CITY OF BLAIRSVILLE, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Blairsville, Georgia, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Blairsville, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blairsville, Georgia, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, 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 April 27, 2010, on our consideration of the City of Blairsville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for the City of Blairsville Retirement Plan on pages 3 through 9 and page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 City of Blairsville, Georgia's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of projects constructed with Special Purpose Local Option Sales Tax is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of projects constructed with Special Purpose Local Option Sales Tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

R L Jennings & Company, PC

Ellijay, Georgia
April 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Blairsville, Georgia (City) basic financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2009. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government. Unless otherwise noted, component units, related organizations, and joint ventures reported separately from the primary government are not included.

Financial Highlights

The City of Blairsville, Georgia (City) operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections, and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The City's assets exceeded its liabilities by $17,916,488 (net assets) for the fiscal year reported. This represents an increase over the previous year of $418,541.

The City's governmental funds reported total ending fund balance of $1,189,515 this year. This compares to the prior year ending fund balance of $1,098,118 showing a net increase of $91,397 during the current year. This entire amount is available for spending at the government's discretion.

At the end of the fiscal year, unreserved fund balance for the General fund was $1,266,288 or 136% of total General Fund expenditures.

Total liabilities of the City decreased by $34,753 to $4,216,139 during the fiscal year of 2009.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets.* This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets.* Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, planning and zoning, public safety, and public works. Business-type activities include water system utilities and Airport operations.

The City's financial reporting includes the funds of the City (primary government) and organizations for which the City is accountable (component units). The City had one reportable component unit, the City of Blairsville Downtown Development Authority. Other organizations such as related organizations and joint ventures are reported separately and are not included in the City's overall reporting entity.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the difference between these two perspectives.

Budgetary comparison statements are included in the basic required supplementary information for the general fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budgets.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. The City utilizes only enterprise funds. Enterprise funds essentially encompass the same functions as reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water utilities.

Proprietary fund statements and statements for discretely presented component units (reporting that is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. The city had no nonmajor or component unit enterprise funds, nor any internal service funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the City as a Whole

The City's net assets at fiscal year-end are $17,916,488. This is a $418,541 increase over the beginning year's net assets of $17,497,947. The following table provides a summary of the City's net assets:

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Component Unit
	2009	2008	2009	2008	2009	2008	2009
Current and other assets	$ 1,333	$ 1,238	$ 1,623	$ 1,751	$ 2,956	$ 2,989	$ 31
Capital Assets	491	250	18,686	18,508	19,177	18,758	-
Total Assets	1,824	1,488	20,309	20,259	22,133	21,747	31
Current and other liabilities	12	18	281	196	293	214	1
Long-term liabilities	14	14	3,053	3,148	3,067	3,162	-
Deferred Revenue	10	-	847	875	857	875	-
Total Liabilities	36	32	4,181	4,219	4,217	4,251	1
Net Assets:							
Invested in capital assets, net of related debt	490	250	15,627	15,348	16,117	15,598	-
Restricted	-	-	87	-	87	-	-
Unrestricted	1,298	1,206	414	692	1,712	1,898	30
Total Net Assets	$ 1,788	$ 1,456	$ 16,128	$ 16,040	$ 17,916	$ 17,496	$ 30

The City reported a positive balance in net assets for governmental and a positive balance for business-type activities. Net assets increased $329,988 for governmental activities and increased $88,553 for business-type activities. The City's overall financial position improved during fiscal year 2009.

The table on the following page provides a summary of the City's changes in net assets:

Summary of Changes in Net Assets

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Component Unit
	2009	2008	2009	2008	2009	2008	2009
Revenues:							
Program Revenues:							
Charges for services	$ 156	$ 349	$ 1,968	$ 2,039	$ 2,124	$ 2,388	$ 5
Operating grants and contributions	33	13	-	-	33	13	21
Capital grants and contributions	172	4	231	565	403	569	15
General Revenues:							
Property taxes	127	126	-	-	127	126	-
Sales and use taxes	688	720	-	-	688	720	-
Franchise and miscellaneous taxes	165	60	-	-	165	60	-
Miscellaneous	2	1	-	-	2	1	-
Unrestricted investment earnings	24	33	4	6	28	39	-
Gain on disposition of cap asset	2	-	-	-	2	-	-
Total Revenues	1,369	1,306	2,203	2,610	3,572	3,916	41
Expenses:							
General government	332	315	-	-	332	315	-
Judicial	44	50	-	-	44	50	-
Public safety	510	494	-	-	510	494	-
Public works	92	138	-	-	92	138	-
Culture and recreation	3	3	-	-	3	3	-
Housing and Development	58	64	-	-	58	64	54
Airport	-	-	498	519	498	519	-
Water and sewage	-	-	1,617	1,523	1,617	1,523	-
Total Expenses	1,039	1,064	2,115	2,042	3,154	3,106	54
Increase (decrease) in net assets before transfers	330	242	88	568	418	810	(13)
Transfers	-	(277)	-	277	-	-	-
Change in net assets	330	(35)	88	845	418	810	(13)
Beginning net assets	1,456	1,491	16,040	15,195	17,496	16,686	43
Prior period adjustment	2	-	-	-	2	-	-
Ending net assets	$ 1,788	$ 1,456	$ 16,128	$ 16,040	$ 17,916	$ 17,496	$ 30

GOVERNMENTAL REVENUES

The City's governmental activities are heavily reliant on taxes to support governmental operations. Sales and use tax provided 50% percent, and property and miscellaneous taxes provide 21% percent of the City's total governmental revenues. Therefore, the general economy and local business have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

Total governmental activities costs for the current fiscal year were $1,039,037. Of this amount, general government was $331,750 (31.93%), judicial was $43,910 (4.23 %), public safety was $509,662 (49.05%) and public works was $92,319 (8.88%) of the total cost for services for the year ended December 31, 2009.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs
Fiscal Year Ended December 31, 2009

	Revenues	Expenses
Airport Fund	$ 517,275	$ 497,897
Water System	$1,682,114	$1,617,216

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflows and outflows of spendable resource focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $1,189,515 with $41,116 reserved for prepaid items, capital projects, and tourism. Unreserved fund balance is $1,148,399, indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an increase of $91,397 compared to the prior year.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balances of the General Fund increased by $199,928. The SPLOST 2009 Fund accounts for expenditures for capital asset purchases and improvements financed by SPLOST tax revenues. The SPLOST 2009 Fund is a new fund for 2009, and the fund balance reflected a deficit of $(117,894), which is a result of funds being advanced by the General Fund for the SPLOST city hall renovation project. Repayment to the General Fund is expected in 2010 from SPLOST revenues.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Water Fund change in net assets was $69,175 vs. $357,071 from the prior year, largely due to an increase in operating expenses in the current

year, and a reduction of transfers from other funds. The Airport Fund change in net assets was $19,378 vs. $487,670 from the prior year, largely due to capital grant revenue received in the prior year.

Major Proprietary Funds

The Water & Sewer System Fund provides water to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing safe drinking water and sewage treatment. The City's water and sewage utilities are reported within this activity in the government-wide statements.

The Airport Fund provides hangar rentals, leases and other services for aircraft. The Airport services are reported within this activity in the government-wide statement.

General Fund Budgetary Highlights

The General Fund budget of expenditures for the year ended December 31, 2009 was $999,747. This was a decrease of $367,471 from the previous year's budget.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2009, was $490,522 and $18,685,981 respectively. Major capital asset additions during the current year included construction in progress for the city hall renovation project in the City's SPLOST fund. Expansion and improvements by the City's business-type activities also contributed to changes in the City's investment in capital assets, consisting largely of the wastewater treatment facility and sewer system rehabilitation. See Note 5 for additional information about changes in Capital assets during the fiscal year.

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount
	2009	2008	2009	2008	2009	2008	Change
Non-Depreciable Assets:							
Land	$ -	$ -	$ 1,306	$ 1,306	$ 1,306	$ 1,306	$ -
Air Easements	-	-	210	210	210	210	-
Construction in Progress	288	-	1,501	986	1,789	986	803
Total	288	-	3,017	2,502	3,305	2,502	803
Depreciable Assets:							
Buildings and Improvements	94	99	1,439	1,541	1,533	1,640	(107)
Machinery and equipment	109	151	390	428	499	579	(80)
Infrastructure	-		13,840	14,037	13,840	14,037	(197)
Total	203	250	15,669	16,006	15,872	16,256	(384)
Total	$ 491	$ 250	$ 18,686	$ 18,508	$ 19,177	$ 18,758	$ 419

Long-term debt.

At the end of the fiscal year, the City had total bonded debt outstanding of $2,378,084 and other long-term debt outstanding of $698,693. The bonded debt is not comprised of debt backed by the full faith and credit of the government. The City of Blairsville's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Blairsville's total debt decreased by $99,416 (3%) during the current fiscal year. Additional information on the City's long-term debt can be found in note 7.

Outstanding Debt

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount
	2009	2008	2009	2008	2009	2008	Change
Notes Payable	$ -		$ 681	$ 731	$ 681	$ 731	$ (50)
Compensated Absences	14	14	18	16	32	30	2
Revenue bonds payable	-		2,378	2,429	2,378	2,429	(51)
Total	$ 14	$ 14	$ 3,077	$ 3,176	$ 3,091	$ 3,190	$ (99)

Economic Environment and Next Year's Budgets

The City's elected officials considered many factors when adopting the fiscal year 2010 budget. The City's Intergovernmental Agreement with Union County was amended on August 26, 2009 which reduced the monthly Special Local Option Sales Tax distribution by 39%. The City's tax rates and fees for business-type activities were also predominate budget considerations. The City is experiencing growth in population and local businesses relative to the local economic conditions. The City has low to moderate cost of living and relatively low unemployment, and it expects a stable but growing economic environment.

For the fiscal year 2010, the City Council approved a total budget of $3.3 million. This budget includes operating and non-operating funds. The General Fund budget is $1,127,425 and the Proprietary Funds are budgeted for $2,139,890 (Water and Airport). The City's budgets and relative fund balances are maintained in compliance with the City's adopted financial policies.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Clerk, at P.O. Box 307, Blairsville, Georgia 30512.

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Blairsville Downtown Development Authority
Assets				
Current:				
Cash	$ 1,110,971	$ 935,005	$ 2,045,976	$ 30,503
Restricted cash	-	144,108	144,108	-
Certificates of deposit	10,000	-	10,000	-
Restricted certificates of deposit	-	38,800	38,800	-
Receivables, net	44,130	225,610	269,740	-
Due from other governments	151,053	21,431	172,484	758
Internal balances	-	-	-	-
Prepaid items	16,865	23,687	40,552	-
Inventory	-	231,499	231,499	-
Noncurrent:				
Deferred loan costs	-	2,965	2,965	-
Capital assets:				
Land and construction in progress	288,109	3,017,567	3,305,676	-
Other capital assets, net of depreciation	202,413	15,668,414	15,870,827	-
Total assets	$ 1,823,541	$ 20,309,086	$ 22,132,627	$ 31,261
Liabilities And Net Assets				
Liabilities:				
Current:				
Accounts payable	$ 11,455	$ 130,276	$ 141,731	$ 645
Accrued liabilities	-	43,018	43,018	-
Notes payable, due within one year	-	53,146	53,146	-
Revenue bonds, due within one year	-	54,815	54,815	-
Long-Term:				
Compensated absences	14,399	18,036	32,435	-
Customer deposits	-	83,860	83,860	-
Notes payable	-	627,511	627,511	-
Revenue bonds	-	2,323,269	2,323,269	-
Deferred revenue	9,400	846,954	856,354	-
Total liabilities	35,254	4,180,885	4,216,139	645
Net Assets:				
Investment in capital assets, net of related debt	490,522	15,627,240	16,117,762	-
Restricted for debt service	-	87,405	87,405	-
Unrestricted	1,297,765	413,556	1,711,321	30,616
			-	
Total net assets	1,788,287	16,128,201	17,916,488	30,616
Total liabilities and net assets	$ 1,823,541	$ 20,309,086	$ 22,132,627	$ 31,261

The notes to the financial statements are an integral part of this statement.

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Blairsville Downtown Development Authority
Primary government:								
Governmental activities:								
General government	$ 331,750	$ 1,465	$ 20,550	$ 24,480	$ (285,255)	$ -	$ (285,255)	$ -
Judicial	43,910	30,137	-	-	(13,773)	-	(13,773)	-
Public safety	509,662	123,517	12,856	-	(373,289)	-	(373,289)	-
Public works	92,319	-	-	147,600	55,281	-	55,281	-
Culture and recreation	3,000	-	-	-	(3,000)	-	(3,000)	-
Housing and development	58,396	-	-	-	(58,396)	-	(58,396)	-
Total governmental activities	1,039,037	155,119	33,406	172,080	(678,432)	-	(678,432)	-
Business-type activities:								
Water and sewerage	1,617,216	1,677,207	-	4,907	-	64,898	64,898	-
Airport	497,897	291,294	-	225,981	-	19,378	19,378	-
Total business-type activities	2,115,113	1,968,501	-	230,888	-	84,276	84,276	-
Total primary government	$ 3,154,150	$ 2,123,620	$ 33,406	$ 402,968	(678,432)	84,276	(594,156)	-
Component unit:								
Housing and development	$ 54,327	$ 5,392	$ 21,184	$ 15,000	-	-	-	(12,751)
General revenues								
Property taxes					126,916	-	126,916	-
Sales taxes					688,403	-	688,403	-
Franchise taxes					17,802	-	17,802	-
Insurance premium taxes					36,537	-	36,537	-
Business taxes					106,311	-	106,311	-
Payments in lieu of tax					4,686	-	4,686	-
Miscellaneous					1,511	-	1,511	-
Unrestricted investment earnings					23,904	4,277	28,181	89
Gain on disposition of capital assets					2,350	-	2,350	-
Transfers					-	-	-	-
Total general revenues and transfers					1,008,420	4,277	1,012,697	89
Change in net assets					329,988	88,553	418,541	(12,662)
Net assets, beginning of year, as restated					1,458,299	16,039,648	17,497,947	43,278
Net assets, end of year					$ 1,788,287	$ 16,128,201	$ 17,916,488	$ 30,616

The notes to the financial statements are an integral part of this statement.

CITY OF BLAIRSVILLE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General	SPLOST 2009	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 985,034	$ 101,984	$ 23,953	$ 1,110,971
Certificates of deposit	10,000	-	-	10,000
Property taxes receivable, net	16,136	-	-	16,136
Other taxes receivable, net	10,687	-	3,031	13,718
Accounts receivable, net	14,276	-	-	14,276
Due from other governments	100,053	51,000	-	151,053
Due from other funds	270,878	-	-	270,878
Prepaid items	16,865	-	-	16,865
Total assets	$ 1,423,929	$ 152,984	$ 26,984	$ 1,603,897
Liabilities And Fund Balances				
Liabilities:				
Accounts payable	$ 8,727	$ -	$ 2,728	$ 11,455
Due to other funds	-	270,878	-	270,878
Deferred revenue	132,049	-	-	132,049
Total liabilities	140,776	270,878	2,728	414,382
Fund Balances:				
Reserved for:				
Prepaid items	16,865	-	-	16,865
Capital projects	-	-	1,865	1,865
Tourism	-	-	22,386	22,386
Unreserved	1,266,288	(117,894)	-	1,148,394
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	5	5
Total fund balances	1,283,153	(117,894)	24,256	1,189,515
Total liabilities and fund balances	$ 1,423,929	$ 152,984	$ 26,984	$ 1,603,897

The notes to the financial statements are an integral part of this statement.

CITY OF BLAIRSVILLE, GEORGIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Total fund balances, governmental funds (page 12)		$ 1,189,515
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement.		
Cost of capital assets	$ 980,678	
Less accumulated depreciation	(490,156)	490,522
Property taxes levied for the current and prior years and not collected within sixty days of year-end are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the fund financial statements.		122,649
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences payable.		(14,399)
Net assets of governmental activities in the Statement of Net Assets (page 10)		$ 1,788,287

The notes to the financial statements are an integral part of this statement.

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	General	SPLOST 2009	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 128,293	$ -	$ -	$ 128,293
General and selective sales taxes	620,401	-	68,002	688,403
Franchise taxes	17,802	-	-	17,802
Insurance premium taxes	36,537	-	-	36,537
Financial institutions taxes	106,311	-	-	106,311
Licenses and permits	20,550	-	-	20,550
Intergovernmental	4,686	153,000	19,080	176,766
Charges for services	31,602	-	-	31,602
Fines and forfeitures	123,517	-	-	123,517
Interest	23,904	-	-	23,904
Contributions from private sources	12,856	-	-	12,856
Other revenues	1,510	-	-	1,510
Total revenues	1,127,969	153,000	87,082	1,368,051
Expenditures				
Current:				
General government	314,554	-	-	314,554
Judicial	43,910	-	-	43,910
Public safety	488,198	-	2,108	490,306
Public works	80,729	-	-	80,729
Culture and recreation	3,000	-	-	3,000
Housing and development	-	-	58,396	58,396
Capital outlay:				
General government	-	270,894	-	270,894
Public works	-	-	17,215	17,215
Total expenditures	930,391	270,894	77,719	1,279,004
Excess (deficiency) of revenues over expenditures	197,578	(117,894)	9,363	89,047
Other financing sources (uses)				
Proceeds from sale of equipment	2,350	-	-	2,350
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	2,350	-	-	2,350
Net change in fund balances	199,928	(117,894)	9,363	91,397
Fund balances, beginning of year, as restated	1,083,225	-	14,893	1,098,118
Fund balances (deficit), end of year	$ 1,283,153	$ (117,894)	$ 24,256	$ 1,189,515

The notes to the financial statements are an integral part of this statement.

CITY OF BLAIRSVILLE, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds (page 14)		$ 91,397
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years are shown in the statements of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. The cost of capital assets sold is recognized as an expense in the entity-wide statements but not in the fund level statements.		
Capital outlays	$ 288,109	
Depreciation expense	(47,767)	240,342
Property taxes levied for the current and prior years not collected within sixty days after the City's fiscal year ends, are not considered "available" revenues and are deferred in the governmental funds.		
Deferred at 12/31/2009	122,649	
Deferred at 12/31/2008	(124,026)	(1,377)
In the statement of activities, certain operating expenses for compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).		
Liability at 12/31/2009	(14,399)	
Liability at 12/31/2008	14,025	(374)
Change in net assets of governmental activities (page 11)		$ 329,988

The notes to the financial statements are an integral part of this statement.

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	$ 126,543	$ 111,376	$ 128,293	$ 16,917
Sales taxes	525,000	600,000	620,401	20,401
Franchise taxes	19,064	14,200	17,802	3,602
Insurance premium taxes	26,020	36,500	36,537	37
Financial institutions taxes	-	106,311	106,311	-
Licenses and permits	152,000	18,800	20,550	1,750
Intergovernmental	4,180	4,180	4,686	506
Charges for services	49,189	44,220	31,602	(12,618)
Fines and forfeitures	134,907	92,500	123,517	31,017
Interest	25,000	22,000	23,904	1,904
Contributions from private sources	10,000	10,000	12,856	2,856
Other revenues	2,190	2,160	1,510	(650)
Total revenues	1,074,093	1,062,247	1,127,969	65,722
Expenditures				
Current:				
General government				
Elections	2,351	1,851	1,117	734
General administration	407,213	345,173	313,437	31,736
Judicial				
Municipal court	62,246	47,060	43,910	3,150
Public safety				
Police	528,128	508,809	488,198	20,611
Public works				
Streets	122,075	93,854	80,729	13,125
Culture and recreation				
Library	3,000	3,000	3,000	-
Capital outlay	-	-	-	-
Total expenditures	1,125,013	999,747	930,391	69,356
Excess (deficiency) of revenues over expenditures	(50,920)	62,500	197,578	135,078
Other financing sources (uses)				
Proceeds from sale of equipment	-	-	2,350	2,350
Transfers in	-	-	-	-
Transfers (out)	-	(69,000)	-	69,000
Total other financing sources (uses)	-	(69,000)	2,350	71,350
Net change in fund balances	(50,920)	(6,500)	199,928	206,428
Fund balance, beginning of year	1,083,225	1,083,225	1,083,225	-
Fund balance, end of year	$ 1,032,305	$ 1,076,725	$ 1,283,153	$ 206,428

The notes to the financial statements are an integral part of this statement.

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 855,036	$ 79,969	$ 935,005
Restricted cash	144,108	-	144,108
Restricted certificates of deposit	38,800	-	38,800
Accounts receivable, net	224,219	-	224,219
Intergovernmental receivables	1,391	21,431	22,822
Prepaid items	19,056	4,631	23,687
Inventory	211,771	19,728	231,499
Total current assets	1,494,381	125,759	1,620,140
Noncurrent assets:			
Capital assets:			
Land and construction in progress	874,035	2,143,532	3,017,567
Other capital assets, net of depreciation	6,757,444	8,910,970	15,668,414
Total capital assets, net	7,631,479	11,054,502	18,685,981
Deferred loan costs	2,965	-	2,965
Total assets	$ 9,128,825	$ 11,180,261	$ 20,309,086
Liabilities And Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 128,158	$ 2,118	$ 130,276
Accrued interest payable	2,330	-	2,330
Notes payable, due within one year	53,146	-	53,146
Liabilities payable from restricted assets:			
Revenue bonds, due within one year	54,815	-	54,815
Accrued interest payable	40,688	-	40,688
Total current liabilities	279,137	2,118	281,255
Long-term liabilities:			
Compensated absences	16,486	1,550	18,036
Customer deposits	83,860	-	83,860
Revenue bonds	2,323,269	-	2,323,269
Notes payable	627,511	-	627,511
Deferred revenue	825	846,129	846,954
Total long-term liabilities	3,051,951	847,679	3,899,630
Total liabilities	3,331,088	849,797	4,180,885
Net Assets:			
Invested in capital assets, net of related debt	4,572,738	11,054,502	15,627,240
Restricted for debt service	87,405	-	87,405
Unrestricted	1,137,594	(724,038)	413,556
Total net assets	5,797,737	10,330,464	16,128,201
Total liabilities and net assets	$ 9,128,825	$ 11,180,261	$ 20,309,086

The notes to the financial statements are an integral part of this statement.

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Operating revenues:			
Water	$ 870,696	$ -	$ 870,696
Sewer	648,512	-	648,512
Water and sewer tap and meter fees	106,568	-	106,568
Sewer impact fees	16,504	-	16,504
Reconnect fees and penalties	24,052	-	24,052
Airport hangar lease	-	121,276	121,276
Airport fuel and oil	-	157,825	157,825
Other operating revenues	6,085	9,633	15,718
Miscellaneous	4,790	2,560	7,350
Total operating revenues	1,677,207	291,294	1,968,501
Operating expenses:			
Personal services	707,783	76,511	784,294
Contractual and professional services	84,304	3,501	87,805
Repairs and maintenance	39,003	4,870	43,873
Supplies and expenses	173,208	122,957	296,165
Insurance	20,252	6,616	26,868
Utilities	155,763	6,563	162,326
Other operating expenses	11,067	21,758	32,825
Depreciation	274,445	202,737	477,182
Total operating expenses	1,465,825	445,513	1,911,338
Net operating income (loss)	211,382	(154,219)	57,163
Nonoperating revenues (expenses):			
Capital grants	4,907	128,781	133,688
Interest income	4,277	-	4,277
Contributions of capital assets	-	97,200	97,200
Interest expense	(151,391)	(52,384)	(203,775)
Total nonoperating revenues (expenses)	(142,207)	173,597	31,390
Income (Loss) before transfers	69,175	19,378	88,553
Transfers in	-	-	-
Transfers out	-	-	-
Total transfers	-	-	-
Change in net assets	69,175	19,378	88,553
Net assets, beginning of year	5,728,562	10,311,086	16,039,648
Net assets, end of year	$ 5,797,737	$ 10,330,464	$ 16,128,201

The notes to the financial statements are an integral part of this statement.

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Receipts from customers	$ 1,673,752	$ 210,247	$ 1,883,999
Payments to suppliers and service providers	(509,849)	(177,113)	(686,962)
Payments to employees	(706,145)	(76,081)	(782,226)
Net cash provided by (used in) operating activities	457,758	(42,947)	414,811
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Interest receipts	4,277	-	4,277
Net cash provided by (used in) investing activities	4,277	-	4,277
CASH FLOWS (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(342,806)	(115,743)	(458,549)
Capital grants received	4,907	237,834	242,741
Principal paid on debt	(101,858)	-	(101,858)
Interest paid and other charges	(152,904)	-	(152,904)
Net cash provided by (used in) financing activities	(592,661)	122,091	(470,570)
CASH FLOWS (USED IN) NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	-	-	-
Net cash provided by (used in) financing activities	-	-	-
Net decrease in cash and cash equivalents	(130,626)	79,144	(51,482)
Cash, beginning of year	1,129,770	825	1,130,595
Cash, end of year	$ 999,144	$ 79,969	$ 1,079,113
Reconciliation of Total Cash:			
Unrestricted	$ 855,036	$ 79,969	$ 935,005
Restricted	144,108	-	144,108
	$ 999,144	$ 79,969	$ 1,079,113

(continued)

The notes to the financial statements are an integral part of this statement.

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

(concluded)

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating (loss)	$ 211,382	$ (154,219)	$ 57,163
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	274,445	202,737	477,182
Amortization of deferred hangar lease revenue	-	(81,047)	(81,047)
Decrease (increase) in accounts receivable	(14,988)	-	(14,988)
Decrease (increase) in inventory	(17,981)	1,093	(16,888)
Decrease (increase) in prepaid items	7	(1,170)	(1,163)
Increase in customer deposits	10,708	-	10,708
Increase (decrease) in accounts payable/accrued liabilities	(8,278)	(10,771)	(19,049)
Increase in deferred revenue	825	-	825
Increase (decrease) in compensated absences	1,638	430	2,068
Net cash provided by (used in) operating activities	$ 457,758	$ (42,947)	$ 414,811
Noncash investing, capital and financing activities:			
Contribution of hangar from lessee	$ -	$ 97,200	$ 97,200

The notes to the financial statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Blairsville, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's proprietary funds apply all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November, 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant of the City's accounting polices are described below.

A. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The City's financial statements include the accounts of all operations. The criteria for including organizations within the City's reporting entity, as set forth in Governmental Accounting Standards Board's Statement No. 14 (GASB 14), "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. As of December 31, 2009, there is one component unit included in the financial statements of the City.

The City of Blairsville Downtown Development Authority is shown as a discretely presented component unit on the government-wide financial statements. The purpose of the City of Blairsville Downtown Development Authority is to promote business and commerce within the central business district of the City. The Mayor and City Council appoint all of the board members to the Blairsville Downtown Development Authority. Information included herein has been compiled from the records of the City of Blairsville Downtown Development Authority. Separately issued financial statements are not available for the Blairsville Downtown Development Authority as December 31, 2009.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Concluded)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

C. Measurement Focus, Basis of Accounting and Basis of 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 and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales taxes, franchise taxes, licenses, and investment income 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City reports the following major governmental funds:

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

The SPLOST 2009 Fund is used to account for the expenditures for capital improvements made by the City. Financing is provided by the revenues from a special purpose local option sales tax.

The City reports the following major proprietary funds:

The Water and Sewerage Fund is used to account for the receipts from services billed to customers and the payment of costs of collection.

The Airport Fund is used to account for the development, operation, and maintenance of the City's airport.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise fund is charges to customers for sales and services provided. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

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

D. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Inter-fund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

F. Inventory

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

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB 34, infrastructure assets acquired prior to January 1, 2004, have not been capitalized as of December 31, 2009. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

Capital assets of the primary government are depreciated using the straight line method over the following useful lives:

Asset Category	*Years*
Buildings	50
Building improvements	20
Vehicles	2 - 15
Machinery and equipment	2 - 15
Infrastructure	30 - 50

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused annual leave benefits during the year. The liability has been calculated using the vesting method; leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

J. 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Long-Term Obligations (Concluded)

using the straight line 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 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.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

Budgets and Budgetary Accounting

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by department on a detailed line item basis. The legal level of control is at the departmental level of control. Budget revisions at this level are subject to final review by the City Council. During the current fiscal year, there was one revision made to the original budget. This amendment was not material in relation to the original appropriated amounts.

The City adopts annual operating budgets for the General Fund and each special revenue fund except for the Confiscated Assets Fund. A project-length fund is adopted by the SPLOST 2009 Fund, a capital projects fund. Although not required by state law, an operating budget is adopted for the proprietary funds, i.e. the Water and Sewerage Fund and the Airport Fund, for administrative control purposes. The budgets are adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies.

NOTE 3. DEPOSITS AND INVESTMENTS

State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

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

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE 4. RECEIVABLES

Receivables at December 31, 2009, for the City's individual funds in the aggregate are as follows:

Property Taxes	$ 16,136	$ -	$ 16,136
Franchise	10,687	-	10,687
Fines	14,276	-	14,276
TVA payments in lieu of tax	-	-	-
Other Governments:			-
Local option sales tax	100,053	-	100,053
Grants	-	22,822	22,822
Water and sewer	-	225,481	225,481
Gross receivables	141,152	248,303	389,455
Less allowance for uncollectibles	-	(1,262)	(1,262)
Net receivables	$ 141,152	$ 247,041	$ 388,193

Property taxes were levied on October 1, 2009. Bills are payable on or before December 20, 2009, with applicable property being subject to lien and penalties and interest as assessed effective January 1, 2010 and after. The City bills and collects its own property taxes. Property taxes levied for 2009 are recorded as receivables. The 2009 digest receivables and those collected during the year ended December 31, 2009 are not recognized as revenues in the year ended December 31, 2009, but are deferred until recognition in 2009 since the levy is intended to finance the 2010 budget. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. Property taxes attached as an enforceable lien on property are of a date not yet determined.

NOTE 5. CAPITAL ASSETS

A. Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ -	$ -	$ -	$ -
Construction in progress	-	288,109	-	288,109
Total capital assets, not being depreciated	-	288,109	-	288,109
Capital assets, being depreciated:				
Buildings and improvements	176,767	-	-	176,767
Machinery and equipment	594,799	-	(78,998)	515,801
Total capital assets, being depreciated	771,566	-	(78,998)	692,568
Less accumulated depreciation for:				
Buildings and improvements	77,845	5,373	-	83,218
Machinery and equipment	443,541	42,394	(78,998)	406,937
Total accumulated depreciation	521,386	47,767	(78,998)	490,155
Total capital assets, being depreciated, net	250,180	(47,767)	-	202,413
Governmental activities capital assets, net	$ 250,180	$ 240,342	$ -	$ 490,522

Assets disposed of during the current year resulted in a gain on the disposition of capital assets of $2,350 . These assets were sold, with a net book value of $-0-.

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,305,992	$ -	$ -	$ 1,305,992
Air easements	210,493	-	-	210,493
Construction in progress	986,058	515,024	-	1,501,082
Total capital assets not being depreciated	2,502,543	515,024	-	3,017,567
Capital assets, being depreciated:				
Buildings and improvements	1,882,507	105,120	-	1,987,627
Infrastructure	17,583,525	7,300	-	17,590,825
Machinery and equipment	1,137,032	27,500	-	1,164,532
Total capital assets, being depreciated	20,603,064	139,920	-	20,742,984
Less accumulated depreciation for:				
Buildings and improvements	341,767	208,214	-	549,981
Infrastructure	3,546,823	203,752	-	3,750,575
Machinery and equipment	708,798	65,216	-	774,014
Total accumulated depreciation	4,597,388	477,182	-	5,074,570
Total capital assets being depreciated, net	16,005,676	(337,262)	-	15,668,414
Business-type activities capital assets, net	$ 18,508,219	$ 177,762	$ -	$ 18,685,981

NOTE 5. CAPITAL ASSETS (CONCLUDED)

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

General government	$ 15,536
Public safety	20,664
Public works	11,567
	$ 47,767
Business-type activities:	
Water and Sewerage	$ 274,445
Airport	202,737
	$ 477,182

NOTE 6. RESTRICTED ASSETS

BUSINESS-TYPE ACTIVITIES

During 1980, 1985, and 1996, the City issued Water and Sewer Improvement Bonds in the amount of $3,057,000. The resolution requires a reserve to be maintained to pay principal and interest when due. The amounts of cash restricted for this purpose at December 31, 2009 was $182,908.

NOTE 7. LONG-TERM DEBT

BUSINESS-TYPE ACTIVITIES – REVENUE BONDS

Revenue bonds payable in the Water and Sewerage Fund consisted of the following at December 31, 2009:

Series 1980A and 1980B Revenue Bonds were issued in the amounts of $131,000 and $75,000 at 4.75% and 5% interest, respectively; principal due in annual installments and interest due semi-annually; maturing in 2008 and 2020, respectively; for the purpose of extension and improvements to the water and sewerage system.	$ 38,000

NOTE 7. LONG-TERM DEBT (CONTINUED)

Series 1985A and 1985B Revenue Bonds were issued in the amounts Of $600,000 and $150,000, at 6.75% and 6.74% interest, respectively; principal due in annual installments and interest due semi-annually; maturing in 2025; for the purpose of extension and improvements to the water system.	532,109
Series 1996A and 1996B Revenue Bonds were issued in amounts of $765,700 and $1,335,300 at 4.875% and 4.5% interest, respectively; principal and interest due in monthly installments of $9,639; for the purpose of additions, extensions, and improvements to the water and sewerage system.	1,807,975
Total Revenue Bonds Payable	$ 2,378,084

BUSINESS-TYPE ACTIVITIES – NOTES

Notes payable in the Water and Sewerage Fund consisted of the following at December 31, 2009:

Georgia Environmental Facilities Agency, original loan of $600,000; interest rate of 3.92%; monthly installments of principal and interest of $3,611; maturing in 2027; for the purpose of improvements to the downtown water systems.	$ 555,339
Georgia Environmental Facilities Agency, original loan of $197,338; interest rate of 5.20%; monthly installments of principal and interest of $4,825; maturing in 2011; for the purpose of construction of sewer line.	36,572
Georgia Environmental Facilities Agency, original loan of $175,942; Interest rate of 4.76%; monthly installments of principal and interest of $4,378; maturing in 2015; for the purpose of construction of asewer line.	88,746
Total Notes Payable	$ 680,657

NOTE 7. LONG-TERM DEBT (CONCLUDED)

The following is a summary of long-term debt activity for the year ended December 31, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	$ 14,025	$ 374	$ -	$ 14,399	$ -
Business-type Activities:					
Revenue Bonds	2,429,214	-	(51,130)	2,378,084	54,815
Notes	731,385	-	(50,728)	680,657	53,146
Compensated absences	15,968	2,068	-	18,036	-
	3,176,567	2,068	(101,858)	3,076,777	107,961
Total	$ 3,190,592	$ 2,442	$ (101,858)	$ 3,091,176	$ 107,961

The City's future principal and interest payments relating to revenue bonds and the notes for the next five years and until maturity are as follows:

	Revenue Bonds			Notes		
Year	Principal	Interest	Total	Principal	Interest	Total
2010	$ 54,815	$ 121,355	$ 176,170	$ 53,146	$ 26,860	$ 80,006
2011	57,963	118,319	176,282	55,908	24,385	80,293
2012	61,606	115,142	176,748	38,609	22,172	60,781
2013	65,291	111,755	177,046	40,280	20,501	60,781
2014	68,056	108,152	176,208	42,024	18,757	60,781
2015-2019	400,827	483,780	884,607	158,809	72,377	231,186
2020-2024	506,131	321,802	827,933	175,821	40,817	216,638
2025-2029	399,100	221,914	621,014	116,060	6,751	122,811
2030-2034	450,111	128,229	578,340	-	-	-
2035-2037	314,184	22,446	336,630	-	-	-
Total	$ 2,378,084	$ 1,752,894	$ 4,130,978	$ 680,657	$ 232,620	$ 913,277

The General Fund and the Water and Sewerage Fund has been used in prior years to liquidate other long-term liabilities.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of December 31, 2009, is as follows:

Receivable fund	Payable fund	Amount
General Fund	SPLOST 2009 Fund	$ 270,878

These balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 9. RENTALS UNDER OPERATING LEASES

The City's leasing operations consist principally of the leasing of the newly constructed airport hangars, of which the revenues are reported in the proprietary fund, Airport Fund. These leases are classified as operating leases. The City's investment in capital assets held for leases is $905,703 (net of accumulated depreciation of $66,429). The lease term is 20 years, of which the total value of the leases were paid in advance.

The following schedule represents minimum future rentals (net of 6% discount for prepayment) as of December 31, 2009:

Year ending December 31,	
2010	$ 30,576
2011	32,351
2012	34,374
2013	36,572
2014	38,960
Subsequent years	673,296
Total minimum future rentals	$ 846,129

NOTE 10. PENSION PLANS

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The Mayor and Council established the defined contribution plan and Edward Jones administers the plan. City employees are eligible immediately upon employment at a full-time status and participation is optional. This is a contributory plan in that the City makes discretionary matching contributions equal to a percentage of the employees' elective deferrals. Employees' contributions are vested immediately. The City's matching contributions vest in incremental percentages of 20% for years of service of 1 to 5 years and after 5 years of service the matching contributions are considered 100% vested for the employee. During the fiscal year 2009, matching contributions made by the City were $14,038.

Defined Benefit Plan

Plan Description: The City sponsors the City of Blairsville's Retirement Plan (CBRP), which is a defined benefit plan. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CBRP is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The GMEBS assigns the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respected employer entities. For the CBRP, the authority rests with the City of Blairsville, Georgia. The Georgia Municipal Association issued a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to the Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, GA 30303-3606 or by calling (404) 688-0472.

Funding Policy: The City is required to contribute an actuarially determined amount annually to the Plan's trust; the current rate is 12.06% of annual covered payroll. The contribution amount is determined using actuarial methods and assumptions approved by the GMEBS Plan trustees and must satisfy the minimum contribution requirement contained in the State of Georgia statutes. Only the City, as the employer, makes contributions to the plan. The contribution requirements of plan members and the City are established and may be amended by the GMEBS Board of Trustees. Employees become eligible after the first full year of employment and become vested 50% after 5 years, 60% after 6 years, 70% after 7 years, 80% after 8 years, 90% after 9 years, and fully invested after 10 years of service. City contributions for, and interest forfeited by employees who leave employment before ten years of service, are used to reduce the City's current period contribution requirement.

Membership of the Plan: Participation counts as of May 1, 2009 (the most recent actuarial valuation date) are shown below:

Retirees and beneficiaries receiving benefits	2
Terminated plan members entitled to, but not yet receiving benefits	3
Active plan members	25
Total	30

NOTE 10. PENSION PLANS (CONTINUED)

Annual Pension Cost: Based on results of the May 1, 2009 actuarial valuation, the City's annual pension cost of $107,513 for GMEBS was equal to the City's required contribution. Current year total payroll was $1,008,427. Covered current payroll was $891,318. The City's actual contribution for the year ended December 31, 2009 was $90,421.

Basis of Valuation:

Current Valuation Date	May 1, 2009
Annual Return on Invested Plan Assets	8.00%
Projected Annual Salary Increases	5.50%
Cost of Living Adjustments	0.00%
Actuarial Value of Assets	Market Value
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases (initial unfunded accrued liability over 30 years from 1988 and changes in the unfunded actuarial accrued liabilities over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year for which such changes arise).
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

The funded status of the plan as of the most recent valuation date, May 1, 2009, was as follows:

(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UALL) (2) – (1)	(5) Covered Payroll	(6) UALL as a Percentage of Covered Payroll (4) / (5)
$ 496,120	$ 806,518	BB 61.51%	$ 310,398	$ 891,318	34.82%

The required schedule of funding progress immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

NOTE 10. PENSION PLANS (CONCLUDED)

Trend Information for CBRP (based on the results of the May 1, 2009 actuarial valuation):
Historical trend information, designed to provide information about a public employee retirement system's progress made in accumulating sufficient assets to pay benefits when due, is presented below:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
5/1/2007	$ 69,125	100%	$ -0-
5/1/2009	$ 78,212	100%	$ -0-
5/1/2009	$ 107,513	100%	$ -0-

NOTE 11. JOINT VENTURE

The City of Blairsville, Georgia in conjunction with cities and counties in the thirteen (13) county Northeast Georgia areas is a member of the Georgia Mountains Regional Development Center (RDC). Membership in a regional development center is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RDC. An RDC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County board members and municipal board members from the same County elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a County.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs as "public agencies and instrumentalities of their members". Georgia law also provides that the member governments are liable for any debts or obligations of an RDC beyond its resources, (O.C.G.A. 50-8-39.1). Separate financial statements can be provided by contacting the RDC directly.

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which, except as described in the following paragraph, the City carries commercial insurance in amounts deemed prudent by City management.

The City participates in the Georgia Inter-local Risk Management Agency Property and Liability Insurance Fund (GIRMA) and the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMA) public entity risk pools currently operating as common risk management and insurance programs for member local governments.

NOTE 12. RISK MANAGEMENT (CONCLUDED)

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss.

GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is unaware of any claims that the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2009. No provisions have been made in the financial statements for the year ending December 31, 2009 for any estimate of potential unpaid claims.

As a participant in GMA's risk pool, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the fund permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency, as management believes the likelihood for assessment is remote.

The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia.

The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Grant Contingencies

The City has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

Commitments

The City routinely enters into agreements and commitments during the year in the ordinary course of business. Such agreements do not give rise to assets or liabilities considered material.

In October 2009, the City obtained financing from the Georgia Environmental Facilities Authority (GEFA) in the amount of $1,076,000 to finance a portion of a sewer system rehabilitation project. The debt consists federal funding of 70% from a stimulus loan award and 30% state funding. The federal portion of the debt will be forgiven once the City has complied with federal requirements as determined the American Recovery and Reinvestment Act of 2009 (ARRA). Until the debt forgiveness occurs, the proceeds will be considered loan proceeds.

Subsequent Events

During March 2010, the Georgia Environmental Facilities Authority (GEFA) approved the request form the City for a loan in the amount of $195,500 for water system improvements along Old Blue Ridge Highway.

During March 2010, the City closed on a temporary loan with a local bank to fund the interim financing of the expansion of the City's wastewater treatment facility. This interim financing will be repaid with funding from United States Department of Agriculture - Rural Development in the amount of $4,200,000 of which debt will be evidenced through the issuance of revenue bonds.

NOTE 14. HOTEL/MOTEL TAX

The City has levied a 5% lodging tax for applicable businesses inside the City. During the year ended December 31, 2009, $68,002 was collected as revenue from the lodging tax. Per state law, 40% of the revenue was required to be spent to promote tourism, conventions and trade shows. The City spent $58,396 in the current year for these purposes, thereby conforming to the requirements of state law OCGA 48-8-121.

NOTE 15. RESERVED FUND BALANCE / DEFICIT FUND BALANCES

Because different measurement focuses and bases of accounting are used in the statement of net assets than in governmental fund statements, and because the definition of reserved includes more than resources that are restricted, amounts reported as reserved fund balances in governmental funds will generally be different from amounts reported as restricted net assets in the statement of assets.

The nonmajor funds have reserved fund balances for the following purposes:

Hotel/Motel Fund	$ 22,386
TE/DDA Project Fund	1,865
Total Reserved	$ 24,256

The SPLOST 2009 Fund, a major fund, has a deficit balance of $(117,894) at December 31, 2009. The City expects to generate future revenues to offset this deficit. The City's General Fund has a sufficient surplus to provide for the deficit fund balance in the event that sufficient revenues cannot be generated.

NOTE 16. PRIOR PERIOD ADJUSTMENTS

The City has determined that a restatement is required to correct for the failure to include a new fund that was initiated in 2008. The following prior period adjustment was needed to correct errors as December 31, 2008:

Confiscated Assets Fund	
Fund balance, December 31, 2008	$ -0-
Adjustment to record the fund initiated in 2008	2,113
Fund balance, December 31, 2008, as restated	$ 2,113

The prior period adjustment discussed above also impacts the previous report balance of net assets of the governmental activities. The City has determined a restatement of the net assets of the governmental activities is required to record the effect of the confiscated asset activities:

Net Assets, December 31, 2008, as previously reported	$ 1,456,186
Adjustment to record confiscated asset activities	2,113
Net Assets, December 31, 2008, as restated	$ 1,458,299

NOTE 17. WATER AND SEWER DEPARTMENT ACTIVITIES

The City issued revenue bonds to finance its water and sewer operations. Both the water and sewer departments are accounted for in a single fund (i.e., the Water and Sewer Fund). However, investors in the revenue bonds rely solely on the revenue gathered by the individual activities for repayment. Summary financial information for the water department and the sewer department is presented below.

CONDENSED STATEMENT OF NET ASSETS	WATER	SEWER
Assets:		
Current assets	$ 1,400,012	$ 94,369
Capital assets	5,736,634	1,894,845
Other noncurrent assets	-	2,965
Total Assets	7,136,646	1,992,179
Liabilities:		
Current liabilities	36,112	243,025
Noncurrent liabilities	1,222,396	1,829,555
Total Liabilities	1,258,508	2,072,580
Net Assets:		
Invested in capital assets, net of related debt	4,592,581	(19,843)
Unrestricted	1,285,557	(60,558)
	$ 5,878,138	$ (80,401)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating revenues (pledged against bonds)	$ 996,441	$ 680,766
Depreciation expense	(210,037)	(64,408)
Other operating expenses	(823,670)	(367,710)
Operating income	(37,266)	248,648
Nonoperating revenues (expenses)	(26,339)	(115,868)
Transfers	(99,121)	99,121
Change in net assets	(162,726)	231,901
Beginning net assets	6,040,864	(312,302)
Ending net assets	$ 5,878,138	$ (80,401)

CONDENSED STATEMENT OF CASH FLOWS		
Operating activities	$ 202,082	$ 255,676
Noncapital financing activities	(99,121)	99,121
Capital and related financing activities	(237,864)	(354,797)
Investing activities	4,277	-
Cash and cash equivalents, beginning of year	1,129,770	-
Cash and cash equivalents, end of year	$ 999,144	$ -

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF FUNDING PROGRESS FOR THE CITY OF BLAIRSVILLE RETIREMENT PLAN FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (ALL) Entry Age (B)	Funded Ratio (A/B)	Unfunded ALL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a percentage of Covered Payroll (B-A)/C
May 1, 2009	$ 496,120	$ 806,518	61.51%	$ 310,398	$ 891,318	34.82%
May 1, 2008	$ 576,534	$ 714,157	80.73%	$ 137,623	$ 797,734	17.25%
May 1, 2007	$ 484,841	$ 591,133	82.02%	$ 106,292	$ 793,186	13.40%
May 1, 2006	$ 404,153	$ 478,298	84.50%	$ 74,145	$ 684,251	10.84%
May 1, 2005	$ 330,878	$ 436,641	75.78%	$ 105,763	$ 647,574	16.33%
May 1, 2004	$ 272,431	$ 372,360	73.16%	$ 99,929	$ 599,174	16.68%

Effect of plan changes on the actuarial accrued liability

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

The effect of the change in plan provision will be provided upon request. The actuarial assumptions are the same as those used in the preceding valuation.

Effect of plan changes on recommended contributions

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

The effect of the change in plan provision will be provided upon request. The actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BLAIRSVILLE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Special Revenue		Capital Projects	Total Nonmajor Governmental
	Hotel/Motel	Confiscated Assets	TE/DDA Project	Funds
Assets				
Cash and cash equivalents	$ 22,083	$ 5	$ 1,865	$ 23,953
Other taxes receivable, net	3,031	-	-	3,031
Total assets	$ 25,114	$ 5	$ 1,865	$ 26,984
Liabilities And Fund Balances				
Liabilities:				
Accounts payable	$ 2,728	$ -	$ -	$ 2,728
Total liabilities	2,728	-	-	2,728
Fund Balances:				
Reserved for:				
Capital projects	-	-	1,865	1,865
Tourism	22,386	-	-	22,386
Unreserved	-	-	-	-
Unreserved, reported in nonmajor:				
Special revenue fund	-	5	-	5
Capital projects fund	-	-	-	-
Total fund balances	22,386	5	1,865	24,256
Total liabilities and fund balances	$ 25,114	$ 5	$ 1,865	$ 26,984

CITY OF BLAIRSVILLE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	Special Revenue		Capital Projects	Total Nonmajor Governmental
Revenues	Hotel/Motel	Confiscated Assets	TE/DDA Project	Funds
Property taxes	$ -	$ -	$ -	$ -
Sales taxes	68,002	-	-	68,002
Intergovernmental	-	-	19,080	19,080
Total revenues	68,002	-	19,080	87,082
Expenditures				
Current:				
General government	-	-	-	-
Judicial	-	-	-	-
Public safety	-	2,108	-	2,108
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Housing and development	58,396	-	-	58,396
Capital outlay				
Public works	-	-	17,215	17,215
Total expenditures	58,396	2,108	17,215	77,719
Excess (deficiency) of revenues Over expenditures	9,606	(2,108)	1,865	9,363
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	9,606	(2,108)	1,865	9,363
Fund balances, beginning of year, as restated	12,780	2,113	-	14,893
Fund balances, end of year	$ 22,386	$ 5	$ 1,865	$ 24,256

INTERNAL CONTROL AND COMPLIANCE SECTION

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Certified Public Accountants
Georgia Society of
Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Blairsville, Georgia, as of and for the year ended December 31, 2009, which collectively comprise the City of Blairsville, Georgia's basic financial statements and have issued our report thereon dated April 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Blairsville, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Blairsville, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Blairsville, Georgia'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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Blairsville, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an

instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 09-01.

We noted certain matters that we reported to management of City of Blairsville, Georgia, in a separate letter dated April 27, 2010.

City of Blairsville, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Blairsville, Georgia's response and, accordingly, we express no opinion on it.

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

Nichols Jennings & Company, PC

Ellijay, Georgia
April 27, 2010

CITY OF BLAIRSVILLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

09-01. Budget Compliance

Criteria: Annual balanced budgets are required by Georgia statute (OCGA 36-81-3) to be adopted for the General Fund, each special revenue fund, and each debt service fund in use by the local government.

Condition/Context: The City did not adopt a budget for the Confiscated Assets Fund, a special revenue fund, as required by state law.

Effect: The failure to adopt a budget for a special revenue fund is a violation of state law.

Cause: The Confiscated Asset Fund was newly created by the City in 2008, and management was not aware of the specificity of the statute to adopt a budget for each special revenue fund.

Recommendation: We recommend, for future years, that City Council annually adopt a budget of revenues and expenditures for each special revenue fund, including the Confiscated Asset Fund.

Response: The City agrees with this finding. It is the intent of City management to prepare an annual budget for the Confiscated Assets Fund in 2010 and future years, and present to the City Council for approval and adoption.

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Project	Original Estimated Cost	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Accumulated Total	Estimated % of Completion
Paid From Capital Projects Fund:					
SPLOST 2009					
Water and sewer facilities and equipment	$ 1,575,000	$ -	$ -	$ -	0%
City Hall renovation and expansion	325,000	-	270,894	270,894	83%
Streets, street improvements, and public facilities	100,000	-	-	-	0%
	$ 2,000,000	$ -	$ 270,894	$ 270,894	

Note A: The SPLOST schedule has been prepared on the modified accrual basis of accounting.