CITY OF BLAIRSVILLE, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

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FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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FINANCIAL SECTION

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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, 2010, which collectively comprise the City of Blairsville, Georgia'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, 2010, 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 May 25, 2011, on our consideration of 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 41 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Blairsville, Georgia. The combining nonmajor fund financial statements, the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax, and the Schedule of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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
May 25, 2011

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, 2010. 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 $19,331,871 (net assets) for the fiscal year reported. This represents an increase over the previous year of $1,466,307.

The City's governmental funds reported total ending fund balance of $1,287,892 this year. This compares to the prior year ending fund balance of $1,138,591 showing a net increase of $149,301 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 $1,299,040 or 125% of total General Fund expenditures.

Total liabilities of the City increased by $4,074,726 to $8,290,865 during the fiscal year of 2010. This increase is due primarily to the short term loans that were obtained related to the construction projects that were in progress.

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 $19,331,871. This is a $1,466,307 increase over the beginning year's net assets of $17,865,564. The following table provides a summary of the City's net assets:

Summary of Net Assets
(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Component Unit
	2010	2009	2010	2009	2010	2009	2010
Current and other assets	$ 1,466	$ 1,282	$ 2,051	$ 1,623	$ 3,517	$ 2,905	$ 38
Capital Assets	476	491	23,630	18,686	24,106	19,177	-
Total Assets	1,942	1,773	25,681	20,309	27,623	22,082	38
Current and other liabilities	14	12	3,362	281	3,376	293	-
Long-term liabilities	14	14	4,042	3,053	4,056	3,067	-
Deferred Revenue	43	10	816	847	859	857	-
Total Liabilities	71	36	8,220	4,181	8,291	4,217	-
Net Assets:							
Invested in capital assets, net of related debt	476	490	6,468	15,627	6,944	16,117	-
Restricted	-	-	102	87	102	87	-
Unrestricted	1,395	1,247	10,891	414	12,286	1,661	38
Total Net Assets	$ 1,871	$ 1,737	$ 17,461	$ 16,128	$ 19,332	$ 17,865	$ 38

The City reported a positive balance in net assets for governmental and a positive balance for business-type activities. Net assets increased $133,629 for governmental activities and increased $1,332,678 for business-type activities. The City's overall financial position improved during fiscal year 2010.

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		Componen Unit
	2010	2009	2010	2009	2010	2009	2010
Revenues:							
Program Revenues:							
Charges for services	$ 169	$ 156	$ 2,305	$ 1,968	$ 2,474	$ 2,124	$
Operating grants and contributions	11	33		-	11	33	
Capital grants and contributions	223	172	1,213	231	1,436	403	
General Revenues:							
Property taxes	126	127	-	-	126	127	
Sales and use taxes	724	688	-	-	724	688	
Franchise and miscellaneous taxes	140	165	-	-	140	165	
Miscellaneous	2	2	-	-	2	2	
Unrestricted investment earnings	12	24	3	4	15	28	
Gain on disposition of cap asset		2	-	-	-	2	
Total Revenues	1,407	1,369	3,521	2,203	4,928	3,572	
Expenses:							
General government	396	332	-	-	396	332	
Judicial	43	44	-	-	43	44	
Public safety	540	510	-	-	540	510	
Public works	103	92	-	-	103	92	
Culture and recreation	3	3	-	-	3	3	
Housing and Development	83	58	-	-	83	58	7
Airport	-	-	513	498	513	498	
Water and sewage	-	-	1,781	1,617	1,781	1,617	
Total Expenses	1,168	1,039	2,294	2,115	3,462	3,154	7
Increase (decrease) in net assets before transfers	239	330	1,227	88	1,466	418	(7
Transfers	(105)	-	105	-	-	-	-
Change in net assets	134	330	1,332	88	1,466	418	(7
Beginning net assets	1,788	1,456	16,128	16,040	17,916	17,496	89
Prior period adjustment	(51)	2	-	-	(51)	2	-
Ending net assets	$ 1,871	$ 1,788	$ 17,460	$ 16,128	$ 19,331	$ 17,916	$ 82

GOVERNMENTAL REVENUES

The City's governmental activities are heavily reliant on taxes to support governmental operations. Sales and use tax provided 51% percent, and property and miscellaneous taxes provide 19% 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 $1,168,101. Of this amount, general government was $395,511 (33.80%), judicial was $42,821 (3.60 %), public safety was $540,947 (46.30%) and public works was $102,634 (8.70%) of the total cost for services for the year ended December 31, 2010.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs
Fiscal Year Ended December 31, 2010

	Revenues	Expenses
Airport Fund	$ 558,292	$ 513,408
Water System	$2,959,840	$1,780,862

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 $1,287,892 with $13,996 reserved for prepaid items, capital projects, and tourism. Unreserved fund balance is $1,273,896, indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an increase of $149,301 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 $80,807. The SPLOST 2009 Fund accounts for expenditures for capital asset purchases and improvements financed by SPLOST tax revenues. The SPLOST 2009 Fund balance at the end of 2010 was $(50,828).

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 $1,287,794 vs. $69,175 from the prior year, largely due to transfers from other funds and capital contributions. The Airport Fund change in net assets was $44,884 vs. $19,378 from 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 revised budget of expenditures for the year ended December 31, 2010 was $1,108,083. This was a increase of $108,336 from the previous year's budget of $999,747.

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, 2010, was $475,847 and $23,629,839 respectively. Major capital asset additions during the current year included expansion and improvements by the City's business-type activities. This consisted 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
	2010	2009	2010	2009	2010	2009	Change
Non-Depreciable Assets:							
Land		$ -	$ 1,306	$ 1,306	$ 1,306	$ 1,306	$ -
Air Easements		-	210	210	210	210	-
Construction in Progress	41	288	5,593	1,501	5,634	1,789	3,845
Total	41	288	7,109	3,017	7,150	3,305	3,845
Depreciable Assets:							
Buildings and Improvements	319	94	9,075	1,439	9,394	1,533	7,861
Machinery and equipment	115	109	486	390	601	499	102
Infrastructure		-	6,959	13,840	6,959	13,840	(6,881)
Total	434	203	16,520	15,669	16,954	15,872	1,082
Total	$ 475	$ 491	$ 23,629	$ 18,686	$ 24,104	$ 19,177	$ 4,927

Long-term debt.

At the end of the fiscal year, the City had total bonded debt outstanding of $2,322,677 and other long-term debt outstanding of $3,773,008. 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 increased by $3,004,509 (97%) 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
	2010	2009	2010	2009	2010	2009	Change
Notes Payable	$ -	$ -	$ 1,746	$ 681	$ 1,746	$ 681	$ 1,065
Compensated Absences	14	14	16	18	30	32	(2)
Interim financing			1,996		1,996	-	1,996
Revenue bonds payable	-	-	2,323	2,378	2,323	2,378	(55)
Total	$ 14	$ 14	$ 6,081	$ 3,077	$ 6,095	$ 3,091	$ 3,004

Economic Environment and Next Year's Budgets

The City's elected officials considered many factors when adopting the fiscal year 2011 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 2011, the City Council approved a total budget of $3.6 million. This budget includes operating and non-operating funds. The General Fund budget is $1,123,700 and the Proprietary Funds are budgeted for $2,416,419 (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, 2010

Assets	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Blairsville Downtown Development Authority
Cash	$ 1,326,453	$ 1,258,746	$ 2,585,199	$ 36,896
Restricted cash	-	147,952	147,952	-
Certificates of deposit	10,000	-	10,000	-
Restricted certificates of deposit	-	38,800	38,800	-
Receivables, net	28,782	245,061	273,843	-
Intergovernmental receivables	87,207	120,896	208,103	-
Due from primary government	-	-	-	1,033
Prepaid items	13,996	18,687	32,683	-
Inventory	-	175,998	175,998	-
Debt issue costs	-	22,172	22,172	-
Intangible asset	-	19,335	19,335	-
Deferred charges	-	2,965	2,965	-
Capital assets:				
Land and construction in progress	41,446	7,109,775	7,151,221	-
Other capital assets, net of depreciation	434,401	16,520,064	16,954,465	-
Total assets	$ 1,942,285	$ 25,680,451	$ 27,622,736	$ 37,929
Liabilities And Net Assets				
Liabilities:				
Accounts payable	$ 14,281	$ 1,185,710	$ 1,199,991	$ -
Accrued liabilities	-	45,178	45,178	-
Notes payable - short term	-	1,996,343	1,996,343	-
Customer deposits	-	90,905	90,905	-
Noncurrent liabilities:				
Due within one year	-	134,305	134,305	-
Due in more than one year	14,012	3,951,025	3,965,037	-
Deferred revenue	43,000	816,106	859,106	-
Total liabilities	71,293	8,219,572	8,290,865	-
Net Assets:				
Investment in capital assets, net of related debt	475,847	6,467,594	6,943,441	-
Restricted for debt service	-	102,482	102,482	-
Unrestricted	1,395,145	10,890,803	12,285,948	37,929
Total net assets	1,870,992	17,460,879	19,331,871	37,929
Total liabilities and net assets	$ 1,942,285	$ 25,680,451	$ 27,622,736	$ 37,929

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, 2010

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	$ 395,511	$ 33,012	$ -	$ 32,633	$ (329,866)	$ -	$ (329,866)	$ -
Judicial	42,821	30,805	-	-	(12,016)	-	(12,016)	-
Public safety	540,947	105,470	11,172	-	(424,305)	-	(424,305)	-
Public works	102,634	-	-	190,355	87,721	-	87,721	-
Culture and recreation	3,000	-	-	-	(3,000)	-	(3,000)	-
Housing and development	83,188	100	-	-	(83,088)	-	(83,088)	-
Total governmental activities	1,168,101	169,387	11,172	222,988	(764,554)	-	(764,554)	-
Business-type activities:								
Water and sewerage	1,780,862	1,983,013	-	976,827	-	1,178,978	1,178,978	-
Airport	513,408	322,080	-	236,212	-	44,884	44,884	-
Total business-type activities	2,294,270	2,305,093	-	1,213,039	-	1,223,862	1,223,862	-
Total primary government	$ 3,462,371	$ 2,474,480	$ 11,172	$ 1,436,027	(764,554)	1,223,862	459,308	-
Component unit:								
Housing and development	$ 30,926	$ 19,868	$ 18,289	$ -	-	-	-	7,231
General revenues								
Property taxes					125,748	-	125,748	-
Sales taxes					724,252	-	724,252	-
Franchise taxes					10,482	-	10,482	-
Insurance premium taxes					35,475	-	35,475	-
Business taxes					87,546	-	87,546	-
Payments in lieu of tax					6,399	-	6,399	-
Miscellaneous					1,776	-	1,776	-
Unrestricted investment earnings					11,979	3,342	15,321	82
Transfers					(105,474)	105,474	-	-
Total general revenues and transfers					898,183	108,816	1,006,999	82
Change in net assets					133,629	1,332,678	1,466,307	7,313
Net assets, beginning of year, as restated					1,737,363	16,128,201	17,865,564	30,616
Net assets, end of year					$ 1,870,992	$ 17,460,879	$ 19,331,871	$ 37,929

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

CITY OF BLAIRSVILLE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	SPLOST 2009	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 1,085,699	$ 211,470	$ 29,284	$ 1,326,453
Certificates of deposit	10,000	-	-	10,000
Property taxes receivable, net	17,151	-	-	17,151
Other taxes receivable, net	754	-	4,131	4,885
Accounts receivable, net	6,746	-	-	6,746
Due from other governments	53,207	34,000	-	87,207
Due from other funds	296,298	-	-	296,298
Prepaid items	13,996	-	-	13,996
Total assets	$ 1,483,851	$ 245,470	$ 33,415	$ 1,762,736
Liabilities And Fund Balances				
Liabilities:				
Accounts payable	$ 6,550	$ -	$ 7,731	$ 14,281
Due to other funds	-	296,298	-	296,298
Deferred revenue	164,265	-	-	164,265
Total liabilities	170,815	296,298	7,731	474,844
Fund Balances:				
Reserved for:				
Prepaid items	13,996	-	-	13,996
Unreserved	1,299,040	(50,828)	-	1,248,212
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	29,679	29,679
Capital project funds	-	-	(3,995)	(3,995)
Total fund balances (deficit)	1,313,036	(50,828)	25,684	1,287,892
Total liabilities and fund balances	$ 1,483,851	$ 245,470	$ 33,415	$ 1,762,736

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

DECEMBER 31, 2010

Total fund balances, governmental funds (page 12)		$ 1,287,892
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	$ 967,020	
Less accumulated depreciation	(491,173)	475,847
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.		121,265
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.		(14,012)
Net assets of governmental activities in the Statement of Net Assets (page 10)		$ 1,870,992

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, 2010

	General	SPLOST 2009	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 127,132	$ -	$ -	$ 127,132
General and selective sales taxes	651,540	-	72,712	724,252
Franchise taxes	10,482	-	-	10,482
Insurance premium taxes	35,475	-	-	35,475
Financial institutions taxes	87,546	-	-	87,546
Licenses and permits	32,540	-	-	32,540
Intergovernmental	6,399	204,000	18,371	228,770
Charges for services	31,377	-	-	31,377
Fines and forfeitures	105,453	-	17	105,470
Investment earnings	11,979	617	-	12,596
Contributions from private sources	11,172	-	-	11,172
Other revenues	1,776	-	-	1,776
Total revenues	1,112,871	204,617	91,100	1,408,588
Expenditures				
Current:				
General government	332,551	-	-	332,551
Judicial	42,821	-	-	42,821
Public safety	525,487	-	-	525,487
Public works	84,883	-	-	84,883
Culture and recreation	3,000	-	-	3,000
Housing and development	17,747	-	65,441	83,188
Capital outlay:				
General government	-	25,420	-	25,420
Public safety	30,464			30,464
Public works	-	6,657	24,231	30,888
Total expenditures	1,036,953	32,077	89,672	1,158,702
Excess of revenues over expenditures	75,918	172,540	1,428	249,886
Other financing sources (uses)				
Proceeds from sale of equipment	4,889	-	-	4,889
Transfers in	-	-	-	-
Transfers out	-	(105,474)	-	(105,474)
Total other financing sources (uses)	4,889	(105,474)	-	(100,585)
Net change in fund balances	80,807	67,066	1,428	149,301
Fund balances (deficit), beginning of year, as restated	1,232,229	(117,894)	24,256	1,138,591
Fund balances (deficit), end of year	$ 1,313,036	$ (50,828)	$ 25,684	$ 1,287,892

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, 2010

Net change in fund balances - total governmental funds (page 14)		$ 149,301
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	$ 80,115	
Depreciation expense	(40,070)	40,045
The book value of capital assets disposed of are reported on the government-wide statement of activities but not reported in the governmental fund statements.		(54,720)
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 12/31/2010	121,265	
Deferred at 12/31/2009	(122,649)	(1,384)
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 12/31/2010	(14,012)	
Liability at 12/31/2009	14,399	387
Change in net assets of governmental activities (page 11)		$ 133,629

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, 2010

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 124,003	$ 125,680	$ 127,132	$ 1,452
Sales taxes	609,876	640,000	651,540	11,540
Franchise taxes	18,435	14,700	10,482	(4,218)
Insurance premium taxes	38,990	36,500	35,475	(1,025)
Financial institutions taxes	106,311	87,546	87,546	-
Licenses and permits	23,130	28,975	32,540	3,565
Intergovernmental	4,386	10,742	6,399	(4,343)
Charges for services	29,922	30,340	31,377	1,037
Fines and forfeitures	89,840	108,000	105,453	(2,547)
Interest	17,190	10,650	11,979	1,329
Contributions from private sources	9,294	10,000	11,172	1,172
Other revenues	-	150	1,776	1,626
Total revenues	1,071,377	1,103,283	1,112,871	9,588
Expenditures				
Current:				
General government				
Elections	-	975	979	(4)
General administration	368,138	349,988	331,572	18,416
Judicial				
Municipal court	50,183	48,051	42,821	5,230
Public safety				
Police	541,212	583,198	555,951	27,247
Public works				
Streets	108,844	89,846	84,883	4,963
Culture and recreation				
Library	3,000	3,000	3,000	-
Housing and development				
Downtown development	-	33,025	17,747	15,278
Total expenditures	1,071,377	1,108,083	1,036,953	71,130
Excess (deficiency) of revenues over expenditures	-	(4,800)	75,918	80,718
Other financing sources (uses)				
Proceeds from sale of equipment	-	4,800	4,889	89
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	4,800	4,889	89
Net change in fund balances	-	-	80,807	80,807
Fund balance, beginning of year, as restated	1,232,229	1,232,229	1,232,229	-
Fund balance, end of year	$ 1,232,229	$ 1,232,229	$ 1,313,036	$ 80,807

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, 2010

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 1,170,182	$ 88,564	$ 1,258,746
Restricted cash	147,952	-	147,952
Restricted certificates of deposit	38,800	-	38,800
Accounts receivable, net	245,061	-	245,061
Intergovernmental receivables	17,230	103,666	120,896
Prepaid items	15,217	3,470	18,687
Inventory	167,023	8,975	175,998
Total current assets	1,801,465	204,675	2,006,140
Noncurrent assets:			
Capital assets:			
Land and construction in progress	4,720,868	2,388,907	7,109,775
Other capital assets, net of depreciation	7,812,018	8,708,046	16,520,064
Debt issue costs, net	22,172	-	22,172
Intangible assets, net	19,335	-	19,335
Deferred charges	2,965	-	2,965
Total noncurrent assets	12,577,358	11,096,953	23,674,311
Total assets	$ 14,378,823	$ 11,301,628	$ 25,680,451
Liabilities And Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 1,075,792	$ 109,918	$ 1,185,710
Accrued interest payable	3,911	-	3,911
Short-term notes payable interim financing	1,996,343	-	1,996,343
Current portion of revenue bonds	58,148	-	58,148
Current portion of notes payable	76,157	-	76,157
Liabilities payable from restricted assets:			
Accrued interest payable	41,267	-	41,267
Total current liabilities	3,251,618	109,918	3,361,536
Noncurrent liabilities:			
Compensated absences	15,675	706	16,381
Customer deposits	90,905	-	90,905
Revenue bonds	2,264,529	-	2,264,529
Notes payable	1,670,115	-	1,670,115
Deferred revenue	450	815,656	816,106
Total noncurrent liabilities	4,041,674	816,362	4,858,036
Total liabilities	7,293,292	926,280	8,219,572
Net Assets:			
Invested in capital assets, net of related debt	6,467,594	-	6,467,594
Restricted for debt service	102,482	-	102,482
Unrestricted	515,455	10,375,348	10,890,803
Total net assets	7,085,531	10,375,348	17,460,879
Total liabilities and net assets	$ 14,378,823	$ 11,301,628	$ 25,680,451

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, 2010

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Operating revenues:			
Water	$ 1,039,201	$ -	$ 1,039,201
Sewer	835,201	-	835,201
Water and sewer tap and meter fees	58,898	-	58,898
Sewer impact fees	9,008	-	9,008
Reconnect fees and penalties	30,308	-	30,308
Airport hangar lease	-	122,962	122,962
Airport fuel and oil	-	189,001	189,001
Other operating revenues	10,397	10,117	20,514
Total operating revenues	1,983,013	322,080	2,305,093
Operating expenses:			
Personal services	776,461	78,212	854,673
Contractual and professional services	78,326	2,400	80,726
Repairs and maintenance	54,696	7,206	61,902
Supplies and expenses	205,980	147,399	353,379
Insurance	27,279	5,341	32,620
Utilities	157,211	5,998	163,209
Other operating expenses	19,279	13,354	32,633
Depreciation	310,078	202,924	513,002
Total operating expenses	1,629,310	462,834	2,092,144
Net operating income (loss)	353,703	(140,754)	212,949
Nonoperating revenues (expenses):			
Capital grants	184,923	236,212	421,135
Interest income	3,342	-	3,342
Interest expense	(146,138)	(50,574)	(196,712)
Loss on disposition of capital assets	(5,414)	-	(5,414)
Total nonoperating revenues (expenses)	36,713	185,638	222,351
Income (loss) before capital contributions and transfers	390,416	44,884	435,300
Capital contributions	791,904	-	791,904
Transfers in	105,474	-	105,474
Transfers out	-	-	-
Change in net assets	1,287,794	44,884	1,332,678
Net assets, beginning of year	5,797,737	10,330,464	16,128,201
Net assets, end of year	$ 7,085,531	$ 10,375,348	$ 17,460,879

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, 2010

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Receipts from customers	$ 1,970,232	$ 241,033	$ 2,211,265
Payments to suppliers and service providers	(516,138)	(170,259)	(686,397)
Payments to employees	(777,272)	(79,056)	(856,328)
Net cash provided by (used in) operating activities	676,822	(8,282)	668,540
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Interest receipts	3,342	-	3,342
Net cash provided by investing activities	3,342	-	3,342
CASH FLOWS (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(3,446,827)	(137,100)	(3,583,927)
Capital grants received	167,693	153,977	321,670
Transfer from other funds for capital asset acquisitions	105,474	-	105,474
Proceeds from capital debt	3,115,155	-	3,115,155
Principal paid on capital debt	(108,604)	-	(108,604)
Interest paid on capital debt	(171,893)	-	(171,893)
Debt issuance costs paid	(22,172)	-	(22,172)
Net cash provided by (used in) financing activities	(361,174)	16,877	(344,297)
CASH FLOWS (USED IN) NON-CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-
Net cash provided by financing activities	-	-	-
Net decrease in cash and cash equivalents	318,990	8,595	327,585
Cash, beginning of year	999,144	79,969	1,079,113
Cash, end of year	$ 1,318,134	$ 88,564	$ 1,406,698
Reconciliation of Total Cash:			
Unrestricted	$ 1,170,182	$ 88,564	$ 1,258,746
Restricted	147,952	-	147,952
	$ 1,318,134	$ 88,564	$ 1,406,698

(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, 2010

(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)	$ 353,703	$ (140,754)	$ 212,949
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	310,078	202,924	513,002
Amortization of deferred hangar lease revenue	-	(81,047)	(81,047)
Decrease (increase) in accounts receivable	(19,451)	-	(19,451)
Decrease (increase) in inventory	44,748	10,753	55,501
Decrease (increase) in prepaid items	3,839	1,161	5,000
Increase (decrease) in customer deposits	7,045	-	7,045
Increase (decrease) in accounts payable/accrued liabilities	(21,954)	(475)	(22,429)
Increase (decrease) in deferred revenue	(375)	-	(375)
Increase (decrease) in compensated absences	(811)	(844)	(1,655)
Net cash provided by (used in) operating activities	$ 676,822	$ (8,282)	$ 668,540
Noncash investing, capital and financing activities:	$ -	$ -	$ -

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, 2010, 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, 2010.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

H. Intangible Assets

Intangible assets consist of water system maps and geological studies. The intangible costs were incurred in 2010 and will be amortized over the estimated term of their usefulness, beginning in 2011.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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

K. 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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

L. 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.

M. 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. 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, 2010, for the City's individual funds in the aggregate are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Property Taxes	$ 17,151	$ -	$ 17,151
Franchise	754	-	754
Fines	6,746	-	6,746
Hotel/Motel Tax	4,131	-	4,131
Other Governments:			
Sales taxes	87,207	-	87,207
Grants	-	120,896	120,896
Water and sewer	-	246,583	246,583
Gross receivables	115,989	367,479	483,468
Less allowance for uncollectibles	-	(1,522)	(1,522)
Net receivables	$ 115,989	$ 365,957	$ 481,946

Property taxes were levied on October 22, 2010. Bills are payable on or before December 31, 2010, with applicable property being subject to lien and penalties and interest as assessed effective January 1, 2011 and after. The City bills and collects its own property taxes. Property taxes levied for 2010 are recorded as receivables. The 2010 digest receivables and those collected during the year ended December 31, 2010 are not recognized as revenues in the year ended December 31, 2010, but are deferred until recognition in 2011 since the levy is intended to finance the 2011 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, 2010 was as follows:

	Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ -	$ -	$ -	$ -
Construction in progress	288,109	49,651	(296,314)	41,446
Total capital assets, not being depreciated	288,109	49,651	(296,314)	41,446
Capital assets, being depreciated:				
Buildings and improvements	176,767	287,590	(63,963)	400,394
Machinery and equipment	515,801	37,190	(27,811)	525,180
Total capital assets, being depreciated	692,568	324,780	(91,774)	925,574
Less accumulated depreciation for:				
Buildings and improvements	83,027	10,964	(12,408)	81,583
Machinery and equipment	407,129	29,106	(26,645)	409,590
Total accumulated depreciation	490,156	40,070	(39,053)	491,173
Total capital assets, being depreciated, net	202,412	284,710	(52,721)	434,401
Governmental activities capital assets, net	$ 490,521	$ 334,361	$ (349,035)	$ 475,847

Assets disposed of in governmental activities during 2010 resulted in a loss on the disposition of capital assets of $(7,388). Assets were sold, with a net book value of $45,334, resulting in a loss of sale of $(40,445). Assets disposed of in business-type activities during 2010 resulted in a loss on the disposition of capital assets of $(5,414).

NOTE 5. CAPITAL ASSETS (CONCLUDED)

	Beginning Balance	Increases	Decreases and Reclassifications	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	1,501,082	4,250,582	(158,374)	5,593,290
Total capital assets not being depreciated	3,017,567	4,250,582	(158,374)	7,109,775
Capital assets, being depreciated:				
Buildings and improvements	1,987,627	54,800	8,195,874	10,238,301
Infrastructure	17,590,825	1,186,548	(8,198,220)	10,579,153
Machinery and equipment	1,164,532	128,718	(8,922)	1,284,328
Total capital assets, being depreciated	20,742,984	1,370,066	(11,268)	22,101,782
Less accumulated depreciation for:				
Buildings and improvements	549,981	208,897	404,085	1,162,963
Infrastructure	3,750,575	258,826	(388,782)	3,620,619
Machinery and equipment	774,014	45,279	(21,157)	798,136
Total accumulated depreciation	5,074,570	513,002	(5,854)	5,581,718
Total capital assets being depreciated, net	15,668,414	857,064	(5,414)	16,520,064
Business-type activities capital assets, net	$ 18,685,981	$ 5,107,646	$ (163,788)	$ 23,629,839

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

General government	$ 12,710
Public safety	16,245
Public works	11,115
	$ 40,070
Business-type activities:	
Water and Sewerage	$ 310,078
Airport	202,924
	$ 513,002

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, 2010 was $182,549.

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, 2010:

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.	$ 35,000
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.	512,110
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.	1,775,567
Total Revenue Bonds Payable	$ 2,322,677

NOTE 7. LONG-TERM DEBT (CONTINUED)

BUSINESS-TYPE ACTIVITIES – NOTES

Notes payable in the Water and Sewerage Fund consisted of the following at December 31, 2010:

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.	$ 533,336
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.	18,900
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 sewer line.	75,224
Georgia Environmental Facilities Agency, original loan of $131,707; interest rate of 3.81%; monthly installments of principal and interest of $2,414; maturing in 2016; for the purpose of construction of water line.	131,707
Georgia Environmental Facilities Agency, original loan of $1,076,000; for the purpose of sewer system rehabilitation and pump station; interest rate of 3%; maturing in 10 year; monthly installments of principal and interest to commence once project is completed and loan is disbursed; the federal portion of 70% of total funding is subject to forgiveness once the City has complied with federal requirements as determined by the American Recovery and Reinvestment Act of 2009 (ARRA); outstanding balance represents the cumulative advances to date.	987,105
Total Notes Payable	$ 1,746,272

BUSINESS-TYPE ACTIVITIES – INTERIM FINANCING

During 2010, the City arranged interim financing with a local bank to finance the construction of wastewater treatment facility expansion and a sewer line replacement. The interim financing was a condition of USDA in which the City commits to the raising of certain funds in order to obtain a $4.2 million USDA Rural Development loan with a grant supplement of $2.262 million. The debt will be evidenced through issuance of a water and sewerage revenue bond, secured by a pledge of revenue and statutory lien on the water and sewer system.

Total Interim Financing consisting of advances	$ 1,996,343

NOTE 7. LONG-TERM DEBT (CONCLUDED)

The following is a summary of long-term debt activity for the year ended December 31, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	$ 14,399	$ -	$ (387)	$ 14,012	$ -
Business-type Activities:					
Revenue Bonds	2,378,084	-	(55,407)	2,322,677	58,148
Notes	680,657	1,118,812	(53,197)	1,746,272	76,157
Interim financing	-	1,996,343	-	1,996,343	1,996,343
Compensated absences	18,036	-	(1,655)	16,381	-
	3,076,777	3,115,155	(110,259)	6,081,673	2,130,648
Total	$ 3,091,176	$ 3,115,155	$ (110,646)	$ 6,095,685	$ 2,130,648

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		
Principal	Interest	Total	Principal	Interest	Total
$ 58,148	$ 118,319	$ 176,467	$ 76,157	$ 28,278	$ 104,435
61,421	115,142	176,563	63,770	25,982	89,752
65,291	111,755	177,046	66,417	23,336	89,753
68,056	108,152	176,208	69,174	20,579	89,753
70,905	104,399	175,304	69,135	17,712	86,847
425,471	461,320	886,791	155,149	66,318	221,467
516,752	291,240	807,992	182,839	33,800	216,639
374,020	204,320	578,340	76,526	2,908	79,434
471,442	106,898	578,340	-	-	-
211,171	9,994	221,165	-	-	-
$ 2,322,677	$ 1,631,539	$ 3,954,216	759,167	$ 218,913	978,080
		Loans not yet amortizing	987,105		987,105
			$ 1,746,272		$ 1,952,035

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, 2010, is as follows:

Receivable fund	Payable fund	Amount
General Fund	SPLOST 2009 Fund	$ 296,298

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. The City intends to repay the loan in the near future.

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 $886,260 (net of accumulated depreciation of $85,872). 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, 2010:

Year ending December 31,	
2011	$ 32,351
2012	34,374
2013	36,572
2014	38,960
2015	41,558
Subsequent years	632,291
Total minimum future rentals	$ 816,106

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 2010, matching contributions made by the City were $14,845.

Defined Benefit Pension Plan

Plan Description: The City sponsors the City of Blairsville's Retirement Plan (CBRP), which is a defined benefit pension 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 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. 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.

Membership of the Plan: Participation counts as of July 1, 2010 (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	4
Active plan members	25
Total	31

NOTE 10. PENSION PLANS (CONTINUED)

Annual Pension Cost: The City's annual pension costs for the last three years are as follows (the valuation date was changed from May 1 to July 1 effective for the 2010 plan year):

Fiscal Year Beginning	Annual Pension Cost	Annual Pension Contribution	Percentage Contributed	Net Pension Obligation
May 1, 2008	$ 78,212	$ 78,212	100%	$ -0-
May 1, 2009	$ 107,513	$ 107,513	100%	$ -0-
July 1, 2010	$ 105,605	$ 105,605	100%	$ -0-

The City's derivation of the annual required contribution, the annual pension cost and net pension obligation (asset) at July 1, 2010 and May 1, 2009, the two most recent actuarial valuations, are as follows:

	July 1, 2010	May 1, 2009
Derivation of the Annual Required Contribution		
Normal Cost	$ 66,750	$ 58,045
Amortization of unfunded accrued actuarial liability (UAAL)	28,084	38,626
Pre-retirement death benefit expense	-	-
Adjustment to fiscal year	3,869	4,135
Administrative expense	6,902	6,707
Annual required contribution (ARC)	$ 105,605	$ 107,513
Derivation of the Net Pension Obligation (Asset)		
Annual pension cost for prior year	$ 107,513	$ 78,212
Annual contributions made for prior year	107,513	78,212
Increase (Decrease) in net pension obligation (asset)	-	-
Net pension obligation (asset), beginning of year	-	-
Net pension obligation (asset), end of year	$ -	$ -

The funded status of the plan as of the most recent valuation date, July 1, 2010, 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
$ 767,816	$ 965,650	79.51%	$ 197,834	$ 936,730	21.12%

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)

Actuarial Valuation Information:	
Current Valuation Date	July 1, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value For 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.50% plus age and service based merit increases
Cost of Living Adjustments	0.00%

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.

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, 2010. No provisions have been made in the financial statements for the year ending December 31, 2010 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 a 70% federal subsidy (in the form of forgiveness of principal) 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 are accounted for as loan proceeds.

Subsequent Events

On March 30, 2011, the City issued Water and Sewerage Revenue Bonds, Series 2010 in the amount of $4.2 million. Proceeds from this issue repaid a temporary loan from a local bank in the amount of $3,463,269 used for expansion of the wastewater treatment facility and the upgrade of current infrastructure and equipment in the waste water treatment facility. In addition, the City received $245,805 of grant proceeds subsequent to the balance sheet date to help fund the wastewater treatment facility project.

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, 2010, $72,712 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 $65,441 in the current year for these purposes, thereby conforming to the requirements of state law OCGA 48-8-121.

NOTE 15. DEFICIT FUND BALANCES

The SPLOST 2009 Fund, a major fund, had a deficit balance of $(50,828) at December 31, 2010. The City expects to generate future revenues to offset this deficit. A nonmajor fund, DDA/TE Project Fund, also had a deficit balance in the amount of $3,995. The City's General Fund has a sufficient surplus to provide for the deficit fund balances 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 overstatement of receivables for local option sales tax. The following prior period adjustment was needed to correct errors in the accrual of this revenue as of December 31, 2009:

General Fund:	
Fund balance, December 31, 2009	$ 1,283,153
Adjustment to record the overstatement of revenue	(50,924)
Fund balance, December 31, 2009, as restated	$ 1,232,229

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 overstatement of local option sales tax:

Net Assets, December 31, 2009, as previously reported	$ 1,788,287
Adjustment to record the overstatement of revenue	(50,924)
Net Assets, December 31, 2009, as restated	$ 1,737,363

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	$ 1,689,516	$ 111,949
Capital assets	6,266,197	6,266,689
Other noncurrent assets	19,987	24,485
Total Assets	7,975,700	6,403,123
Liabilities:		
Current liabilities	108,697	3,142,921
Noncurrent liabilities	1,243,608	2,798,066
Total Liabilities	1,352,305	5,940,987
Net Assets:		
Invested in capital assets, net of related debt	5,033,524	1,434,070
Restricted	102,482	-
Unrestricted	1,487,389	(971,934)
	$ 6,623,395	$ 462,136

NOTE 17. WATER AND SEWER DEPARTMENT ACTIVITIES (CONCLUDED)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating revenues (pledged against bonds)	$ 1,131,091	$ 851,922
Depreciation expense	(229,005)	(81,073)
Other operating expenses	(908,181)	(411,051)
Operating income	(6,095)	359,798
Nonoperating revenues (expenses)	907,263	(78,646)
Transfers	(155,911)	261,385
Change in net assets	745,257	542,537
Beginning net assets	5,878,138	(80,401)
Ending net assets	$ 6,623,395	$ 462,136
CONDENSED STATEMENT OF CASH FLOWS		
Operating activities	$ 357,796	$ 319,026
Noncapital financing activities	(261,385)	261,385
Capital and related financing activities	219,237	(580,411)
Investing activities	3,342	-
Cash and cash equivalents, beginning of year	999,144	-
Cash and cash equivalents, end of year	$ 1,318,134	$ -

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, 2010

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
July 1, 2010	$ 767,816	$ 965,650	79.51%	$ 197,834	$ 936,730	21.12%
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 were changed in the most current evaluation. The assumptions and methods that changed included mortality assumption, salary increase assumption, net investment return assumption, inflation assumption and asset method.

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 were changed in the most current evaluation. The assumptions and methods that changed included mortality assumption, salary increase assumption, net investment return assumption, inflation assumption and asset method.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BLAIRSVILLE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	TE/DDA Project	
Assets				
Cash and cash equivalents	$ 29,244	$ 22	$ 18	$ 29,284
Other taxes receivable, net	4,131	-	-	4,131
Total assets	$ 33,375	$ 22	$ 18	$ 33,415
Liabilities And Fund Balances				
Liabilities:				
Accounts payable	$ 3,718	$ -	$ 4,013	$ 7,731
Total liabilities	3,718	-	4,013	7,731
Fund Balances:				
Unreserved	29,657	22	(3,995)	25,684
Total fund balances (deficit)	29,657	22	(3,995)	25,684
Total liabilities and fund balances	$ 33,375	$ 22	$ 18	$ 33,415

CITY OF BLAIRSVILLE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

	Special Revenue		Capital Projects	Total Nonmajor Governmental
	Hotel/Motel	Confiscated Assets	TE/DDA Project	Funds
Revenues				
Property taxes	$ -	$ -	$ -	$ -
Selective sales and use taxes	72,712	-	-	72,712
Intergovernmental	-	-	18,371	18,371
Fines and forfeitures	-	17	-	17
Total revenues	72,712	17	18,371	91,100
Expenditures				
Current:				
Housing and development/tourism	65,441	-	-	65,441
Capital outlay				
Public works	-	-	24,231	24,231
Total expenditures	65,441	-	24,231	89,672
Excess (deficiency) of revenues Over expenditures	7,271	17	(5,860)	1,428
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	7,271	17	(5,860)	1,428
Fund balances, beginning of year	22,386	5	1,865	24,256
Fund balances (deficit), end of year	$ 29,657	$ 22	$ (3,995)	$ 25,684

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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	$ -	$ 105,474	$ 105,474	7%
City Hall renovation and expansion	325,000	270,894	25,420	296,314	91%
Streets, street improvements, and public facilities	100,000	-	6,657	-	0%
	$ 2,000,000	$ 270,894	$ 137,551	$ 401,788	

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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Accountants and Consultants

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

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, 2010, which collectively comprise the City of Blairsville, Georgia's basic financial statements and have issued our report thereon dated May 25, 2011. 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 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting, listed as Item 10-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 no instances of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards.*

City of Blairsville, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

R. W. Jennings & Company, P.C.

Ellijay, Georgia
May 25, 2011

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Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of City of Blairsville, Georgia, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Blairsville, Georgia's major federal programs for the year ended December 31, 2010. City of Blairsville, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Blairsville, Georgia's management. Our responsibility is to express an opinion on City of Blairsville, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Blairsville, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Blairsville, Georgia's compliance with those requirements.

In our opinion, City of Blairsville, Georgia, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control over Compliance

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

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

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

R L Jennings & Company, PC

Ellijay, Georgia
May 25, 2011

CITY OF BLAIRSVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of City of Blairsville, Georgia.
2. The auditor's report on compliance and internal control over financial reporting discloses no significant deficiencies.
3. The auditor's report on compliance and internal control over financial reporting discloses no instances of noncompliance.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Blairsville, Georgia expressed an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for the City of Blairsville, Georgia are reported in Part C of this schedule.
7. The programs tested as major programs consisted of:

Grantor	CFDA#
Environmental Protection Agency	66.458
U.S. Department of Agriculture	10.760

8. The dollar threshold to distinguish between Type A and Type B programs is $300,000.
9. City of Blairsville, Georgia does not qualify to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

10-01. Prior Period Adjustment

Criteria: The City is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP).

Condition/Context: During the course of our audit, an adjustment of amounts recorded as revenue in prior periods was identified. The prior period adjustment related to previously overstated local option sales tax revenue. The prior period adjustment was recorded in the beginning balances of the financial statements of the City for the year ended December 31, 2010.

Effect: The City's financial statements represent a once-a-year public disclosure of the annual financial position and results of operations of the City. Significant adjustment to prior financial statements as noted above cause those previously issued financial statements to be misstated.

Cause: The previously overstated revenue was a result of a change in the distribution period of collections of the revenue.

Recommendation: We recommend that the City ensures that revenue is properly recorded in the period in which it is earned.

Response: The City agrees with this finding, and will ensure that all revenue is recorded in the proper period.

C. FINDINGS – AUDIT COMPLIANCE – MAJOR FEDERAL AWARD PROGRAMS

None reported.

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

None reported.

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR/PASS-THROUGH GRANT/ PROGRAM TITLE	CFDA#	PASS-THROUGH OR GRANTOR ACCOUNT #	FEDERAL EXPENDITURES
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities (Direct Loan/ Project Grant)	10.760	11-044-581029000	$ 2,984,646
U.S. Department of Housing and Development			
Pass-through program from:			
Georgia Department of Community Affairs			
Community Development Block Grant	14.218	08P-x-144-2-5027	11,358
Appalachian Regional Commission			
Appalachian Area Development Grant	23.002	00064535	173,565
U.S. Department of Transportation			
Pass-through program from:			
Georgia Department of Transportation			
Airport Improvement Program	20.106	AP 011-9014-25(291)	152,430
Airport Improvement Program	20.106	AP 100-9010-24(291)	43,483
Airport Improvement Program	20.106	AP 090-9910-23(291)	8,775
Airport Improvement Program	20.106	AP 98-9300-1(291)	1,187
			205,875
Environmental Protection Agency			
Pass-through program from:			
Georgia Environmental Facilities Authority			
ARRA - Capitalization Grant for Clean Water State Revolving Funds	66.458	CWSRF 09-022	616,995
Total Expenditures of Federal Awards			$ 3,992,439

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation and Accounting

1. The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.
2. In instances where the grant agreement requires the City to match grant awards with government funds, such matching funds are excluded in the Schedule of Expenditures of Federal Awards.