CITY OF BLAIRSVILLE, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

CITY OF BLAIRSVILLE, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

CITY OF BLAIRSVILLE, GEORGIA

TABLE OF CONTENTS

Page

FINANCIAL SECTION

Independent Auditor's Report 1-2

Management's Discussion and Analysis (Unaudited) 3-9

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets 10

Statement of Activities 11

Fund Financial Statements:

Balance Sheet – Governmental Funds 12

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 13

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 14

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 15

General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual 16

Statement of Net Assets – Proprietary Funds 17

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds 18

Statement of Cash Flows – Proprietary Funds 19-20

Notes to Financial Statements 21-40

Required Supplementary Information:

Schedule of Funding Progress for the City of Blairsville Retirement Plan 41

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds 42

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 43

Schedule of Projects Constructed with Special Purpose Local Option Sales Tax 44

INTERNAL CONTROL AND COMPLIANCE SECTION

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* 45-46

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 47-48

Schedule of Findings and Questioned Costs 49-50

Schedule of Prior Audit Findings 51

Schedule of Expenditures of Federal Awards 52

FINANCIAL SECTION

RL Jennings & Company, PC
Certified Public Accountants

R.. Lee Jennings, CFCA, CPA
Mona Evans, CPA
Thomas H. Evans, Jr., CPA
Sherry L. Estes, CPA
Lisa J. Hoyle, CPA
Katherine S. Washington, CPA

61 Maddox Circle, East Ellijay
Post Office Box 2683, Ellijay, GA 30540
706-276-3700
Fax 706-276-3710
www.ellijaycpa.com
www.facebook.com/RLJ.ellijay

Member of
American Institute of
Certified Public Accountants
Georgia Society of
Certified Public Accountants

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, 2011, 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.

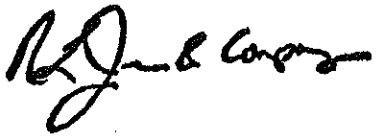
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, 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 June 27, 2012, 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.



Ellijay, Georgia
June 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Blairsville, Georgia (City) basic financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. 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 $23,395,677 (net assets) for the fiscal year reported. This represents an increase over the previous year of $4,063,806.

The City's governmental funds reported total ending fund balance of $1,664,737 this year. This compares to the prior year ending fund balance of $1,287,892 showing a net increase of $376,845 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 $1,566,457 or 146% of total General Fund expenditures.

Total liabilities of the City for the fiscal year 2011 were $7,986,840. This is a decrease of $304,025 from 2010.

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 $23,395,677. This is a $4,063,806 increase over the beginning year's net assets of $19,331,871. 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
	2011	2010	2011	2010	2011	2010	2011
Current and other assets	$ 1,846	$ 1,466	$ 1,682	$ 2,051	$ 3,528	$ 3,517	$ 49
Capital Assets	498	476	27,357	23,630	27,855	24,106	-
Total Assets	2,344	1,942	29,039	25,681	31,383	27,623	49
Current and other liabilities	18	14	502	3,362	520	3,376	-
Long-term liabilities	18	14	6,631	4,042	6,649	4,056	-
Deferred Revenue	34	43	784	816	818	859	-
Total Liabilities	70	71	7,917	8,220	7,987	8,291	-
Net Assets:							
Invested in capital assets, net of related debt	498	476	20,619	6,468	21,117	6,944	-
Restricted		-	37	102	37	102	-
Unrestricted	1,776	1,395	466	10,891	2,242	12,286	49
Total Net Assets	$ 2,274	$ 1,871	$ 21,122	$ 17,461	$ 23,396	$ 19,332	$ 49

The City reported a positive balance in net assets for governmental and a positive balance for business-type activities. Net assets increased $403,292 for governmental activities and increased $3,660,514 for business-type activities. The City's overall financial position improved during fiscal year 2011.

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

Summary of Changes in Net Assets

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Component Unit
	2011	2010	2011	2010	2011	2010	2011
Revenues:							
Program Revenues:							
Charges for services	$ 209	$ 169	$ 2,273	$ 2,305	$ 2,482	$ 2,474	$ 20
Operating grants and contributions	30	11		-	30	11	21
Capital grants and contributions	204	223	3,782	1,213	3,986	1,436	-
General Revenues:							
Property taxes	134	126		-	134	126	-
Sales and use taxes	885	724		-	885	724	-
Franchise and miscellaneous taxes	179	140		-	179	140	-
Miscellaneous	-	2		-	-	2	-
Unrestricted investment earnings	10	12	2	3	12	15	-
Gain on disposition of cap asset	-	-	1	-	1	-	-
Total Revenues	1,651	1,407	6,058	3,521	7,709	4,928	41
Expenses:							
General government	339	396	-	-	339	396	-
Judicial	36	43	-	-	36	43	-
Public safety	573	540	-	-	573	540	-
Public works	101	103	-	-	101	103	-
Culture and recreation	3	3	-	-	3	3	-
Housing and Development	95	83	-	-	95	83	30
Airport		-	546	513	546	513	-
Water and sewage	-	-	1,952	1,781	1,952	1,781	-
Total Expenses	1,147	1,168	2,498	2,294	3,645	3,462	30
Increase (decrease) in net assets before transfers	504	239	3,560	1,227	4,064	1,466	11
Transfers	(101)	(105)	101	105	-	-	-
Change in net assets	403	134	3,661	1,332	4,064	1,466	11
Beginning net assets	1,871	1,788	17,461	16,128	19,332	17,916	38
Prior period adjustment	-	(51)	-	-	-	(51)	-
Ending net assets	$ 2,274	$ 1,871	$ 21,122	$ 17,460	$ 23,396	$ 19,331	$ 49

GOVERNMENTAL REVENUES

The City's governmental activities are heavily reliant on taxes to support governmental operations. Sales and use tax provided 54% 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 $1,147,230. Of this amount, general government was $339,493 (30%), judicial was $36,396 (3 %), public safety was $572,550 (50%) and public works was $100,786 (9%) of the total cost for services for the year ended December 31, 2011.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs
Fiscal Year Ended December 31, 2011

	Revenues	Expenses
Airport Fund	$ 542,871	$ 546,541
Water System	$5,514,747	$1,951,910

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 $1,664,737 with $98,280 reserved for prepaid items, capital projects, and tourism. Unreserved fund balance is $1,566,457, indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an increase of $376,845 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 $268,548. The SPLOST 2009 Fund accounts for expenditures for capital asset purchases and improvements is financed by SPLOST tax revenues. The SPLOST 2009 Fund balance at the end of 2011 was $45,038.

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 $3,664,184 vs. $1,287,794 from the prior year, largely due to capital grants. The Airport Fund change in net assets was $(3,670) vs. $44,884 from the prior year, due largely to a decrease in capital grants.

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, 2011 was $1,318,370. This was an increase of $210,287 from the previous year's budget of $1,108,083.

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, 2011, was $497,846 and $27,356,797 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.

Capital Assets
Net of Accumulated Depreciation

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount
	2011	2010	2011	2010	2011	2010	Change
Non-Depreciable Assets:							
Land		$ -	$ 1,686	$ 1,306	$ 1,686	$ 1,306	$ 380
Air Easements		-	925	210	925	210	715
Construction in Progress	48	41	-	5,593	48	5,634	(5,586)
Total	48	41	2,611	7,109	2,659	7,150	(4,491)
Depreciable Assets:							
Buildings and Improvements	315	319	10,042	9,075	10,357	9,394	963
Machinery and equipment	135	115	455	486	590	601	(11)
Infrastructure		-	14,249	6,959	14,249	6,959	7,290
Total	450	434	24,746	16,520	25,196	16,954	8,242
Total	$ 498	$ 475	$ 27,357	$ 23,629	$ 27,855	$ 24,104	$ 3,751

Long-term debt

At the end of the fiscal year, the City had total bonded debt outstanding of $5,907,546 and other long-term debt outstanding of $830,994. 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 $2,683,574 (66%) 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
	2011	2010	2011	2010	2011	2010	Change
Notes Payable	$ -	$ -	$ 831	$ 1,746	$ 831	$ 1,746	$ (915)
Compensated Absences	18	14	27	16	45	30	15
Revenue bonds payable	-	-	5,908	2,323	5,908	2,323	3,585
Total	$ 18	$ 14	$ 6,766	$ 4,085	$ 6,784	$ 4,099	$ 2,685

Economic Environment and Next Year's Budgets

The City's elected officials considered many factors when adopting the fiscal year 2012 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 predominant 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 2012, the City Council approved a total budget of $3.5 million. This budget includes operating and non-operating funds. The General Fund budget is $1,204,605 and the Proprietary Funds are budgeted for $2,440,951 (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, 2011

Assets	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Blairsville Downtown Development Authority
Cash	$ 1,658,569	$ 904,973	$ 2,563,542	$ 48,129
Restricted cash	-	2	2	-
Certificates of deposit	10,000	-	10,000	-
Restricted certificates of deposit	-	38,800	38,800	-
Receivables, net	51,267	244,564	295,831	-
Intergovernmental receivables	111,021	147,041	258,062	-
Due from primary government	-	-	-	808
Prepaid items	15,126	25,433	40,559	-
Inventory	-	181,675	181,675	-
Debt issue costs, net of amortization	-	40,966	40,966	-
Intangible assets, net of amortization	-	98,437	98,437	-
Capital assets:				
Land and construction in progress	47,818	2,610,921	2,658,739	-
Other capital assets, net of depreciation	450,028	24,745,876	25,195,904	-
Total assets	$ 2,343,829	$ 29,038,688	$ 31,382,517	$ 48,937
Liabilities And Net Assets				
Liabilities:				
Accounts payable	$ 17,411	$ 263,594	$ 281,005	$ -
Accrued liabilities	-	6,687	6,687	-
Due to component unit	808	-	808	-
Customer deposits	-	97,719	97,719	
Noncurrent liabilities:				
Due within one year	-	133,647	133,647	-
Due in more than one year	17,676	6,631,593	6,649,269	-
Deferred revenue	33,650	784,055	817,705	-
Total liabilities	69,545	7,917,295	7,986,840	-
Net Assets:				
Investment in capital assets, net of related debt	497,846	20,618,257	21,116,103	-
Restricted for debt service	-	37,035	37,035	-
Unrestricted	1,776,438	466,101	2,242,539	48,937
Total net assets	2,274,284	21,121,393	23,395,677	48,937
Total liabilities and net assets	$ 2,343,829	$ 29,038,688	$ 31,382,517	$ 48,937

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, 2011

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	$ 339,493	$ 72,662	$ -	$ 586	$ (266,245)	$ -	$ (266,245)	$ -
Judicial	36,396	29,668	-	-	(6,728)	-	(6,728)	-
Public safety	572,550	103,451	30,092	-	(439,007)	-	(439,007)	-
Public works	100,786	-	-	204,000	103,214	-	103,214	-
Culture and recreation	3,000	-	-	-	(3,000)	-	(3,000)	-
Housing and development	95,005	2,900	-	-	(92,105)	-	(92,105)	-
Total governmental activities	1,147,230	208,681	30,092	204,586	(703,871)	-	(703,871)	-
Business-type activities:								
Water and sewerage	1,951,910	1,923,258	-	3,588,464	-	3,559,812	3,559,812	-
Airport	546,541	349,381	-	193,490	-	(3,670)	(3,670)	-
Total business-type activities	2,498,451	2,272,639	-	3,781,954	-	3,556,142	3,556,142	-
Total primary government	$ 3,645,681	$ 2,481,320	$ 30,092	$ 3,986,540	(703,871)	3,556,142	2,852,271	-
Component unit:								
Housing and development	$ 30,172	$ 20,032	$ 21,045	$ -	-	-	-	10,905
General revenues								
Property taxes					134,271	-	134,271	-
General and selective sales taxes					884,770	-	884,770	-
Franchise taxes					34,534	-	34,534	-
Insurance premium taxes					30,582	-	30,582	-
Business taxes					107,312	-	107,312	-
Payments in lieu of tax					5,757	-	5,757	-
Miscellaneous					828	-	828	-
Unrestricted investment earnings					9,893	2,462	12,355	103
Gain on disposition of capital assets					563	563	1,126	-
Transfers					(101,347)	101,347	-	-
Total general revenues and transfers					1,107,163	104,372	1,211,535	103
Change in net assets					403,292	3,660,514	4,063,806	11,008
Net assets, beginning of year					1,870,992	17,460,879	19,331,871	37,929
Net assets, end of year					$ 2,274,284	$ 21,121,393	$ 23,395,677	$ 48,937

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

CITY OF BLAIRSVILLE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	SPLOST 2009	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 1,620,739	$ 38	$ 37,792	$ 1,658,569
Certificates of deposit	10,000	-	-	10,000
Property taxes receivable, net	16,601	-	-	16,601
Other taxes receivable, net	25,355	-	3,232	28,587
Accounts receivable, net	6,079	-	-	6,079
Due from other governments	60,021	51,000	-	111,021
Due from other funds	6,000	-	-	6,000
Prepaid items	15,126	-	-	15,126
Total assets	$ 1,759,921	$ 51,038	$ 41,024	$ 1,851,983
Liabilities And Fund Balances				
Liabilities:				
Accounts payable	$ 15,310	$ -	$ 2,909	$ 18,219
Due to other funds	-	6,000	-	6,000
Deferred revenue	163,027	-	-	163,027
Total liabilities	178,337	6,000	2,909	187,246
Fund Balances:				
Nonspendable	15,127	-	-	15,127
Restricted	-	45,038	38,115	83,153
Unassigned	1,566,457	-	-	1,566,457
Total fund balances (deficit)	1,581,584	45,038	38,115	1,664,737
Total liabilities and fund balances	$ 1,759,921	$ 51,038	$ 41,024	$ 1,851,983

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, 2011

Total fund balances, governmental funds (page 12)		$ 1,664,737
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	$ 1,028,164	
Less accumulated depreciation	(530,318)	497,846
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.		129,377
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.		(17,676)
Net assets of governmental activities in the Statement of Net Assets (page 10)		$ 2,274,284

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, 2011

	General	SPLOST 2009	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 126,159	$ -	$ -	$ 126,159
General and selective sales taxes	800,590	-	84,181	884,771
Franchise taxes	34,534	-	-	34,534
Insurance premium taxes	30,582	-	-	30,582
Financial institutions taxes	107,312	-	-	107,312
Licenses and permits	74,987	-	-	74,987
Intergovernmental	20,070	204,000	-	224,070
Charges for services	31,058	-	-	31,058
Fines and forfeitures	102,636	-	-	102,636
Investment earnings	9,893	586	-	10,479
Contributions from private sources	15,779	-	-	15,779
Other revenues	828	-	-	828
Total revenues	1,354,428	204,586	84,181	1,643,195
Expenditures				
Current:				
General government	322,752	-	-	322,752
Judicial	36,396	-	-	36,396
Public safety	552,275	-	-	552,275
Public works	90,234	-	-	90,234
Culture and recreation	3,000	-	-	3,000
Housing and development	19,242	-	75,763	95,005
Capital outlay:				
Public safety	32,555			32,555
Public works	19,603	7,373	6,373	33,349
Total expenditures	1,076,057	7,373	82,136	1,165,566
Excess of revenues over expenditures	278,371	197,213	2,045	477,629
Other financing sources (uses):				
Proceeds from sale of equipment	563	-	-	563
Transfers in	-	-	10,386	10,386
Transfers out	(10,386)	(101,347)	-	(111,733)
Total other financing sources (uses)	(9,823)	(101,347)	10,386	(100,784)
Net change in fund balances	268,548	95,866	12,431	376,845
Fund balances (deficit), beginning of year	1,313,036	(50,828)	25,684	1,287,892
Fund balances (deficit), end of year	$ 1,581,584	$ 45,038	$ 38,115	$ 1,664,737

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, 2011

Net change in fund balances - total governmental funds (page 14)		$ 376,845
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	$ 65,903	
Depreciation expense	(43,904)	21,999
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 12/31/2011	129,377	
Deferred at 12/31/2010	(121,265)	8,112
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 12/31/2011	(17,676)	
Liability at 12/31/2010	14,012	(3,664)
Change in net assets of governmental activities (page 11)		$ 403,292

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, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 125,325	$ 161,325	$ 126,159	$ (35,166)
General sales taxes	620,400	620,400	681,955	61,555
Selective sales taxes	-	100,000	118,635	18,635
Franchise taxes	17,802	17,802	34,534	16,732
Insurance premium taxes	36,500	36,500	30,582	(5,918)
Financial institutions taxes	106,311	106,311	107,312	1,001
Licenses and permits	22,862	81,532	74,987	(6,545)
Intergovernmental	4,218	4,218	20,070	15,852
Charges for services	46,527	46,527	31,058	(15,469)
Fines and forfeitures	107,451	107,451	102,636	(4,815)
Interest	23,904	23,904	9,893	(14,011)
Contributions from private sources	12,000	12,000	15,779	3,779
Other revenues	200	200	828	628
Total revenues	1,123,500	1,318,170	1,354,428	36,258
Expenditures				
Current:				
General government				
Elections	1,450	1,450	762	688
General administration	376,587	482,035	321,990	160,045
Judicial				
Municipal court	47,951	40,031	36,396	3,635
Public safety				
Police	577,648	640,691	584,830	55,861
Public works				
Streets	92,618	131,269	109,837	21,432
Culture and recreation				
Library	3,000	3,000	3,000	-
Housing and development				
Downtown development	24,446	19,894	19,242	652
Total expenditures	1,123,700	1,318,370	1,076,057	242,313
Excess (deficiency) of revenues over expenditures	(200)	(200)	278,371	278,571
Other financing sources (uses)				
Proceeds from sale of equipment	200	200	563	363
Transfers in	-	-	-	-
Transfers (out)	-	-	(10,386)	(10,386)
Total other financing sources (uses)	200	200	(9,823)	(10,023)
Net change in fund balances	-	-	268,548	268,548
Fund balance, beginning of year	1,313,036	1,313,036	1,313,036	-
Fund balance, end of year	$ 1,313,036	$ 1,313,036	$ 1,581,584	$ 268,548

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, 2011

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 892,188	$ 12,785	$ 904,973
Restricted cash	2	-	2
Restricted certificates of deposit	38,800	-	38,800
Accounts receivable, net	244,564	-	244,564
Intergovernmental receivables	147,041	-	147,041
Prepaid items	22,101	3,332	25,433
Inventory	147,906	33,769	181,675
Total current assets	1,492,602	49,886	1,542,488
Noncurrent assets:			
Capital assets:			
Land and construction in progress	91,075	2,519,846	2,610,921
Other capital assets, net of depreciation	16,240,752	8,505,124	24,745,876
Debt issue costs, net	40,966	-	40,966
Intangible assets, net	16,573	81,864	98,437
Total noncurrent assets	16,389,366	11,106,834	27,496,200
Total assets	$ 17,881,968	$ 11,156,720	$ 29,038,688
Liabilities And Net Assets			
Current liabilities:			
Accounts payable	$ 263,240	$ 354	$ 263,594
Accrued interest payable	2,469	-	2,469
Current portion of revenue bonds	81,733	-	81,733
Current portion of notes payable	51,914	-	51,914
Liabilities payable from restricted assets:			
Accrued interest payable	4,218	-	4,218
Total current liabilities	403,574	354	403,928
Noncurrent liabilities:			
Compensated absences	25,292	1,408	26,700
Customer deposits	97,719	-	97,719
Revenue bonds	5,825,813	-	5,825,813
Notes payable	779,080	-	779,080
Deferred revenue	775	783,280	784,055
Total noncurrent liabilities	6,728,679	784,688	7,513,367
Total liabilities	7,132,253	785,042	7,917,295
Net Assets:			
Invested in capital assets, net of related debt	9,593,287	11,024,970	20,618,257
Restricted for debt service	37,035	-	37,035
Unrestricted	1,119,393	(653,292)	466,101
Total net assets	10,749,715	10,371,678	21,121,393
Total liabilities and net assets	$ 17,881,968	$ 11,156,720	$ 29,038,688

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, 2011

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Operating revenues:			
Water	$ 1,002,731	$ -	$ 1,002,731
Sewer	791,145	-	791,145
Water and sewer tap and meter fees	28,903	-	28,903
Water and sewer impact fees	2,750	-	2,750
Reconnect fees and penalties	25,251	-	25,251
Airport hangar lease	-	124,777	124,777
Airport fuel and oil	-	213,228	213,228
Other operating revenues	72,478	11,376	83,854
Total operating revenues	1,923,258	349,381	2,272,639
Operating expenses:			
Personal services	778,579	84,653	863,232
Contractual and professional services	53,812	2,400	56,212
Repairs and maintenance	72,516	2,994	75,510
Supplies and expenses	157,418	178,720	336,138
Insurance	29,472	3,710	33,182
Utilities	202,785	7,596	210,381
Other operating expenses	14,971	12,697	27,668
Depreciation and amortization	374,886	205,100	579,986
Total operating expenses	1,684,439	497,870	2,182,309
Net operating income (loss)	238,819	(148,489)	90,330
Nonoperating revenues (expenses):			
Capital grants	2,835,264	193,490	3,028,754
ARRA stimulus foregiveness	753,200	-	753,200
Interest income	2,462	-	2,462
Interest expense	(267,471)	(48,671)	(316,142)
Gain on disposition of capital assets	563	-	563
Total nonoperating revenues (expenses)	3,324,018	144,819	3,468,837
Income (loss) before capital contributions and transfers	3,562,837	(3,670)	3,559,167
Transfers in	101,347	-	101,347
Change in net assets	3,664,184	(3,670)	3,660,514
Net assets, beginning of year	7,085,531	10,375,348	17,460,879
Net assets, end of year	$ 10,749,715	$ 10,371,678	$ 21,121,393

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, 2011

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Receipts from customers	$ 1,930,894	$ 268,334	$ 2,199,228
Payments to suppliers and service providers	(517,292)	(233,552)	(750,844)
Payments to employees	(768,962)	(83,951)	(852,913)
Net cash provided by (used in) operating activities	644,640	(49,169)	595,471
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Interest receipts	2,462	-	2,462
Net cash provided by investing activities	2,462	-	2,462
CASH FLOWS (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(4,848,894)	(239,724)	(5,088,618)
Purchase of intangible studies	-	(84,042)	(84,042)
Proceeds from sale of assets	563	-	563
Capital grants received	2,705,453	297,156	3,002,609
Proceeds from capital debt	5,722,560	-	5,722,560
Principal paid on capital debt	(4,296,111)	-	(4,296,111)
Interest paid on capital debt	(335,314)	-	(335,314)
Debt issuance costs paid	(21,303)	-	(21,303)
Net cash provided by (used in) financing activities	(1,073,046)	(26,610)	(1,099,656)
Net decrease in cash and cash equivalents	(425,944)	(75,779)	(501,723)
Cash, beginning of year	1,318,134	88,564	1,406,698
Cash, end of year	$ 892,190	$ 12,785	$ 904,975
Reconciliation of Total Cash:			
Unrestricted	$ 892,188	$ 12,785	$ 904,973
Restricted	2	-	2
	$ 892,190	$ 12,785	$ 904,975

(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, 2011

(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)	$ 238,819	$ (148,489)	$ 90,330
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	374,886	205,100	579,986
Operating expense paid by other fund	7,151	-	7,151
Amortization of deferred hangar lease revenue	-	(81,047)	(81,047)
Decrease (increase) in accounts receivable	497	-	497
Decrease (increase) in inventory	19,117	(24,794)	(5,677)
Decrease (increase) in prepaid items	(6,884)	138	(6,746)
Increase (decrease) in customer deposits	6,814	-	6,814
Increase (decrease) in accounts payable/accrued liabilities	(5,702)	(779)	(6,481)
Increase (decrease) in deferred revenue	325	-	325
Increase (decrease) in compensated absences	9,617	702	10,319
Net cash provided by (used in) operating activities	$ 644,640	$ (49,169)	$ 595,471
Noncash investing, capital and financing activities			
Capital asset acquired through SPLOST funds	$ 94,196	$ -	$ 94,196

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 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, 2011, 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, 2011.

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. Likewise, the *primary government* is reported separately from its legally separate *component unit* for which the primary government is financially accountable.

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 reports 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.* The comparison of direct expenses and program revenues identifies the extent to which each program function is self-financing or draws from the general revenues of the City.

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 (concluded)

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 revenues generated from a special purpose local option sales tax to be spent for capital improvements for the City.

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.

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. 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.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Interfund 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, if any, 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 in the Water and Sewerage Fund, and are being amortized over the estimated term of their usefulness of 7 years. Intangible assets consist of airport layout plan and monitoring expenses in the Airport Fund, and are being amortized over the estimated term of their usefulness of 7 years.

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, 2011. 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	**10-30**
Vehicles	**6**
Machinery and equipment	**6-10**
Infrastructure	**25 - 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

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- *Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: Restricted, then Assigned, and lastly, Unassigned.

Net Assets – Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted as described in the fund balance section above. All other net assets are reported as unrestricted. 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 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.

Excess of Expenditures over Appropriations – Governmental Funds

During 2011, a transfer out to a nonmajor fund was not budgeted. This transfer was originally considered a donation to that fund in order to provide financial resources to pay engineering costs for the downtown development project. The reclassification to "transfers in/out" resulted in the amount not being appropriated for that line-item. This excess expenditure over appropriation was funded by available current year revenues.

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 investments, and not yet adopted a formal investment policy for future investments that would limit 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, 2011, for the City's individual funds in the aggregate are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables from:			
Property Taxes	$ 16,601	$ -	$ 16,601
Franchise	16,891	-	16,891
Fines	15,198	-	15,198
Hotel/Motel Tax	3,232	-	3,232
Alcohol beverage excise tax	8,464	-	8,464
Other Governments:			
Sales taxes	110,590	-	110,590
Grants	-	147,041	147,041
Other	431	-	431
Water and sewer	-	246,130	246,130
Gross receivables	171,407	393,171	564,578
Less allowance for uncollectibles	(9,119)	(1,566)	(10,685)
Net receivables	$ 162,288	$ 391,605	$ 553,893

The City bills and collects its own property taxes. Property taxes were levied on October 4, 2011. The tax levy was payable on or before December 20, 2011, after which the account is assessed penalties and interest or the property is subject to lien, as applicable. Property taxes receivable at year-end is estimated based on the tax levy, less amounts collected prior to December 31, 2011. The property taxes levied for the 2011 digest were intended for use in the 2012 budget year. Therefore, the entire 2011 digest levy of $129,423 is included in deferred revenue on the governmental fund balance sheet. Prior year levies were recorded using substantially the same principles, and remaining receivables are re-evaluated annually for collectability. Property taxes attached as an enforceable lien on property are of a date not yet determined.

(The remainder of this page has been intentionally left blank).

NOTE 5. CAPITAL ASSETS

A. Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ -	$ -	$ -	$ -
Construction in progress	41,446	6,373	-	47,819
Total capital assets, not being depreciated	41,446	6,373	-	47,819
Capital assets, being depreciated:				
Buildings and improvements	400,394	7,372	-	407,766
Machinery and equipment	525,180	52,158	(4,758)	572,580
Total capital assets, being depreciated	925,574	59,530	(4,758)	980,346
Less accumulated depreciation for:				
Buildings and improvements	81,583	11,468	-	93,051
Machinery and equipment	409,590	32,436	(4,758)	437,268
Total accumulated depreciation	491,173	43,904	(4,758)	530,319
Total capital assets, being depreciated, net	434,401	15,626	-	450,027
Governmental activities capital assets, net	$ 475,847	$ 21,999	$ -	$ 497,846

During 2011 assets were sold, with a net book value of $-0-, resulting in a gain on sale of $563.

(The remainder of this page has been intentionally left blank).

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	$ -	$ 379,641	$ 1,685,633
Air easements	210,493	-	714,795	925,288
Construction in progress	5,593,290	4,174,843	(9,768,133)	-
Total capital assets not being depreciated	7,109,775	4,174,843	(8,673,697)	2,610,921
Capital assets, being depreciated:				
Buildings and improvements	10,238,301	102,946	1,088,235	11,429,482
Infrastructure	10,579,153	-	7,585,462	18,164,615
Machinery and equipment	1,284,328	18,739	(4,758)	1,298,309
Total capital assets, being depreciated	22,101,782	121,685	8,668,939	30,892,406
Less accumulated depreciation for:				
Buildings and improvements	1,162,963	224,058	-	1,387,021
Infrastructure	3,620,619	295,089	-	3,915,708
Machinery and equipment	798,136	50,423	(4,758)	843,801
Total accumulated depreciation	5,581,718	569,570	(4,758)	6,146,530
Total capital assets being depreciated, net	16,520,064	(447,885)	8,673,697	24,745,876
Business-type activities capital assets, net	$ 23,629,839	$ 3,726,958	$ -	$ 27,356,797

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

Governmental activities:	
General government	$ 13,079
Public safety	20,111
Public works	10,714
	$ 43,904
Business-type activities:	
Water and Sewerage	$ 366,648
Airport	202,922
	$ 569,570

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 amount of cash restricted for this purpose at December 31, 2011 was $38,800, which falls short of the required reserve of $131,323. In prior years, the City had always maintained the reserve in appropriate amounts in order to be compliant with the bond requirements. During 2011, the City, after paying off the 1980 Bonds and the 1985 Bonds, miscalculated the reserve requirement applicable to the 1996 bonds and therefore, did not meet the compliance requirement at year-end. Subsequent to year-end, the City brought the reserve up to the required amount and is presently in compliance with the bond reserve requirement of the 1996 Bonds. Additionally, the City was compliant with the bond requirement of the newly issued 2010 Bonds.

NOTE 7. LONG-TERM DEBT

BUSINESS-TYPE ACTIVITIES – REVENUE BONDS

During March 2011, the City issued the Series 2010 Revenue Bonds totaling $4.2 million in order to finance the improvements made to the City's sewer system infrastructure. During November 2011, the City prematurely paid off the outstanding debt owed on the Series 1980B, Series 1985A, and Series 1985B bonds, in the amounts of $35,000, $393,066, and $98,044, respectively.

Revenue bonds payable in the Water and Sewerage Fund consisted of the following at December 31, 2011:

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.	$ 1,741,528
Series 2010A and 2010B Revenue Bonds were issued in amounts of $3,398,000 and $802,000 at 4.25% and 2.5% interest, respectively; principal and interest due in monthly installments of $17,395; for the purpose of additions, extensions, and improvements to the waste water treatment facility.	4,166,018
Total Revenue Bonds Payable	$ 5,907,546

NOTE 7. LONG-TERM DEBT (continued)

BUSINESS-TYPE ACTIVITIES – NOTES

During November 2011, the City prematurely paid off the outstanding principal balance of two GEFA loans in the total amount of $176,371.

Notes payable in the Water and Sewerage Fund consisted of the following at December 31, 2011:

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.	$ 510,504
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 was subject to forgiveness once the City has complied with federal requirements as determined by the American Recovery and Reinvestment Act of 2009 (ARRA); debt foregiveness of $753,200 occurred in 2011, reducing the original loan $322,800.00.	320,490
Total Notes Payable	$ 830,994

BUSINESS-TYPE ACTIVITIES – INTERIM FINANCING

During 2010, the City arranged interim financing with a local bank to finance the construction of the wastewater treatment facility expansion and a sewer line replacement. The interim financing was a condition of USDA in which the City committed 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. During 2011, this the debt was 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, and the interim financing was paid off in the amount of $3,430,006.

NOTE 7. LONG-TERM DEBT (concluded)

The following is a summary of long-term debt activity for the year ended December 31, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	$ 14,012	$ 3,664	$ -	$ 17,676	$ -
Business-type Activities:					
Revenue Bonds	2,322,677	4,200,000	(615,131)	5,907,546	81,733
Notes	1,746,272	88,895	(1,004,173)	830,994	51,914
Compensated absences	16,381	10,319	-	26,700	-
	4,085,330	4,299,214	(1,619,304)	6,765,240	133,647
Total	$ 4,099,342	$ 4,302,878	$ (1,619,304)	$ 6,782,916	$ 133,647

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

	Revenue Bonds			Notes		
Year	Principal	Interest	Total	Principal	Interest	Total
2012	$ 81,733	$ 242,675	$ 324,408	$ 51,914	$ 28,818	$ 80,732
2013	85,203	239,205	324,408	53,718	27,013	80,731
2014	88,825	235,583	324,408	55,587	25,145	80,732
2015	92,605	231,803	324,408	57,521	23,210	80,731
2016	96,551	227,857	324,408	59,524	21,207	80,731
2017-2021	548,285	1,073,755	1,622,040	327,129	73,412	400,541
2022-2026	676,467	945,573	1,622,040	190,136	26,502	216,638
2027-2031	835,549	786,491	1,622,040	35,465	641	36,106
2032-2036	1,033,124	588,916	1,622,040	-	-	-
2037-2041	756,488	390,523	1,147,011	-	-	-
2042-2046	798,407	245,293	1,043,700	-	-	-
2047-2051	814,309	72,280	886,589	-	-	-
Total	$ 5,907,546	$ 5,279,954	$ 11,187,500	$ 830,994	$ 225,948	$ 1,056,942

Other long-term liabilities have been liquidated in prior years in the fund in which the liabilities were incurred, largely the General Fund, the Water and Sewerage Fund, and the Airport Fund.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund activity consisted of the following for the year ended December 31, 2011:

Interfund Receivables/Payables:

Receivable fund	Payable fund	Amount
General Fund	SPLOST 2009 Fund	$ 6,000

Interfund Transfers:

Transfers in	Transfers out	Amount
Water and Sewerage Fund	SPLOST 2009 Fund	$ 101,347
Nonmajor Fund	General Fund	10,386
		$ 111,733

The outstanding balances between funds primarily result from the time lag between the dates that (1) interfund reimbursable expenditures occur and (2) payments between funds are made. All interfund balances are expected to be repaid within one year from the date of the financial statements.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9. FUND EQUITY

Nonspendable – The following fund balances are nonspendable because they are allocated to:

General Fund:	
Prepaid items	$ 15,127

Restricted – The following fund balances are restricted for:

SPLOST Fund – used to account for capital projects financed with SPLOST tax revenues.	$ 45,038
Nonmajor Special Revenue Funds – used to account for revenues that are legally restricted for purposes of tourism, street capital projects, and public safety expenditures.	38,115
	$ 83,153

NOTE 10. 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 $866,818 (net of accumulated depreciation of $105,314). 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, 2011:

Year ending December 31,	
2012	$ 34,374
2013	36,572
2014	38,960
2015	41,558
2016	44,406
Subsequent years	587,410
Total minimum future rentals	$ 783,280

NOTE 11. 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 2011, matching contributions made by the City were $21,951.

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.

NOTE 11. PENSION PLANS (continued)

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 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, 2011 (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	5
Active plan members	25
Total	32

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, 2009	$ 107,513	$ 107,513	100%	$ -0-
July 1, 2010	$ 105,605	$ 105,605	100%	$ -0-
July 1, 2011	$ 99,711	$ 99,711	100%	$ -0-

The City's derivation of the annual required contribution, the annual pension cost and net pension obligation (asset) at July 1, 2011 and July 1, 2010, the two most recent actuarial valuations, are as follows:

	July 1, 2011	July 1, 2010
Derivation of the Annual Required Contribution		
Normal Cost	$ 63,239	$ 66,750
Amortization of unfunded accrued actuarial liability (UAAL)	25,763	28,084
Pre-retirement death benefit expense	-	-
Adjustment to fiscal year	3,653	3,869
Administrative expense	7,056	6,902
Annual required contribution (ARC)	$ 99,711	$ 105,605
Derivation of the Net Pension Obligation (Asset)		
Annual pension cost for prior year	$ 105,605	$ 107,513
Annual contributions made for prior year	105,605	107,513
Increase (Decrease) in net pension obligation (asset)	-	-
Net pension obligation (asset), beginning of year	-	-
Net pension obligation (asset), end of year	$ -	$ -

NOTE 11. PENSION PLANS (concluded)

The funded status of the plan as of the most recent valuation date, July 1, 2011, 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
$ 925,246	$ 1,106,732	83.60%	$ 181,486	$ 962,627	18.85%

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.

Actuarial Valuation Information:

Current Valuation Date	July 1, 2011
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 12. 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.

NOTE 12. JOINT VENTURE (concluded)

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 13. 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, 2011. No provisions have been made in the financial statements for the year ending December 31, 2011 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

NOTE 13. RISK MANAGEMENT (concluded)

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 14. 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.

Litigation
The City is involved in two pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

NOTE 15. HOTEL/MOTEL TAX

The City has levied a 5% lodging tax for applicable businesses inside the City. During the year ended December 31, 2011, $84,180 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 $75,762 (representing 90%) in the current year for these purposes, thereby conforming to the requirements of state law OCGA 48-8-121.

NOTE 16. 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 as follows:

CONDENSED STATEMENT OF NET ASSETS

	WATER	SEWER
Assets:		
Current assets	$ 1,263,859	$ 228,743
Capital assets	6,312,753	10,019,074
Other noncurrent assets	16,573	40,966
Total Assets	7,593,185	10,288,783
Liabilities:		
Current liabilities	26,104	377,470
Noncurrent liabilities	1,198,636	5,530,043
Total Liabilities	1,124,740	5,907,513
Net Assets:		
Invested in capital assets, net of related debt	5,211,787	4,381,500
Restricted	37,035	-
Unrestricted	1,119,623	(230)
	$ 6,368,445	$ 4,381,270

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Operating revenues (pledged against bonds)	$ 1,069,248	$ 854,010
Depreciation expense	(263,233)	(111,653)
Other operating expenses	(922,244)	(387,309)
Operating income	(116,229)	355,048
Nonoperating revenues (expenses)	39,608	3,284,410
Transfers	101,347	-
Change in net assets	24,726	3,639,458
Beginning net assets	6,623,395	462,136
Ending net assets	$ 6,648,121	$ 4,101,594

CONDENSED STATEMENT OF CASH FLOWS

Operating activities	$ 167,516	$ 382,928
Noncapital financing activities	(255,927)	255,927
Capital and related financing activities	(339,997)	(638,853)
Investing activities	2,462	-
Cash and cash equivalents, beginning of year	1,318,134	-
Cash and cash equivalents, end of year	$ 892,188	$ 2

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, 2011

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a percentage of Covered Payroll (B-A)/C
July 1, 2011	$ 925,246	$ 1,106,732	83.60%	$ 181,486	$ 962,627	18.85%
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%

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, 2011

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	DDA/TE Project	
Assets				
Cash and cash equivalents	$ 37,752	$ 22	$ 18	$ 37,792
Other taxes receivable, net	3,232	-	-	3,232
Total assets	$ 40,984	$ 22	$ 18	$ 41,024
Liabilities And Fund Balances				
Liabilities:				
Accounts payable	$ 2,909	$ -	$ -	$ 2,909
Total liabilities	2,909	-	-	2,909
Fund Balances:				
Restricted	38,075	22	18	38,115
Total fund balances	38,075	22	18	38,115
Total liabilities and fund balances	$ 40,984	$ 22	$ 18	$ 41,024

CITY OF BLAIRSVILLE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	TE/DDA Project	
Revenues				
Selective sales and use taxes	$ 84,181	$ -	$ -	$ 84,181
Total revenues	84,181	-	-	84,181
Expenditures				
Current:				
Housing and development/tourism	75,763	-	-	75,763
Capital outlay:				
Public works	-	-	6,373	6,373
Total expenditures	75,763	-	6,373	82,136
Excess (deficiency) of revenues over expenditures	8,418	-	(6,373)	2,045
Other financing sources (uses):				
Transfers in	-	-	10,386	10,386
Total other financing sources (uses)	-	-	10,386	10,386
Net change in fund balances	8,418	-	4,013	12,431
Fund balances (deficit), beginning of year	29,657	22	(3,995)	25,684
Fund balances, end of year	$ 38,075	$ 22	$ 18	$ 38,115

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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	$ 101,347	$ 206,821	13%
City Hall renovation and expansion	325,000	296,314	-	296,314	91%
Streets, street improvements, and public facilities	100,000	-	7,373	7,373	7%
Total SPLOST 2009	**$ 2,000,000**	**$ 401,788**	**$ 108,720**	**$ 510,508**	

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

INTERNAL CONTROL AND COMPLIANCE SECTION

RL Jennings & Company, PC
Certified Public Accountants

R.. Lee Jennings, CFCA, CPA
Mona Evans, CPA
Thomas H. Evans, Jr., CPA
Sherry L. Estes, CPA
Lisa J. Hoyle, CPA
Katherine S. Washington, CPA

61 Maddox Circle, East Ellijay
Post Office Box 2683, Ellijay, GA 30540
706-276-3700
Fax 706-276-3710
www.ellijaycpa.com
www.facebook.com/RLJ.ellijay

Member of
American Institute of
Certified Public Accountants
Georgia Society of
Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Blairsville, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City of Blairsville, Georgia's basic financial statements and have issued our report thereon dated June 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Blairsville, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination

of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 2011-1.

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.

Ellijay, Georgia
June 27, 2012

RL Jennings & Company, PC
Certified Public Accountants

R.. Lee Jennings, CFCA, CPA
Mona Evans, CPA
Thomas H. Evans, Jr., CPA
Sherry L. Estes, CPA
Lisa J. Hoyle, CPA
Katherine S. Washington, CPA

61 Maddox Circle, East Ellijay
Post Office Box 2683, Ellijay, GA 30540
706-276-3700
Fax 706-276-3710
www.ellijaycpa.com
www.facebook.com/RLJ.ellijay

Member of
American Institute of
Certified Public Accountants
Georgia Society of
Certified Public Accountants

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, 2011. 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, 2011.

Internal Control over Compliance

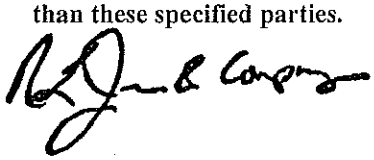
Management of City of Blairsville, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Blairsville, 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.



Ellijay, Georgia
June 27, 2012

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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 one instance 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#
U.S. Department of Housing and Urban Development	66.458
U.S. Department of Agriculture	10.781

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 – Significant Deficiencies in Internal Control

None reported.

C. FINDINGS – FINANCIAL STATEMENTS AUDIT – Instance of Noncompliance

Finding #2011-1

Finding: The City failed to comply with bond covenants that required the City to maintain established amounts of funds for the City's debt service.

Criteria: The Series 1996 A & B Revenue Bond requires the City to maintain a cash reserve equal to the next year's debt service requirement.

Condition: Total reserve required for all outstanding bond issues as of December 31, 2011 was equal to $131,323 and the City had a cash reserve of $38,800 and, therefore, was short of the reserve requirement by $92,523.

Effect: The City was not in compliance with debt covenants as agreed upon in the bond ordinances.

Cause: The City paid off the remaining balance of the Series 1980 Revenue Bonds and the Series 1985 Revenue Bonds in 2011. Cash accounts that were established and maintained to meet the sinking fund requirements of these bonds were also being used to maintain the debt reserve requirement for the Series 1996 A & B Revenue Bonds. When the Series 1980 bonds and the Series 1985 bonds were paid during the year, the City closed the sinking fund reserve account in error by failing to realize that the Series 1996 required reserve should still be maintained.

Recommendation: The City should maintain sufficient cash reserves to be compliant with the debt service requirements on the Series 1996 and Series 2010 Revenue Bonds.

Response and Corrective Action: The City agrees with this finding and subsequent to year-end had already discovered the shortage of the debt service reserve. Upon discovery, the City deposited funds into a certificate of deposit account and a money market account that were sufficient enough to cover the debt service requirement in order to bring the City compliant with the bond ordinance.

D. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS – Significant Deficiency in Administering Federal Awards and Instances of Noncompliance

None reported.

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Findings and Questioned Costs Relating to Federal Awards:

None reported.

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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)	10.781	11-044-581029000	$ 3,015,317
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	482,343
Appalachian Regional Commission			
Appalachian Area Development Grant	23.002	00064535	90,921
U.S. Department of Transportation			
Pass-through program from:			
Georgia Department of Transportation			
Airport Improvement Program	20.106	AP 011-9014-25(291)	110,142
Airport Improvement Program	20.106	AP 012-9014-26 (291)	75,663
Airport Improvement Program	20.106	AP 090-9910-23(291)	8,550
			194,355
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	13,844
Total Expenditures of Federal Awards			$ 3,796,780

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.
3. The USDA Water and Waste Water Disposal program includes grant expenditures of $2,262,000 and USDA loan proceeds expenditures of $753,317 during the current year. The total outstanding debt relating to the USDA loan guarantee at December 31, 2011 was $4,166,018.