CITY OF BLAIRSVILLE, GEORGIA

FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

CITY OF BLAIRSVILLE, GEORGIA

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 47-48

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Blairsville, Georgia as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blairsville, Georgia, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for the City of Blairsville on pages 3-11 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blairsville, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2015, on our consideration of the City of Blairsville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Blairsville, Georgia's internal control over financial reporting and compliance.

R L Jennings + Associates, PC

Ellijay, Georgia
May 5, 2015

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, 2013. 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 $25,477,571 (net assets) for the fiscal year reported. This represents an increase over the previous year of $480,429.

The City's governmental funds reported total ending fund balance of $2,312,797 this year. This compares to the prior year ending fund balance of $2,039,711 showing a net increase of $273,086 during the current year.

At the end of the fiscal year, unreserved fund balance for the general fund was $1,752,402 or 131% of total General Fund expenditures.

Total liabilities of the City for the fiscal year 2014 were $7,564,386. This is an increase of $654,577 from 2013.

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 Position.* 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 position.* Over time, increases and decreases in the net position may serve as a useful indicator of whether the financial status 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 position 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/sewer 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/sewer 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 non-major 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 $25,477,571. This is a $480,429 increase from the beginning year's net assets of $24,997,142. The following table provides a summary of the City's net position:

Summary of Net Position
(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Component Unit
	2014	2013	2014	2013	2014	2013	2014
Current and other assets	$ 2,504	$ 2,416	$ 1,965	$ 1,653	$ 4,469	$ 4,069	$ 141
Capital Assets	992	997	28,287	27,577	29,279	28,574	1,880
Total Assets	3,496	3,413	30,252	29,230	33,748	32,643	2,021
Current and other liabilities	17	210	136	158	153	368	-
Long-term liabilities	39	36	7,373	6,506	7,412	6,542	1,625
Deferred Revenue	-	-	-	730	-	730	-
Total Liabilities	56	246	7,509	7,394	7,565	7,640	1,625
Deferred Inflows							
Unavailable Revenue	49	41	-	-	49	41	-
Advanced Receipts	-	-	656	694	656	-	-
Total Deferred Inflows	49	41	656	694	705	41	-
Net Position:							
Invested in capital assets, net of related debt	992	997	21,009	21,181	22,001	22,178	251
Restricted	541	416	173	112	714	528	1
Unrestricted	1,857	1,714	906	578	2,763	2,292	143
Total Net Position	$ 3,390	$ 3,127	$ 22,088	$ 21,871	$ 25,478	$ 24,998	$ 395

Net position increased $263,168 for governmental activities and increased $217,261 for business-type activities.

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

Statement of Activities

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Component Unit
	2014	2013	2014	2013	2014	2013	2014
Revenues:							
Program Revenues:							
Charges for services	$ 180	$ 184	$ 2,421	$ 2,243	$ 2,601	$ 2,427	$ 68
Operating grants and contributions	70	48	337	-	407	48	22
Capital grants and contributions	229	691	71	1,537	300	2,228	-
General Revenues:							
Property taxes	203	180	-	-	203	180	-
Sales and use taxes	922	883	-	-	922	883	-
Franchise and miscellaneous taxes	167	164	-	-	167	164	-
Miscellaneous	1	1	-	-	1	1	-
Unrestricted investment earnings	6	5	2	2	8	7	-
Gain on disposition of cap asset	-	-	-	-	-	-	-
Total Revenues	1,778	2,156	2,831	3,782	4,609	5,938	90
Expenses:							
General government	360	343	-	-	360	343	-
Judicial	41	42	-	-	41	42	-
Public safety	669	616	-	-	669	616	-
Public works	210	204	-	-	210	204	-
Culture and recreation	5	5	-	-	5	5	-
Housing and Development	163	170	-	-	163	170	136
Airport	-	-	541	552	541	552	-
Water and Sewer	-	-	2,142	2,131	2,142	2,131	-
Total Expenses	1,448	1,380	2,683	2,683	4,131	4,063	136
Increase (decrease) in net position before transfers	330	776	148	1,099	478	1,875	(46)
Transfers	(68)	(282)	69	282	1	-	-
Change in net position	262	494	217	1,381	479	1,875	(46)
Beginning net position	3,127	2,635	21,870	20,490	24,997	23,125	443
Prior period adjustment	-	-	-	-	-	-	-
Ending net position	$ 3,389	$ 3,129	$ 22,087	$ 21,871	$ 25,476	$ 25,000	$ 397

GOVERNMENTAL REVENUES

The City's governmental activities are heavily reliant on taxes to support governmental operations. Sales and use tax provided 60% percent and property and miscellaneous taxes provide 22% percent of the City's total governmental revenues (less grants for capital projects). 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 $1,438,405. Of this amount, general government was $348,866 (24%), judicial was $40,598 (2%), public safety was $644,190 (45%) and public works was $165,468 (12%) of the total cost for services for the year ended December 31, 2014.

BUSINESS-TYPE ACTIVITIES

Operating Revenues vs. Operating Costs
Fiscal Year Ended December 31, 2014

	Revenues	Expenses
Airport Fund	$ 327,732	$ 499,411
Water/Sewer System	$2,093,149	$1,866,711

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 $2,312,797 with $560,395 reserved for prepaid items, capital projects, and tourism. Unreserved fund balance is $1,752,402, indicating availability for continuing City service requirements.

The total ending fund balances of all governmental funds show an increase over the prior year of $273,086.

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 $147,432. 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 2014 was $474,951.

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/Sewer Fund change in net position was $358,682 vs. $(149,612) from the prior year. The Airport Fund change in net assets was $(141,421) vs. $1,530,441 from the prior year. This is due to Capital Grants and Contributions received in 2013.

Major Proprietary Funds

The Water & Sewer System Fund provides water and sewer services 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 City Council approved an amended 2014 budget at the April 7, 2015 council meeting. The budget increased $39,369 to $1,375,819. The actual revenues for the year ended December 31, 2014 was $1,464,109, an increase over the amended budget amount of $88,290 which was mostly from LOST Tax.

The amended budget of expenditures for the year ended December 31, 2014 was $1,375,374 Actual expenditures was $1,339,652, approximately $38,722 less than the amended budget.

The City is continuing to look for ways to cut costs without jeopardizing quality service to our property and business owners.

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, 2014 was $992,145 and $28,286,918 respectively.

Capital Assets
Net of Accumulated Depreciation

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount
	2014	2013	2014	2013	2014	2013	Change
Non-Depreciable Assets:							
Land	$ -	$ -	$ 1,686	$ 1,686	$ 1,686	$ 1,686	$ -
Air Easements	-	-	1,035	925	1,035	925	110
Construction in Progress	-	591	1,353	1,713	1,353	2,304	(951)
Total	-	591	4,074	4,324	4,074	4,915	(841)
Depreciable Assets:							
Buildings and Improvements	865	294	10,821	9,508	11,686	9,802	1,884
Machinery and equipment	126	112	478	388	604	500	104
Infrastructure	-	-	12,914	13,356	12,914	13,356	(442)
Total	991	406	24,213	23,252	25,204	23,658	1,546
Total	$ 991	$ 997	$ 28,287	$ 27,576	$ 29,278	$ 28,573	$ 705

Long-term debt

At the end of the fiscal year, the City had total bonded debt outstanding of $5,650,898 and other long-term debt outstanding of $1,681,487. 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 $869,000. This increase was the result of a new GEFA loan acquired by the City for Water System Improvements and Meter Upgrades. 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
	2014	2013	2014	2013	2014	2013	Change
Notes Payable	$ -	$ -	$ 1,681	$ 725	$ 1,681	$ 725	$ 956
Compensated Absences	39	36	40	41	79	77	2
Revenue bonds payable	-	-	5,651	5,740	5,651	5,740	(89)
Total	$ 39	$ 36	$ 7,372	$ 6,506	$ 7,411	$ 6,542	$ 869

Economic Environment and Next Year's Budgets

The City's elected officials considered many factors when adopting the fiscal year 2015 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 2015, the City Council approved a total budget of $3.8 million. This budget includes operating and non-operating funds. The General Fund budget is $1,359,710 and the Proprietary Funds budget is $2,401,875 (Water/Sewer 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.

FINANCIAL SECTION

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Blairsville Downtown Development Authority
ASSETS				
Cash	$ 2,318,540	$ 1,248,224	$ 3,566,764	$ 141,387
Restricted cash	-	78,680	78,680	-
Certificates of deposit	10,000	-	10,000	-
Restricted certificates of deposit	-	115,668	115,668	-
Receivables, net	52,734	257,149	309,883	-
Intergovernmental receivables	102,594	475	103,069	-
Prepaid items	19,610	32,744	52,354	-
Inventory	-	177,677	177,677	-
Intangible assets, net of amortization	-	54,131	54,131	-
Capital assets:				
Land and construction in progress	-	4,074,533	4,074,533	1,879,629
Other capital assets, net of depreciation	992,145	24,212,385	25,204,530	-
Total assets	3,495,623	30,251,666	33,747,289	2,021,016
LIABILITIES				
Accounts payable	17,111	13,688	30,799	-
Accrued liabilities	113	5,997	6,110	-
Customer deposits	-	115,790	115,790	-
Noncurrent liabilities:				
Due within one year	-	1,161,838	1,161,838	-
Due in more than one year	39,349	6,210,500	6,249,849	1,625,000
Total liabilities	56,573	7,507,813	7,564,386	1,625,000
DEFERRED INFLOWS				
Unavailable revenue in governmental funds	49,087	-	49,087	-
Advanced receipts for hangar leases	-	655,670	655,670	-
Advanced receipts for permits	-	575	575	-
Total deferred inflows	49,087	656,245	705,332	-
NET POSITION				
Net investment in capital assets	992,145	21,008,663	22,000,808	251,199
Amounts restricted for:				-
Capital projects	474,934	-	474,934	-
Debt service	-	173,336	173,336	-
Public safety	22	-	22	-
Development	-	-	-	1,367
Tourism	65,793	-	65,793	-
Unrestricted amounts	1,857,069	905,609	2,762,678	143,450
Total net position	$ 3,389,963	$ 22,087,608	$ 25,477,571	$ 396,016

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

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

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	$ 360,373	$ 57,459	$ -	$ -	$ (302,914)	$ -	$ (302,914)	$ -
Judicial	40,598	27,487	-	-	(13,111)	-	(13,111)	-
Public safety	669,459	95,450	62,252	-	(511,757)	-	(511,757)	-
Public works	209,688	-	8,231	229,154	27,697	-	27,697	-
Culture and recreation	5,000	-	-	-	(5,000)	-	(5,000)	-
Housing and development	162,708	-	-	-	(162,708)	-	(162,708)	-
Total governmental activities	1,447,826	180,396	70,483	229,154	(967,793)	-	(967,793)	-
Business-type activities:								
Water and sewerage	2,142,415	2,093,149	337,238	-	-	287,972	287,972	-
Airport	540,508	327,732	-	71,355	-	(141,421)	(141,421)	-
Total business-type activities	2,682,923	2,420,881	337,238	71,355	-	146,551	146,551	-
Total primary government	$ 4,130,749	$ 2,601,277	$ 407,721	$ 300,509	(967,793)	146,551	(821,242)	-
Component unit:								
Housing and development	$ 136,273	$ 67,525	$ 21,677	$ -				(47,071)
General revenues								
Property taxes					203,051	-	203,051	-
General and selective sales taxes					922,034	-	922,034	-
Franchise taxes					27,507	-	27,507	-
Insurance premium taxes					35,165	-	35,165	-
Business taxes					99,951	-	99,951	-
Payments in lieu of tax					4,437	-	4,437	-
Miscellaneous					1,439	-	1,439	-
Unrestricted investment earnings					5,781	1,862	7,643	272
Transfers					(68,404)	68,848	444	-
Total general revenues and transfers					1,230,961	70,710	1,301,671	272
Change in net position					263,168	217,261	480,429	(46,799)
Net position, beginning of year					3,126,795	21,870,347	24,997,142	442,815
Net position, end of year					$ 3,389,963	$ 22,087,608	$ 25,477,571	$ 396,016

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

CITY OF BLAIRSVILLE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	SPLOST 2009	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,797,755	$ 455,350	$ 65,435	$ 2,318,540
Certificates of deposit	10,000	-	-	10,000
Property taxes receivable, net	15,867	-	-	15,867
Other taxes receivable, net	14,885	-	3,987	18,872
Accounts receivable, net	17,995	-	-	17,995
Due from other governments	72,306	30,288	-	102,594
Prepaid items	19,610	-	-	19,610
Total assets	1,948,418	485,638	69,422	2,503,478
LIABILITIES				
Accounts payable	13,523	-	3,588	17,111
Accrued liabilities	113	-	-	113
Total liabilities	13,636	-	3,588	17,224
DEFERRED INFLOWS				
Unavailable revenue	162,770	10,687	-	173,457
Total deferred inflows	162,770	10,687	-	173,457
FUND BALANCES				
Nonspendable	19,610	-	-	19,610
Restricted	-	474,951	65,834	540,785
Assigned	-	-	-	-
Unassigned	1,752,402	-	-	1,752,402
Total fund balances	$ 1,772,012	$ 474,951	$ 65,834	$ 2,312,797
	-	-	-	-

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 POSITION DECEMBER 31, 2014

Total fund balances, governmental funds (page 14)		**$ 2,312,797**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statement.		
Cost of capital assets	**$ 1,647,262**	
Accumulated depreciation	**(655,117)**	**992,145**
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.		**124,370**
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.		**(39,349)**
Net position of governmental activities in the Statement of Net Position (page 12)		**$ 3,389,963**

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 YEAR ENDED DECEMBER 31, 2014

	General	SPLOST 2009	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 203,992	$ -	$ -	$ 203,992
General and selective sales taxes	834,958	-	87,076	922,034
Franchise taxes	27,507	-	-	27,507
Insurance premium taxes	35,165	-	-	35,165
Financial institutions taxes	99,951	-	-	99,951
Licenses and permits	57,459	-	-	57,459
Intergovernmental	33,612	228,344	-	261,956
Charges for services	27,707	-	-	27,707
Fines and forfeitures	95,230	-	-	95,230
Investment earnings	5,781	810	-	6,591
Contributions from private sources	41,308	-	-	41,308
Other revenues	1,439	-	-	1,439
Total revenues	1,464,109	229,154	87,076	1,780,339
Expenditures				
Current:				
General government	348,866	-	-	348,866
Judicial	40,598	-	-	40,598
Public safety	644,190	-	-	644,190
Public works	165,468	-	-	165,468
Culture and recreation	5,000	-	-	5,000
Housing and development	84,551	-	78,157	162,708
Capital outlay:				
Public safety	33,953	-	-	33,953
Public works	17,026	20,596	-	37,622
Total expenditures	1,339,652	20,596	78,157	1,438,405
Excess of revenues over expenditures	124,457	208,558	8,919	341,934
Other financing sources (uses):				
Transfers in	62,187	-	39,212	101,399
Transfers out	(39,212)	(69,316)	(61,719)	(170,247)
Total other financing sources (uses)	22,975	(69,316)	(22,507)	(68,848)
Net change in fund balances	147,432	139,242	(13,588)	273,086
Fund balances, beginning of year	1,624,580	335,709	79,422	2,039,711
Fund balances, end of year	$ 1,772,012	$ 474,951	$ 65,834	$ 2,312,797

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 YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds (page 16)		**$ 273,086**
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 $1,000 and an estimated useful life in excess of two years are shown in the statements of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. The cost of capital assets sold is recognized as an expense in the entity-wide statements but not in the fund level statements.		
Capital outlays	**$ 49,301**	
Depreciation expense	**(54,532)**	**(5,231)**
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 12/31/2014	**124,370**	
Deferred at 12/31/2013	**125,311**	**(941)**
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 12/31/2014	**39,349**	
Liability at 12/31/2013	**35,603**	**(3,746)**
Change in net assets of governmental activities (page 13)		**$ 263,168**

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 - BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 172,930	$ 175,825	$ 203,992	$ 28,167
General sales taxes	682,000	741,800	741,843	43
Selective sales taxes	90,000	90,000	93,115	3,115
Franchise taxes	10,000	10,000	27,507	17,507
Insurance premium taxes	30,000	30,000	35,165	5,165
Financial institutions taxes	89,000	89,000	99,951	10,951
Licenses and permits	49,620	56,950	57,459	509
Intergovernmental	2,500	31,665	33,612	1,947
Charges for services	30,300	27,630	27,707	77
Fines and forfeitures	95,000	86,300	95,230	8,930
Interest	5,000	5,000	5,781	781
Contributions from private sources	12,000	31,434	41,308	9,874
Other revenues	100	215	1,439	1,224
Total revenues	1,268,450	1,375,819	1,464,109	88,290
Expenditures				
General government				
General administration	377,758	360,630	348,866	11,764
Judicial				
Municipal court	42,250	40,620	40,598	22
Public safety				
Police	646,406	689,324	678,143	11,181
Public works				
Streets	173,870	195,230	182,494	12,736
Culture and recreation				
Library	5,000	5,000	5,000	-
Housing and development				
Downtown development	91,166	84,570	84,551	19
Total expenditures	1,336,450	1,375,374	1,339,652	35,722
Excess (deficiency) of revenues over expenditures	(68,000)	445	124,457	124,012
Other financing sources (uses)				
Transfers in	0	0	62,187	62,187
Transfers (out)	-	-	(39,212)	(39,212)
Total other financing sources (uses)	-	-	22,975	22,975
Net change in fund balances	(68,000)	445	147,432	146,987
Fund balance, beginning of year	1,624,580	1,624,580	1,624,580	-
Fund balance, end of year	$ 1,556,580	$ 1,625,025	$ 1,772,012	$ 146,987

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

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,215,809	$ 32,415	$ 1,248,224
Restricted cash	78,680	-	78,680
Restricted certificates of deposit	115,668	-	115,668
Accounts receivable, net	257,149	-	257,149
Intergovernmental receivables	-	475	475
Prepaid items	29,440	3,304	32,744
Inventory	153,089	24,588	177,677
Total current assets	1,849,835	60,782	1,910,617
Noncurrent assets:			
Capital assets:			
Land and construction in progress	1,444,217	2,630,316	4,074,533
Other capital assets, net of depreciation	14,737,346	9,475,039	24,212,385
Intangible assets, net	8,286	45,845	54,131
Total noncurrent assets	16,189,849	12,151,200	28,341,049
Total assets	18,039,684	12,211,982	30,251,666
LIABILITIES			
Current liabilities:			
Accounts payable	12,886	802	13,688
Accrued interest payable	2,009	-	2,009
Current portion of revenue bonds	92,605	-	92,605
Current portion of notes payable	1,069,233	-	1,069,233
Liabilities payable from restricted assets:			
Accrued interest payable	3,988	-	3,988
Total current liabilities	1,180,721	802	1,181,523
Noncurrent liabilities:			
Compensated absences	37,249	2,703	39,952
Customer deposits	115,790	-	115,790
Revenue bonds	5,558,294	-	5,558,294
Notes payable	612,254	-	612,254
Unearned revenue	575	655,670	656,245
Total noncurrent liabilities	6,324,162	658,373	6,982,535
Total liabilities	7,504,883	659,175	8,164,058
DEFERRED INFLOWS			
Advanced receipts for hangar lease	-	655,670	655,670
Advanced receipts for permits	575	-	575
Total deferred inflows	575	655,670	656,245
NET POSITION			
Net investment in capital assets	8,857,463	12,151,200	21,008,663
Restricted for debt service	173,336	-	173,336
Unrestricted	1,504,002	(598,393)	905,609
Total net position	$ 10,534,801	$ 11,552,807	$ 22,087,608

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Operating revenues:			
Water	$ 1,025,565	$ -	$ 1,025,565
Sewer	1,007,306	-	1,007,306
Water and sewer tap and meter fees	17,667	-	17,667
Water and sewer impact fees	12,750	-	12,750
Reconnect fees and penalties	22,810	-	22,810
Airport hangar lease	-	123,024	123,024
Airport fuel and oil	-	193,322	193,322
Other operating revenues	7,051	11,386	18,437
Total operating revenues	2,093,149	327,732	2,420,881
Operating expenses:			
Personal services	801,674	92,264	893,938
Contractual and professional services	37,918	2,563	40,481
Repairs and maintenance	62,440	6,072	68,512
Supplies and expenses	109,739	151,533	261,272
Insurance	31,171	4,224	35,395
Utilities	248,671	9,006	257,677
Other operating expenses	17,170	16,253	33,423
Depreciation and amortization	557,928	217,496	775,424
Total operating expenses	1,866,711	499,411	2,366,122
Net operating income (loss)	226,438	(171,679)	54,759
Nonoperating revenues (expenses):			
Capital grants and contributions	337,238	71,355	408,593
Interest income	1,862	-	1,862
Interest expense	(275,704)	(41,097)	(316,801)
Total nonoperating revenues (expenses)	63,396	30,258	93,654
Income (loss) before transfers	289,834	(141,421)	148,413
Transfers:			
Transfers in	68,848	-	68,848
Transfers out	-	-	-
	68,848	-	68,848
Change in net position	358,682	(141,421)	217,261
Net position, beginning of year	10,176,119	11,694,228	21,870,347
Net position, end of year	$ 10,534,801	$ 11,552,807	$ 22,087,608

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 YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Receipts from customers	$ 2,093,149	$ 248,850	$ 2,341,999
Payments to suppliers and service providers	(521,536)	(231,904)	(753,440)
Payments to employees	(802,253)	(92,274)	(894,527)
Net cash provided by (used in) operating activities	769,360	(75,328)	694,032
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Interest receipts	1,862	-	1,862
Net cash provided by (used in) investing activities	1,862	-	1,862
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(450,933)	(76,771)	(527,704)
Transfers from other funds	68,848	0	68,848
Capital grants received	337,238	184,414	521,652
Principal paid on capital debt	(144,715)	-	(144,715)
Interest paid on capital debt	(275,704)	-	(275,704)
Net cash provided by (used in) financing activities	(465,266)	107,643	(357,623)
Net increase (decrease) in cash and cash equivalents	305,956	32,315	338,271
Cash, beginning of year	1,104,201	100	1,104,301
Cash, end of year	$ 1,410,157	$ 32,415	$ 1,442,572
Reconciliation of Total Cash:			
Unrestricted	$ 1,215,809	$ 3,415	$ 1,219,224
Restricted	194,348	-	194,348
	$ 1,410,157	$ 3,415	$ 1,413,572

(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 YEAR ENDED DECEMBER 31, 2014

(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)	$ 226,438	$ (171,679)	$ 54,759
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	557,928	217,496	775,424
Amortization of deferred hangar lease revenue	-	(78,882)	(78,882)
Decrease (increase) in accounts receivable	(13,510)	-	(13,510)
Decrease (increase) in inventory	(6,724)	(14,553)	(21,277)
Decrease (increase) in prepaid items	(1,883)	(110)	(1,993)
Increase (decrease) in customer deposits	7,511	-	7,511
Increase (decrease) in accounts payable/accrued liabilities	204	(27,590)	(27,386)
Increase (decrease) in deferred revenue	(25)	-	(25)
Increase (decrease) in compensated absences	(579)	(10)	(589)
Net cash provided by (used in) operating activities	$ 769,360	$ (75,328)	$ 694,032

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, 2014, 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, 2014.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund 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.

All proprietary funds are accounted for using the *accrual basis of accounting*. These funds account for operations that are primarily financed by user charges. The *economic resources measurement focus* concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. 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 seven 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 seven 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, 2013. 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. Current and future debt issuance costs are reported as expense when incurred pursuant to GASB 65 effective for periods beginning after December 15, 2012.

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 (continued)

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 position."

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.**
- ***Assigned*** **– Fund balances are reported as assigned when amounts have been constrained by the City's intent to be used for specific purposes, as expressed by the governing body itself or an official delegated by the governing body to assign amounts to be used for specific purposes. The City Council has retained, for itself, the authority to assign funds for specific use.**
- ***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.**

Net Position **– Net position represents the difference between assets and liabilities. Net investment in capital assets 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. Restricted net position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. Unrestricted net position typically includes unrestricted liquid assets.**

Fund Balance 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: Committed, then Assigned, and lastly, Unassigned.**

Net Position Flow Assumptions **– Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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 and the DDA/TE Projects Fund, both of which are 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 expenditures

Excess expenditures exceeded appropriations in the General Fund "transfers out" by $38,768, largely as a result of unbudgeted transfers to the Water/Sewer Fund. Excess revenues and prior surplus was available to finance the budget overrun.

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.

NOTE 3. DEPOSITS AND INVESTMENTS (concluded)

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, 2014, for the City's activities in the aggregate are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables from:			
Property taxes	$ 15,866	$ -	$ 15,866
Franchise tax	6,819	-	6,819
Fines	17,995	-	17,995
Hotel/Motel Tax	3,987	-	3,987
Alcohol beverage excise tax	8,066	-	8,066
Title ad valorem tax	7,447	-	7,447
Other Governments:			
Grants	-	475	475
Sales taxes	64,859	-	64,859
SPLOST allocation	30,288	-	30,288
Water and sewer	-	258,765	258,765
Gross receivables	155,327	259,240	414,567
Less allowance for uncollectibles	-	1,616	1,616
Net receivables	$ 155,327	$ 260,856	$ 416,183

The City bills and collects its own property taxes. Property taxes were levied in October 2014. The tax levy was payable on or before December 31, 2014, after which the account is assessed penalties. Interest on unpaid taxes began accruing on January 31, 2015. The property is subject to lien, as applicable, after those dates. Property taxes receivable at year-end is estimated based on the tax levy, less amounts collected prior to December 31, 2014. The property taxes levied for the 2014 digest were intended for use in the 2015 budget year. Therefore, the entire 2014 digest levy of $124,370 is included in deferred inflows 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.

NOTE 5. CAPITAL AND INTANGIBLE ASSETS

A. Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ -	$ -	$ -	$ -
Construction in progress	591,430	-	(591,430)	-
Total capital assets, not being depreciated	591,430	-	(591,430)	-
Capital assets, being depreciated:				
Buildings and improvements	407,766	-	591,430	999,196
Machinery and equipment	620,520	27,546	-	648,066
Total capital assets, being depreciated	1,028,286	27,546	591,430	1,647,262
Less accumulated depreciation for:				
Buildings and improvements	113,562	19,959	-	133,521
Machinery and equipment	508,779	12,817	-	521,596
Total accumulated depreciation	622,341	32,776	-	655,117
Total capital assets, being depreciated, net	405,945	(5,230)	591,430	992,145
Governmental activities capital assets, net	$ 997,375	$ (5,230)	$ -	$ 992,145

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NOTE 5. CAPITAL AND INTANGIBLE ASSETS (continued)

	Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,685,633	$ -	$ -	$ 1,685,633
Air easements	925,288	110,470	-	1,035,758
Construction in progress	1,713,124	1,254,886	(1,614,868)	1,353,142
Total capital assets not being depreciated	4,324,045	1,365,356	(1,614,868)	4,074,533
Capital assets, being depreciated:				
Buildings and improvements	11,429,482	37,021	1,544,148	13,010,651
Infrastructure	18,155,891	-	-	18,155,891
Machinery and equipment	1,245,977	138,659	(21,959)	1,362,677
Total capital assets, being depreciated	30,831,350	175,680	1,522,189	32,529,219
Less accumulated depreciation for:				
Buildings and improvements	1,920,602	269,476	-	2,190,078
Infrastructure	4,799,571	442,623	-	5,242,194
Machinery and equipment	857,963	48,559	(21,959)	884,563
Total accumulated depreciation	7,578,136	760,658	(21,959)	8,316,835
Total capital assets being depreciated, net	23,253,214	(584,978)	1,544,148	24,212,384
Business-type activities capital assets, net	$ 27,577,259	$ 780,378	$ (70,720)	$ 28,286,917
Intangible assets:				
Mapping and studies	$ 103,377	$ -	$ -	$ 103,377
Accumulated amortization	(34,476)	(14,768)	-	(49,244)
Net intangible assets	$ 68,901	$ (14,768)	$ -	$ 54,133

NOTE 5. CAPITAL AND INTANGIBLE ASSETS (concluded)

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

	Depreciation	Amortization
Governmental activities:		
General government	$ 10,647	
Public safety	21,939	
Public works	21,946	
	$ 54,532	
Business-type activities:		
Water and Sewerage	$ 555,168	$ 2,762
Airport	205,490	12,006
	$ 760,658	$ 14,768

NOTE 6.RESTRICTED ASSETS

BUSINESS-TYPE ACTIVITIES

During 1996 and 2010, the City issued Water and Sewer Improvement Bonds in the amount of $2,101,000 and $4,200,000. Both resolutions require a reserve to be maintained to pay principal and interest when due. The amount of cash restricted for this purpose at December 31, 2014 was $194,348, which exceeded the required reserve of $193,946. Therefore, the City was compliant with bond reserve requirements.

NOTE 7.LONG-TERM DEBT

Component Unit

During 2012, the City of Blairsville Downtown Development Authority acquired tracts of land totaling 8.271 acres for approximately $2 million, with funding obtained in the amount of $1,625,000 from a local bank. The promissory notes matures in August 2015, with interest only at a rate of 3.97% payable quarterly for 6 quarters, and principal and interest payable quarterly beginning May 2015 through the date of maturity. The balance outstanding at December 31, 2013 was $1,625,000.

Primary Government

BUSINESS-TYPE ACTIVITIES – REVENUE BONDS

Revenue bonds payable in the Water and Sewerage Fund consisted of the following at December 31, 2014:

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.	$ 1,629,434

NOTE 7.LONG-TERM DEBT (continued)

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 $17,395; for the purpose of additions, extensions, and improvements to the waste water treatment facility.	**4,021,464**
Total Revenue Bonds Payable	**$ 5,650,898**

BUSINESS-TYPE ACTIVITIES – NOTES

Notes payable in the Water and Sewerage Fund consisted of the following at December 31, 2014:

Georgia Environmental Facilities Agency, originating in October 2012 in the amount of $1,693,000 for the purpose of improvements to the water system; interest rate of .5%; maturing in 20 years; monthly installments of principal and interest to commence once project is completed and loan is disbursed; a portion of 20% of total funding is subject to forgiveness once the City has complied with federal requirements as determined by the American Recovery and Reinvestment Act of 2009 (ARRA).	**$ 1,011,712**
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.	**436,405**
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 years; 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 $322,800.00.	**233,370**
Total Notes Payable	**$ 1,681,487**

NOTE 7. LONG-TERM DEBT (concluded)

The following is a summary of long-term debt activity for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	$ 35,603	$ 3,746	$ -	$ 39,349	$ -
Business-type Activities:					
Revenue Bonds	5,740,028	-	(89,130)	5,650,898	92,605
Notes	725,362	1,348,950	(392,824)	1,681,488	1,069,233
Compensated absences	40,541	-	(589)	39,952	-
	6,505,931	1,348,950	(482,543)	7,372,338	1,161,838
Total	$ 6,541,534	$ 1,352,696	$ (482,543)	$ 7,411,687	$ 1,161,838

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
2015	$ 92,605	$ 231,803	$ 324,408	$ 1,069,234	$ 23,210	$ 1,092,444
2016	96,551	227,857	324,408	59,524	21,207	80,731
2017	100,671	223,737	324,408	61,598	19,133	80,731
2018	104,971	219,437	324,408	63,746	16,985	80,731
2019	109,459	214,949	324,408	65,970	14,761	80,731
2020-2024	621,857	1,000,183	1,622,040	245,405	42,924	288,329
2025-2029	767,760	854,280	1,622,040	116,011	55,033	171,044
2030-2034	948,915	673,125	1,622,040	-	-	-
2035-2039	918,520	459,827	1,378,347	-	-	-
2040-2044	737,743	305,957	1,043,700	-	-	-
2045-2049	899,171	144,529	1,043,700	-	-	-
2050-2051	252,675	6,808	259,483	-	-	-
Total	$ 5,650,898	$ 4,562,492	$ 10,213,390	$ 1,681,488	$ 193,253	$ 1,874,741

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

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund activity consisted of the following for the year ended December 31, 2014:

Interfund Transfers:

Transfers in	Transfers out	Amount
General Fund	SPLOST 2009 Fund	$ 468
General Fund	DDA/TE Project Fund	61,719
Water and Sewerage Fund	SPLOST 2009 Fund	68,848
DDA/TE Project Fund	General Fund	39,212
		$ 170,247

Transfers are used (1) to 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 projects accounted for 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	$ 19,610
Restricted – The following fund balances are restricted for:	
SPLOST Fund – capital projects financed with SPLOST tax revenues.	474,951
Nonmajor Special Revenue Funds – purposes of tourism, street capital projects, and public safety expenditures.	65,834
	$ 560,395

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NOTE 10. RENTALS UNDER OPERATING LEASES

The City's leasing operations consist principally of the leasing, as lessor, 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 $808,490 (net of accumulated depreciation of $163,642). The lease term is 20 years, of which the total values of the leases were paid in advance.

The following schedule represents minimum future rentals (net of 6% discount for prepayment) as of December 31, 2014:

Year ending December 31,	
2015	$ 40,146
2016	42,576
2017	45,299
2018	48,143
2019	51,150
Subsequent years	428,356
Total minimum future rentals	$ 655,670

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 one to five years and after five years of service the matching contributions are considered 100% vested for the employee. During the fiscal year 2014, matching contributions made by the City were $37,266.

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

NOTE 11. PENSION PLANS (continued)

supplementary information for GMEBS. That report may be obtained by writing to the Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, GA 30303-3606 or by calling (404) 688-0472.

Funding Policy: The City is required to contribute an actuarially determined amount annually to the Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by the GMEBS Plan trustees and must satisfy the minimum contribution requirement 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 five years, 60% after six years, 70% after seven years, 80% after eight years, 90% after nine years, and fully invested after ten years of service.

Membership of the Plan: Participation counts as of July 1, 2014 (the most recent actuarial valuation date) are shown below:

Retirees and beneficiaries receiving benefits	6
Terminated plan members entitled to, but not yet receiving benefits	5
Active plan members	25
Total	36

Annual Pension Cost: The City's annual pension costs for the last three years are as:

Fiscal Year Beginning	Annual Pension Cost	Annual Pension Contribution	Percentage Contributed	Net Pension Obligation
January 1, 2012	$ 99,711	$ 99,711	100%	$ -0-
January 1, 2013	$ 92,465	$ 92,465	100%	$ -0-
January 1, 2014	$ 95,767	$ 95,767	100%	$ -0-

The City's derivation of the annual required contribution, the annual pension cost and net pension obligation (asset) at July 1, 2014 and July 1, 2013, the two most recent actuarial valuations, are as follows:

	July 1, 2014	July 1, 2013
Derivation of the Annual Required Contribution		
Normal Cost	$ 55,819	$ 63,647
Amortization of unfunded accrued actuarial liability (UAAL)	19,354	23,575
Pre-retirement death benefit expense	-	-
Adjustment to fiscal year	3,146	3,589
Administrative expense	7,551	7,167
Annual required contribution (ARC)	$ 85,870	$ 97,978
Derivation of the Net Pension Obligation (Asset)		
Annual pension cost for prior year	$ 85,870	$ 97,978
Annual contributions made for prior year	85,870	97,978
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, 2014, 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
$ 1,425,944	$ 1,562,281	91.27%	$ 136,337	$ 1,005,903	13.55%

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, 2014
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
Inflation	3.50%
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 Commission (GMRC). Membership in a regional commission 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 regional development centers (RDCs), and was amended in 2008 to consolidate the existing RDCs into fewer organizations called Regional Commissions (RCs). Each county and municipality in the state is required by law to pay minimum annual dues to the RC. An RC 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 (later transferred to RCs) 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 RC beyond its resources, (O.C.G.A. 50-8-39.1). Separate financial statements can be provided by contacting the RC 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, 2014. No provisions have been made in the financial statements for the year ending December 31, 2014 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

NOTE 13. RISK MANAGEMENT (concluded)

the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

NOTE 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

There are no suits pending on unasserted claims that would result in material liabilities to the City. The City has entered into various agreements and contracts in the normal course of business. There were no such agreements which give rise to assets or liabilities that are considered to be material at December 31, 2014.

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, 2014, $87,076 was earned 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 $78,157 (representing 90%) in the current year for these purposes, thereby conforming to the requirements of state law OCGA 48-8-121.

NOTE 17. WATER AND SEWER DEPARTMENT ACTIVITIES

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

CONDENSED STATEMENT OF NET POSITION

	WATER	SEWER
Assets:		
Current assets	$ 1,520,779	$ 329,055
Capital assets	6,986,323	9,195,240
Other noncurrent assets	8,286	-
Total Assets	8,515,388	9,524,295
Liabilities:		
Current liabilities	34,466	134,543
Noncurrent liabilities	2,500,631	5,172,481
Total Liabilities	2,535,097	5,307,024
Net Position:		
Net investment in capital assets	4,617,030	3,903,195
Restricted	-	173,336
Unrestricted	1,363,261	140,740
	$ 5,980,291	$ 4,217,271

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

Operating revenues (pledged against bonds)	$ 1,070,281	$ 1,022,868
Depreciation expense	(274,322)	(283,606)
Other operating expenses	(859,268)	(449,515)
Operating income	(63,309)	289,747
Non-operating revenues (expenses)	305,585	(242,189)
Transfers	68,848	-
Change in net position	311,124	47,558
Beginning net position	5,853,041	4,323,078
Ending net position	$ 6,164,165	$ 4,370,636

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF FUNDING PROGRESS FOR THE CITY OF BLAIRSVILLE RETIREMENT PLAN FOR THE YEAR ENDED DECEMBER 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a percentage of Covered Payroll (B-A)/C
July 1, 2014	$ 1,425,944	$ 1,562,281	$ 136,337	$ 91.27%	$ 1,005,903	13.55%
July 1, 2013	$ 1,251,227	$ 1,398,854	$ 147,627	$ 89.45%	$ 1,048,561	14.08%
July 1, 2012	$ 1,083,301	$ 1,249,371	$ 166,070	$ 86.71%	$ 960,601	17.29%
July 1, 2011	$ 925,246	$ 1,106,732	$ 181,486	$ 83.60%	$ 962,627	18.85%
July 1, 2010	$ 767,816	$ 965,650	$ 197,834	$ 79.51%	$ 936,730	21.12%
May 1, 2009	$ 496,120	$ 806,518	$ 310,398	$ 61.51%	$ 891,318	34.82%
May 1, 2008	$ 576,534	$ 714,157	$ 137,623	$ 80.73%	$ 797,734	17.25%

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, 2014

	Special Revenue		Captital Project	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	DDA/TE Project	
Assets				
Cash and cash equivalents	$ 65,395	$ 22	$ 18	$ 65,435
Other taxes receivable, net	3,987	-	-	3,987
Due from other governments	-	-	-	-
Total assets	$ 69,382	$ 22	18	$ 69,422
Liabilities And Fund Balances				
Liabilities:				
Accounts payable	$ 3,588	$ -	-	$ 3,588
Total liabilities	3,588	-	-	3,588
Fund Balances:				
Restricted	65,794	22	18	65,834
Total fund balances	$ 65,794	$ 22		$ 65,834

CITY OF BLAIRSVILLE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue		Capital Projects	Total Nonmajor Governmental
	Hotel/Motel	Confiscated Assets	DDA/TE Project	Funds
Revenues				
Selective sales and use taxes	$ 87,076	$ -	$ -	$ 87,076
Intergovernmental	-	-	-	-
Contributions from private sources	-	-	-	-
Total revenues	87,076	-	-	87,076
Expenditures				
Current:				
Housing and development/tourism	78,157	-	-	78,157
Capital outlay:				
Public works	-	-	-	-
Total expenditures	78,157	-	-	78,157
Excess (deficiency) of revenues over expenditures	8,919	-	-	8,919
Other financing sources (uses)				
Transfers in	-	-	39,212	39,212
Transfers out	-	-	(61,719)	(61,719)
Net change in fund balances	8,919	-	(22,507)	(13,588)
Fund balances, beginning of year	56,875	22	22,525	79,422
Fund balances, end of year	$ 65,794	$ 22	$ 18	$ 65,834

CITY OF BLAIRSVILLE, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2014

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	$ 294,265	$ 74,769	$ 369,034	23%
City Hall renovation and expansion	325,000	296,314	-	296,314	91%
Streets, street improvements, and public facilities	100,000	54,986	15,143	70,129	70%
Total SPLOST 2009	**$ 2,000,000**	**$ 645,565**	**$ 89,912**	**$ 735,477**	

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Blairsville, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Blairsville, Georgia's basic financial statements, and have issued our report thereon dated May 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Blairsville, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Blairsville, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Blairsville, Georgia's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Blairsville, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R L Jennings & Associates, PC

Ellijay, Georgia
May 5, 2015