Each participant is required to contribute 1% of compensation and the Town contributes the remaining amounts necessary to fund the plan. Required employer contributions are actuarially determined yearly.

The information provided in the Required Supplementary Information is based on the actuarial valuation date of April 15, 2011. The actuarial cost method used was individual aggregate method for ARC and entry age normal liability for actuarial accrued liability. The actuarial value of assets was determined based on market value. Actuarial assumptions used for the current year included the following: (1) inflation rate of 0%, (2) investment return of 7.5%, (3) projected salary increases of 3% for recommended contribution without salary scale and 3% for recommended contribution with salary scale, (4) no post-retirement benefit increases, and (5) no disability assumptions.

Following is a summary of the Town’s net pension obligation (NPO):

Net pension obligation (NPO) at June 30, 2011	<u>\$ 91,173</u>
Annual Pension cost:	
Annual required contribution (ARC)	127,894
Interest on the NPO	6,838
Adjustments to the ARC	<u>(10,329)</u>
Annual pension cost	124,403
Contributions made during the fiscal year ended June 30, 2012	<u>127,498</u>
Changes in NPO	<u>(3,095)</u>
Net pension obligation (NPO) at June 30, 2012	<u>\$ 88,078</u>

The plan issues a separate, stand-alone report, which can be obtained from the Town of Jasper’s accounting department.

NOTE 12 – RESTRICTIONS AND CONTINGENCIES

Federal and State Grants

The Town has received funds from federal and state grants for specific purposes which are subject to review by the grantor agencies. Such reviews could lead to a request for reimbursement to the grantor agencies for any expenditure disallowed under the terms of the grants. Management believes that such disallowed costs, if any, would be immaterial.

Water Line Relocation

The State of Tennessee is relocating the Tennessee River Bridge and, as a result, the Town will have to relocate the water lines currently connected to the bridge. Several alternatives relative to the replacement of the lines are currently being considered by the Town. The decision is pending final cost determination and financing possibilities.

NOTE 13 – RISK MANAGEMENT

The Town of Jasper is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Tennessee Municipal League Risk Management Pool (TML-RMP) to provide workers’ compensation coverage and general liability and property insurance. The Town, along with other participating entities, contributes annual amounts determined by TML-RMP management. As claims arise they are submitted to and paid by TMP-RMP. During the fiscal year ended June 30, 2012, the Town contributed a total of \$85,749 to the fund for this insurance coverage. There were no significant reductions in insurance coverage from the prior year.

NOTE 14 – INTERFUND TRANSACTION

During the course of normal operations, the Town has several transactions between funds including expenditures and transfers of resources primarily to provide services. Most transfers among funds are used to move revenues from the fund required to collect the revenue to the fund required or authorized to expend them. Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers and are reported “gross” in the fund financial statements. Transfers between governmental funds are eliminated in the conversion to the government-wide financial statements, while transfers between governmental and proprietary funds are reported “net”.

Receivable Primary Government	Payable Primary Government	Amount
Debt Service	General Fund	\$ 85,290

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor’s report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

TOWN OF JASPER, TENNESSEE
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION -
PUBLIC EMPLOYEES RETIREMENT SYSTEM
June 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date (entry age)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
04/14/11	\$ 1,083,582	\$ 1,965,689	\$ 882,107	55%	\$ 1,082,765	81%
04/15/10	913,578	1,528,080	614,502	60%	1,079,375	57%
04/15/09	872,284	1,813,592	941,308	48%	1,055,838	89%

Schedule of Employer Contribution

Fiscal Year	Annual Required Contribution	Contribution Made for Current Year	Percentage Contributed
2012	\$ 127,498	\$ 127,497	100%
2011	126,100	126,099	100%
2010	108,700	-	0%

The information provided above is based on the actuarial valuation date of April 14, 2011. The actuarial cost method used was individual aggregate method for ARC and entry age normal liability for actuarial accrued liability. The actuarial value of assets was determined based on market value. Actuarial assumptions used for the current year included the following: (1) inflation rate of 0%, (2) investment return of 7.5%, (3) projected salary increases of 3% for recommended contribution without salary scale and 3% for recommended contribution with salary scale, (4) no post-retirement benefit increases, and (5) no disability assumptions.

TOWN OF JASPER, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
Year ended June 30, 2012

	State Street Aid Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Gas tax/one cent	\$ 58,000	\$ 58,000	\$ 58,296	\$ 296
Gas tax/three cents	18,000	18,000	17,474	(526)
Gas tax/1989	9,800	9,800	8,841	(959)
Miscellaneous	-	-	5,496	5,496
Total revenues	<u>85,800</u>	<u>85,800</u>	<u>90,107</u>	<u>4,307</u>
EXPENDITURES				
Current:				
Salaries	51,490	51,490	51,865	(375)
Office expense	180	180	-	180
Insurance	10,300	10,300	13,192	(2,892)
Payroll taxes	3,967	3,967	3,868	99
Pension	1,440	1,440	6,815	(5,375)
Unemployment	-	-	81	(81)
Vehicle/equipment maintenance	5,000	5,000	-	5,000
Utility expense	20,000	20,000	13,668	6,333
Uniforms	450	450	642	(192)
Miscellaneous	150	150	-	150
Total expenditures	<u>92,977</u>	<u>92,977</u>	<u>90,131</u>	<u>2,847</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,177)</u>	<u>(7,177)</u>	<u>(24)</u>	<u>7,154</u>
Net change in fund balance	<u>\$ (7,177)</u>	<u>\$ (7,177)</u>	(23)	<u>\$ 7,154</u>
Fund balances at beginning of year			<u>16,789</u>	
Fund balances at end of year			<u>\$ 16,765</u>	

TOWN OF JASPER, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
Year ended June 30, 2012

	Drug Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Drug related fines	\$ 1,400	\$ 1,400	\$ 1,440	\$ 40
Interest income	100	100	8	(91)
Unauthorized Substance Tax	-	-	100	100
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>1,548</u>	<u>49</u>
EXPENDITURES				
Current:				
Total expenditures	<u>1,500</u>	<u>1,500</u>	-	<u>1,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,548</u>	<u>1,549</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,548	<u>\$ 1,549</u>
Fund balances at beginning of year			<u>9,192</u>	
Fund balances at end of year			<u>\$ 10,730</u>	

TOWN OF JASPER, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND
Year ended June 30, 2012

	Sanitation Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
OPERATING REVENUES				
Sanitation fees	\$ 266,000	\$ 266,000	\$ 245,880	\$ (20,120)
Total operating revenues	<u>266,000</u>	<u>266,000</u>	<u>245,880</u>	<u>(20,120)</u>
OPERATING EXPENSES				
Current:				
Salaries	102,960	102,960	105,369	(2,409)
Printing and office expense	100	100	578	(478)
Insurance	25,200	25,200	31,334	(6,134)
Telephone	300	300	365	(65)
Repairs and cleaning	400	400	286	114
Vehicle	10,000	10,000	11,280	(1,280)
Payroll taxes	7,866	7,866	7,745	121
Unemployment	73	73	198	(125)
Pension	15,000	15,000	13,548	1,452
Disposal	41,000	41,000	41,433	(433)
Uniforms	1,800	1,800	1,549	251
Miscellaneous	500	500	298	202
Depreciation	<u>7,500</u>	<u>7,500</u>	<u>6,996</u>	<u>504</u>
Total operating expenditures	<u>212,699</u>	<u>212,699</u>	<u>220,979</u>	<u>(8,280)</u>
Operating income (loss)	<u>53,301</u>	<u>53,301</u>	<u>24,901</u>	<u>(28,400)</u>
NON-OPERATING REVENUE (EXPENSE)				
Total non-operating revenue (expense)	<u>550</u>	<u>550</u>	<u>366</u>	<u>(184)</u>
Net change in fund balance	<u>\$ 53,851</u>	<u>\$ 53,851</u>	25,267	<u>\$ (28,584)</u>
Fund balances at beginning of year			<u>83,459</u>	
Fund balances at end of year			<u>\$ 108,726</u>	

TOWN OF JASPER, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND
Year ended June 30, 2012

	Water Works Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
OPERATING REVENUES				
Metered water sales	\$ 890,000	\$ 890,000	\$ 968,407	\$ 78,407
Returned check charge	1,000	1,000	675	(325)
Connection fees	15,000	15,000	6,825	(8,175)
Delinquent penalties collected	35,000	35,000	31,510	(3,490)
Service charges	6,000	6,000	11,200	5,200
Transfer fees	1,600	1,600	640	(960)
Line maintenance fees	81,000	81,000	87,431	6,431
Capacity Charge	5,000	5,000	8,750	3,750
Grant revenue	-	-	80,200	80,200
Miscellaneous revenue	12,500	12,500	11,856	(644)
Total operating revenues	<u>1,047,100</u>	<u>1,047,100</u>	<u>1,207,494</u>	<u>160,394</u>
OPERATING EXPENSES				
Salaries	312,000	312,000	329,551	(17,549)
Printing and office expense	10,000	10,000	6,921	3,079
Postage	13,900	13,900	13,518	382
Lights and power	130,000	130,000	125,855	4,145
Insurance	49,430	49,430	82,849	(29,458)
Telephone	15,000	15,000	8,851	6,149
Repairs and cleaning	75,000	75,000	75,942	(942)
Vehicle	16,000	16,000	17,066	(1,066)
Payroll taxes	25,220	25,220	24,056	1,164
Unemployment	155	155	513	(358)
Pension	25,000	25,000	34,669	(9,669)
Legal and accounting	13,600	13,600	14,245	(645)
Membership/state fees	9,500	9,500	6,824	2,676
Chemicals	40,000	40,000	36,276	3,724
Water sample analysis	20,000	20,000	10,856	9,141
Uniforms	4,000	4,000	-	4,000
Small tools	1,800	1,800	-	1,800
Bad accounts	10,000	10,000	12,961	(2,961)
Miscellaneous	12,500	12,500	5,469	7,031
Unclaimed meter deposits	200	200	-	200
Engineering costs	3,200	3,200	4,741	(1,541)
Depreciation and amortization	195,000	195,000	221,671	(26,671)
Total operating expenditures	<u>981,505</u>	<u>981,505</u>	<u>1,032,834</u>	<u>(47,369)</u>
Operating income (loss)	<u>65,595</u>	<u>65,595</u>	<u>174,660</u>	<u>113,025</u>

(continued)

TOWN OF JASPER, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (continued)
PROPRIETARY FUND
Year ended June 30, 2012

	Water Works Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
NON-OPERATING REVENUE (EXPENSE)				
Investment income	\$ 37,000	\$ 37,000	\$ 14,130	\$ (22,870)
Interest on bonds, notes and lease obligations	(62,000)	(62,000)	(41,501)	20,499
From general fund	<u>14,577</u>	<u>14,577</u>	<u>(367)</u>	<u>(14,944)</u>
Total non-operating revenue (expense)	<u>(10,423)</u>	<u>(10,423)</u>	<u>(27,738)</u>	<u>(17,315)</u>
Net change in fund balance	<u>\$ 55,172</u>	<u>\$ 55,172</u>	143,976	<u>\$ 95,710</u>
Fund balances at beginning of year			<u>7,486,943</u>	
Fund balances at end of year			<u>\$ 7,630,919</u>	

TOWN OF JASPER, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND
Year ended June 30, 2012

	Waste Water Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
OPERATING REVENUES				
Waste water sales	\$ 465,000	\$ 465,000	\$ 507,720	\$ 42,720
Inspection fees	500	500	340	(160)
Connection fees	2,000	2,000	1,450	(550)
System capacity charge	7,000	7,000	7,500	500
Other income	-	-	26,094	26,094
	<u>474,500</u>	<u>474,500</u>	<u>543,104</u>	<u>68,604</u>
OPERATING EXPENSES				
Salaries	106,080	106,080	111,063	(4,983)
Printing and office expense	4,000	4,000	3,939	61
Postage	100	100	440	(340)
Lights and power	72,000	72,000	74,152	(2,152)
Insurance	29,700	29,700	37,146	(7,446)
Telephone	2,900	2,900	4,273	(1,373)
Repairs and cleaning	39,000	39,000	44,506	(5,506)
Vehicle expenses	2,500	2,500	7,404	(4,904)
Payroll taxes	8,325	8,325	8,024	301
Unemployment	60	60	162	(102)
Pension	11,000	11,000	9,177	1,823
Legal and accounting	12,650	12,650	11,993	657
Accidents	40	40	181	(141)
Uniforms	700	700	750	(50)
Water bills	2,500	2,500	4,588	(2,088)
Membership fees	3,000	3,000	425	2,575
Travel	500	500	-	500
Chemicals	20,000	20,000	20,184	(184)
Analysis and lab expense	24,000	24,000	27,917	(3,917)
Maintenance fees	2,000	2,000	4,840	(2,840)
Miscellaneous	1,200	1,200	443	757
Depreciation	100,000	100,000	120,725	(20,725)
Engineering cost	-	-	956	(956)
TDEC order	-	-	9,473	(9,473)
Jasper/Kimball regional expansion	-	-	41,299	(41,299)
WWTP Expansion	-	-	2,087	(2,087)
WWTP interim improvement	-	-	522	(522)
Sludge	15,000	15,000	2,522	12,478
	<u>457,255</u>	<u>457,255</u>	<u>549,191</u>	<u>(91,936)</u>
Total operating expenditures				
Operating income (loss)	<u>17,245</u>	<u>17,245</u>	<u>(6,087)</u>	<u>(23,332)</u>

(continued)

TOWN OF JASPER, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (continued)
PROPRIETARY FUND
Year ended June 30, 2012

	Waste Water Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
NON-OPERATING REVENUE (EXPENSE)				
Investment income	\$ 13,000	\$ 13,000	\$ 8,486	\$ (4,514)
Interest on bonds, notes and lease obligations	(5,435)	(5,435)	(5,214)	220
Total non-operating revenue (expense)	<u>7,565</u>	<u>7,565</u>	<u>3,272</u>	<u>(4,294)</u>
Net change in fund balance	<u>\$ 7,565</u>	<u>\$ 7,565</u>	(2,815)	<u>\$ (4,294)</u>
Fund balances at beginning of year			<u>3,011,437</u>	
Fund balances at end of year			<u>\$ 3,008,622</u>	

TOWN OF JASPER, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012

	State Street Aid	Drug	Debt Service	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,951	\$ 9,290	\$ -	\$ 19,241
Accounts receivable, net	7,345	-	-	7,345
Due from other funds	-	1,440	-	1,440
Inventories	<u>3,478</u>	<u>-</u>	<u>-</u>	<u>3,478</u>
Total assets	<u>\$ 20,774</u>	<u>\$ 10,730</u>	<u>\$ -</u>	<u>\$ 31,504</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued payables	<u>4,009</u>	<u>-</u>	<u>-</u>	<u>4,009</u>
Total liabilities	<u>4,009</u>	<u>-</u>	<u>-</u>	<u>4,009</u>
Fund Balances (Deficit):				
Nonspendable	3,478	-	-	3,478
Restricted	<u>13,287</u>	<u>10,730</u>	<u>-</u>	<u>24,017</u>
Total fund balances	<u>16,765</u>	<u>10,730</u>	<u>-</u>	<u>27,495</u>
Total liabilities and fund balances	<u>\$ 20,774</u>	<u>\$ 10,730</u>	<u>\$ -</u>	<u>\$ 31,504</u>

TOWN OF JASPER, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2012

	State Street Aid	Drug	Debt Service	Total Nonmajor Governmental Funds
REVENUES				
State of Tennessee gasoline tax allocation	\$ 84,611	\$ -	\$ -	\$ 84,611
Drug fund revenue	-	1,440	-	1,440
Grant revenue	5,496	-	-	5,496
Investment income	-	8	-	8
Miscellaneous	-	100	-	100
Total revenues	<u>90,107</u>	<u>1,548</u>	<u>-</u>	<u>91,655</u>
EXPENDITURES				
Current:				
Salaries	51,865	-	-	51,865
Insurance	13,192	-	-	13,192
Payroll tax expense	3,868	-	-	3,868
Unemployment	81	-	-	81
Pension	6,815	-	-	6,815
Utility expense	13,668	-	-	13,668
Uniforms	642	-	-	642
Debt Service:				
Principal	-	-	83,424	83,424
Interest	-	-	1,867	1,867
Total expenditures	<u>90,131</u>	<u>-</u>	<u>85,291</u>	<u>175,422</u>
Excess (deficiency) of revenues over (under) expenditures	(24)	1,548	(85,291)	(83,767)
OTHER FINANCING SOURCES				
Transfers from other funds	-	-	85,290	85,290
Net change in fund balances	(24)	1,548	(1)	1,523
Fund balances at beginning of year	<u>16,789</u>	<u>9,182</u>	<u>1</u>	<u>25,972</u>
Fund balances at end of year	<u>\$ 16,765</u>	<u>\$ 10,730</u>	<u>\$ -</u>	<u>\$ 27,495</u>

TOWN OF JASPER, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL ACTIVITIES
June 30, 2012

Year Ended June 30	Note Principal	Interest	Total
<u>Citizens Tri-County Bank Note Payable</u>			
2013	\$ 28,549	\$ 2,211	\$ 30,760
2014	<u>29,641</u>	<u>1,126</u>	<u>30,767</u>
	<u>\$ 58,190</u>	<u>\$ 3,337</u>	<u>\$ 61,527</u>
<u>Car Wash Note Payable</u>			
2013	\$ 7,552	\$ 346	\$ 7,898
2014	7,704	193	7,897
2015	<u>3,830</u>	<u>38</u>	<u>3,868</u>
	<u>\$ 19,086</u>	<u>\$ 577</u>	<u>\$ 19,663</u>
<u>TOTALS</u>			
2013	\$ 36,101	\$ 2,557	\$ 38,658
2014	37,345	1,319	38,664
2015	<u>3,830</u>	<u>38</u>	<u>3,868</u>
	<u>\$ 77,276</u>	<u>\$ 3,914</u>	<u>\$ 81,190</u>

TOWN OF JASPER, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS (continued)
WATER FUND
June 30, 2012

Year Ended June 30	WATER REVENUE AND TAX BOND SERIES 2003			49.24% OF ADJUSTABLE RATE POOLED FINANCING REVENUE BONDS, SERIES 2004		
	Note Principal	Interest	Total	Note Principal	Interest	Total
2013	19,966	53,198	73,164	39,072	7,621	46,693
2014	20,833	52,331	73,164	39,848	7,734	47,582
2015	21,738	51,426	73,164	42,923	8,331	51,254
2016	22,682	50,482	73,164	43,568	8,456	52,024
2017	23,668	49,496	73,164	46,707	9,065	55,772
2018	24,696	48,468	73,164	47,419	9,204	56,623
2019	25,769	47,395	73,164	16,161	3,137	19,298
2020	26,888	46,276	73,164	16,947	3,289	20,236
2021	28,056	45,108	73,164	17,773	3,450	21,223
2022	29,275	43,889	73,164	18,640	3,618	22,258
2023	30,547	42,617	73,164	15,939	3,094	19,033
2024	31,874	41,290	73,164	7,789	1,512	9,301
2025	33,258	39,906	73,164	8,144	1,581	9,725
2026	34,703	38,461	73,164	8,518	1,653	10,171
2027	36,211	36,953	73,164	8,910	1,729	10,639
2028	37,784	35,380	73,164	9,322	1,809	11,131
2029	39,425	33,739	73,164	9,754	1,893	11,647
2030	41,138	32,026	73,164	10,209	1,981	12,190
2031	42,925	30,239	73,164	10,687	2,074	12,761
2032	44,790	28,374	73,164	11,188	2,171	13,359
2033	46,735	26,429	73,164	11,909	1,858	13,767
2034	48,766	24,398	73,164	-	-	-
2035	50,884	22,280	73,164	-	-	-
2036	53,094	20,070	73,164	-	-	-
2037	55,400	17,764	73,164	-	-	-
2038	57,808	15,356	73,164	-	-	-
2039	60,319	12,845	73,164	-	-	-
2040	62,939	10,225	73,164	-	-	-
2041	65,673	7,491	73,164	-	-	-
2042	68,526	4,638	73,164	-	-	-
2043	71,333	1,660	72,993	-	-	-
	<u>\$ 1,257,703</u>	<u>\$ 1,010,210</u>	<u>\$ 2,267,913</u>	<u>\$ 441,427</u>	<u>\$ 85,260</u>	<u>\$ 526,687</u>

TOWN OF JASPER, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS (continued)
WATER FUND
June 30, 2012

Year Ended June 30	TOTALS		
	Note Principal	Interest	Total
2013	59,038	60,819	119,857
2014	60,681	60,065	120,746
2015	64,661	59,757	124,418
2016	66,250	58,938	125,188
2017	70,375	58,561	128,936
2018	72,115	57,672	129,787
2019	41,930	50,532	92,462
2020	43,835	49,565	93,400
2021	45,829	48,558	94,387
2022	47,915	47,507	95,422
2023	46,486	45,711	92,197
2024	39,663	42,802	82,465
2025	41,402	41,487	82,889
2026	43,221	40,114	83,335
2027	45,121	38,682	83,803
2028	47,106	37,189	84,295
2029	49,179	35,632	84,811
2030	51,347	34,007	85,354
2031	53,612	32,313	85,925
2032	55,978	30,545	86,523
2033	58,644	28,287	86,931
2034	48,766	24,398	73,164
2035	50,884	22,280	73,164
2036	53,094	20,070	73,164
2037	55,400	17,764	73,164
2038	57,808	15,356	73,164
2039	60,319	12,845	73,164
2040	62,939	10,225	73,164
2041	65,673	7,491	73,164
2042	68,526	4,638	73,164
2043	71,333	1,660	72,993
	<u>\$ 1,699,130</u>	<u>\$ 1,095,470</u>	<u>\$ 2,794,600</u>

TOWN OF JASPER, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
WASTE WATER FUND
June 30, 2012

50.76% OF ADJUSTABLE RATE POOLED FINANCING REVENUE BOND, SERIES 2004			
Year Ended June 30	Note Principal	Interest	Total
2013	40,667	7,856	48,523
2014	41,078	7,973	49,051
2015	44,248	8,588	52,836
2016	44,913	8,717	53,630
2017	48,149	9,345	57,494
2018	48,883	9,488	58,371
2019	16,666	3,234	19,900
2020	17,470	3,391	20,861
2021	18,321	3,556	21,877
2022	19,216	3,730	22,946
2023	16,431	3,189	19,620
2024	8,029	1,558	9,587
2025	8,396	1,630	10,026
2026	8,781	1,704	10,485
2027	9,185	1,783	10,968
2028	9,610	1,865	11,475
2029	10,056	1,952	12,008
2030	10,522	2,042	12,564
2031	11,015	2,138	13,153
2032	11,531	2,238	13,769
2033	11,864	2,762	14,626
	<u>\$ 455,031</u>	<u>\$ 88,739</u>	<u>\$ 543,770</u>

TOWN OF JASPER, TENNESSEE
SCHEDULE OF AMOUNTS OF PUBLIC OFFICIAL BONDS
June 30, 2012

<u>Name of Official</u>	<u>Position</u>	<u>Public Official Bonds</u>
Jo Ann Jones	City Recorder	\$ 10,000
Susie Belk	Notary	10,000

TOWN OF JASPER, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
June 30, 2012

	<u>Liability Limits</u>
Workmen's compensation	\$ 1,000,000
Comprehensive Business Policy -	
Blanket building and business personal property	\$ 19,622,550
Mobile equipment	\$ 168,165
Electronic data processing	\$ 79,200
Comprehensive auto and general liability	Statutory Limits
Errors and omissions	\$ 700,000
Vehicle physical damage -	
Per person for bodily injury	\$ 300,000
Per occurrence for bodily injury	\$ 700,000
Per occurrence for property damage	\$ 100,000

TOWN OF JASPER, TENNESSEE
SCHEDULE OF INVESTMENTS BY FUND
June 30, 2012

	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
WASTE WATER FUND			
Citizens Tri-County Bank	11/12/12	1.10%	\$ 100,000
Citizens Tri-County Bank	2/7/13	1.00%	72,000
Citizens Tri-County Bank	3/31/13	0.70%	72,000
Citizens Tri-County Bank	5/23/13	0.90%	50,000
Citizens Tri-County Bank	8/10/12	0.95%	259,867
Citizens Tri-County Bank	5/28/13	0.90%	100,000
Citizens Tri-County Bank	5/28/13	0.65%	50,000
SANITATION FUND			
Citizens Tri-County Bank	11/12/12	1.10%	10,000
Citizens Tri-County Bank	11/12/12	0.65%	25,000
WATER WORKS FUND			
Citizens Tri-County Bank	9/17/12	1.15%	183,054
Citizens Tri-County Bank	9/17/12	1.15%	114,308
Citizens Tri-County Bank	11/12/12	1.10%	200,000
Citizens Tri-County Bank	11/12/12	1.10%	200,000
Citizens Tri-County Bank	12/27/12	0.80%	24,348
Citizens Tri-County Bank	8/10/12	0.70%	118,250
Citizens Tri-County Bank	5/23/13	0.90%	100,000
Citizens Tri-County Bank	5/23/13	0.90%	100,000
Citizens Tri-County Bank	5/23/13	0.90%	100,000
Citizens Tri-County Bank	12/10/12	0.40%	26,427
Total enterprise fund investments			<u>\$ 1,905,254</u>

TOWN OF JASPER, TENNESSEE
SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS
June 30, 2012

<u>Year</u>	<u>Rate per \$100</u>	<u>Valuations</u>	<u>Assessments</u>
2000	0.32	\$ 50,740,367	\$ 162,369
2001	0.28	57,888,214	162,087
2002	0.28	59,876,826	167,655
2003	0.28	58,685,799	164,320
2004	0.27	63,250,948	170,778
2005	0.27	65,925,323	177,998
2006	0.27	70,980,017	191,646
2007	0.24	81,863,690	196,473
2008	0.24	84,313,374	202,352
2009	0.24	84,313,374	202,352
2010	0.30	93,933,398	281,929
2011	0.30	94,102,175	282,311
2012	0.30	96,840,251	290,525

TOWN OF JASPER, TENNESSEE
SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS
June 30, 2012

<u>Year</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent years</u>	<u>Total Collections to Date</u>	
		<u>Amount Collected</u>	<u>Percentage of Levy</u>		<u>Amount Collected</u>	<u>Percentage of Levy</u>
2012	\$ 290,525	\$ 273,666	94.20%	\$ 18,144	\$ 291,810	100.44%
2011	291,570	270,947	92.93%	12,191	283,138	97.11%
2010	289,614	195,289	67.43%	24,616	219,905	75.93%
2009	211,289	189,876	89.87%	27,351	217,226	102.81%
2008	204,832	176,539	86.19%	11,431	187,970	91.77%
2007	199,883	189,551	94.83%	13,023	202,574	101.35%
2006	186,656	171,731	92.00%	11,602	183,333	98.22%
2005	180,042	169,121	93.93%	8,928	178,049	98.89%
2004	168,862	157,852	93.48%	9,640	167,492	99.19%

TOWN OF JASPER, TENNESSEE
SCHEDULE OF UTILITY RATES
June 30, 2012

The following water, sewer and sanitation rates were in effect as of June 30, 2012:

	<u>Water Charges</u>	
	<u>Jasper</u>	<u>All other service areas**</u>
<u>Inside City Limits</u>		
0 - 2,000 gallons	\$5.60 minimum bill	\$11.00 minimum bill
over 2,000 gallons	\$2.50 per 1,000 gallons	\$4.00 per 1,000 gallons
Service connection (tap) fee	\$350.00	\$400.00
 <u>Outside City Limits</u>		
0 - 2,000 gallons	\$11.00 minimum bill	\$11.00 minimum bill
over 2,000 gallons	\$3.75 per 1,000 gallons	\$4.00 per 1,000 gallons
Service connection (tap) fee	\$150.00	\$200.00

In addition to these water rates, a monthly service line maintenance fee of \$4.00 is charged to all customers outside the city limits (\$5.00 for Sequatchie).

	<u>Sewer Charges</u>	
0 - 1,000 gallons	\$8.00 minimum bill	\$16.00 minimum bill
All consumption	\$4.00 per 1,000 gallons	\$8.00 per 1,000 gallons

Sewer charges are based on the amount of water purchased from the Town.

Service connection (tap) fees are \$400.00 for the Town of Jasper and \$450.00 for all other service areas.

**All other service areas include Highway 41/Shellmound, East Nickajack, and Sequatchie/East Valley Rd.

Sanitation Rate
 \$10.00 per month

At June 30, 2012, there were approximately 3,700 water customers and 1,270 sewer customers.

**TOWN OF JASPER, TENNESSEE
 SCHEDULE OF UNACCOUNTED FOR WATER
 June 30, 2012**

(All amounts in gallons)

Water Treated and Purchased:

Water pumped (potable)	414,133,000	
Water purchased	-	
Total Water Treated and Purchased	-	414,133,000

Accounted for Water:

Water sold	241,903,600	
Metered for consumption (in-house usage)	30,551,822	
Fire department(s) usage	163,925	
Flushing	686,087	
Tank cleaning	12,000	
Street cleaning	-	
Bulk sales	-	
Water bill adjustments	-	
Other (explain)	-	
Total Accounted for Water		273,317,434

Unaccounted for Water 140,815,566

Percent Unaccounted for Water 34.002%

TOWN OF JASPER, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Accrued (Deferred) Grant Revenues June 30, 2011	Grant Revenues Received	Expenditures	Accrued (Deferred) Grant Revenues June 30, 2012
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed through Tennessee Department of Economic and Community Development:						
Community Development Block Grants	14.228	GG-09-29292-00	\$ 44,685	\$ -	\$ -	\$ 44,685
Total U.S. Department of Housing and Urban Development			<u>44,685</u>	<u>-</u>	<u>-</u>	<u>44,685</u>
U.S. DEPARTMENT OF ENERGY						
Passed through Tennessee Department of Economic and Community Development:						
Energy Efficiency and Conservation Block Grant Program	81.128	GG-11-33385-01	-	80,200	80,200	-
Total U.S. Department of Energy			<u>-</u>	<u>80,200</u>	<u>80,200</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION						
Passed through Tennessee Department of Transportation:						
Highway Planning and Construction	20.205	N/A	-	2,883	2,883	-
Alcohol Open Container Requirements	20.607	N/A	-	5,000	5,000	-
Total U.S. Department of Transportation			<u>-</u>	<u>7,883</u>	<u>7,883</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 44,685</u>	<u>\$ 88,083</u>	<u>\$ 88,083</u>	<u>\$ 44,685</u>



HENDERSON HUTCHERSON & McCULLOUGH, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and Board of Aldermen
Town of Jasper
Jasper, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jasper, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the Town of Jasper, Tennessee's basic financial statements and have issued our report thereon on dated December 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Jasper, Tennessee's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 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. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all such deficiencies have been identified.

We consider the following deficiencies in the Town's internal control to be material weaknesses:

1. Financial Records – The Town is required to maintain an adequate set of financial records. This includes providing for a system of internal controls to identify likely material adjustments and corrections of recorded amounts and providing for effective oversight of financial reporting and internal controls. It was necessary during the audit to propose a number of journal entries to correctly reflect the Town's transactions. This was also a finding as of June 30, 2011. We recommend that the Town implement a control procedure for a review of the information prepared by the accounting staff, which would include a review of the monthly financial statements, analyzing and investigating variances between budget and actual and reconciling accounts on a monthly basis.

Management Comments – As indicated in previous years, the size of the Town’s staff restricts its ability to prepare analyzed financial statements in all instances on a regular basis. However, the Town has purchased computer software from Local Government which should be of great assistance in maintaining financial records and improving internal controls. Also, the certified municipal finance officer will make appropriate journal entries throughout the year to accurately reflect the Town’s operations.

Physical access to cash – In performing our procedures related to cash receipts, we noted that when customers come in to pay bills, the cash is often laid on a shelf under the counter rather than being locked in a safe throughout the day. This was also a finding as of June 30, 2011. The town hall is a busy place and many people are in and out of the offices with direct access to the cash. This is not a good control over the Town’s cash receipts, and the Town should consider collect all payments using a lockable cash register.

Management Comments – The Town has hired a certified municipal finance officer who is in the process of reviewing the Town’s cash receiving procedures. Upon change of the administration in December 2012, the certified municipal financial officer will consider and recommend implementation of any new procedures to address this issue.

2. Accounting records – During the course of our auditing procedures, it was noted that accounting transactions affecting the Town are being recorded in different types of software, at different locations and by different employees of the Town. Specifically, it was observed that water billing, police fines and penalties are being recorded in Local Government software while the Town utilizes QuickBooks for its main accounting software. We recommend the Town consolidate as much as possible the accounting activities of the Town to mitigate the likelihood of errors. Also, there is a lack of control and oversight over the proper tracking of fixed assets. We noted that the accounting department is not always made aware of the dispositions or obsolescence of fixed assets within the Town’s various departments. Therefore, the Town could have fixed assets recorded on the books that have been disposed of or are obsolete. This was also noted as a finding as of June 30, 2011. We encourage the Town to track fixed assets on a regular basis and record in QuickBooks to increase the accuracy of the financial statements they rely upon during the year.

Management Comments – The Town’s governing body will change on December 10, 2012 at which time the Board will review and consider how to best implement technological options in consultation with the Town’s certified municipal financial officer to streamline these processes.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Jasper, Tennessee’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

1. Proper segregation of duties – Since the business office has a lack of segregation of duties due to the number of staff, the Town management should implement increased oversight to provide reasonable assurance that errors, irregularities or fraud are prevented or detected and corrected in a timely manner. This was also a finding as of June 30, 2011. We suggest that the Town implement a review procedure for all significant financial functions to provide increased oversight of the accounting and business office functions.

Management Comments – In recent years we have attempted to implement procedures for review of the significant financial functions to allow us to provide increased oversight of the accounting functions. Also, a certified municipal finance officer has been hired as mandated by state law. Their primary function is oversight of the financial statements.

2. Cross-training of employees – It was noted during our audit that the accounting function for the Town is performed by basically one individual. Other individuals in the office perform billing, bank reconciliations, collections, etc. There is no cross training of employees in regards to the accounting functions, and it could put a serious strain on the Town if one or more individuals were unavailable. This was also a finding as of June 30, 2011. We recommend that the other individuals in the office be cross-trained as to the accounting functions of the Town so that day to day operations are not interrupted in the event that the bookkeeper is unavailable.

Management Comments – The Town’s governing body will change on December 10, 2012 at which time the Board will review and consider how to best implement a cross training program after consultation with applicable supervisory personnel and administration.

3. Interfund Balances – In performing our auditing procedures related to interfund balances, it became necessary to make adjustments in order for these balances to reconcile. We recommend that the Town reconcile these accounts on a regular basis to ensure accuracy of financial statements throughout the year.

Management Comments – The Town’s certified municipal financial officer will endeavor to reconcile these balances periodically.

4. Budget Appropriations – Expenditures exceeded budget appropriations in the General, Sanitation, Water Works and Waste Water Funds for the year ended June 30, 2012. We recommend a periodic review of the budget to actual expenditures so that amendments to the budget can be timely made.

Management Comments – The Town’s certified municipal financial officer will periodically review the Town’s budget to actual with the Mayor and Aldermen. Budget amendments will be considered and passed when appropriate.

Town of Jasper’s response to the findings identified in our audit is described above. We did not audit the Town of Jasper’s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, Town Aldermen, management, federal and state awarding agencies, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Chattanooga, Tennessee
December 15, 2012

Henderson Hutcherson
is McCullough, PLLC

TOWN OF JASPER, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012

PRIOR YEAR'S FINANCIAL STATEMENT FINDINGS

1. Condition: Financial records – We noted that the Town should review financial information prepared by accounting staff, review the monthly financial statements, analyze and investigate variances between budget and actual and reconcile accounts on a monthly basis.

Current Status: Improvements have not been noted in this area. This is still a finding as of June 30, 2012.

2. Condition: Physical access to cash – It was noted that when customers come in to pay bills, the cash is often laid on a shelf under the counter rather than being secured in a cash box/cash register throughout the day.

Current Status: Improvements have not been noted in this area. This is still a finding as of June 30, 2012.

3. Condition: Cross training of employees – We noted a lack of segregation of duties and a lack of cross training of employees.

Current Status: Improvements have not been noted in this area. This is still a finding as of June 30, 2012.

4. Condition: Tracking of fixed assets – It was noted that the accounting department is not always made aware of the dispositions or obsolescence of fixed assets within the Town's various departments.

Current Status: Improvements have not been noted in this area. This is still a finding as of June 30, 2012.

TOWN OF JASPER, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (continued)
June 30, 2012

PRIOR YEAR'S COMPLIANCE AND OTHER MATTERS FINDINGS

1. Condition: Budget amendments – Our procedures indicated that other than a periodic review by the Mayor, there is no formal review of the budget to actual during the year.

Current Status: Improvements have been made at this time. This is not a finding as of June 30, 2012.

2. Condition: Bank reconciliations – We noted that the bank reconciliations were not always performed within 30 days of receipt of the bank statement.

Current Status: Improvements have been made at this time. This is not a finding as of June 30, 2012.

3. Condition: Cash security – We noted that cash receipts are not secured by a cash box or cash register.

Current Status: Improvements have not been made at this time. This is still a finding as of June 30, 2012.

4. Condition: Separate cash drawer – Each teller does not have a separate cash drawer.

Current Status: This was still a finding as of June 30, 2012; however, the Town obtained has lockable cash box and provided instruction to Town personnel to safely maintain this cash box and any related documentation.