CITY OF BLAIRSVILLE, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

CITY OF BLAIRSVILLE, GEORGIA
FINANCIAL REPORT
DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the City of Blairsville, Georgia'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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, and the respective changes in financial position, the budgetary comparisons for the General Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 11 and 18, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of January 1, 2015. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of City Contributions on pages 3-11, 49 and 50, respectively, 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 accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax 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 April 29, 2016, 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 the City of Blairsville, Georgia's internal control over financial reporting and compliance.

R L Jennings & Associates, PC

Ellijay, Georgia
April 29, 2016

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, 2015. 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. References throughout this discussion and analysis to prior year balances, *as restated*, refer to certain adjustments determined to be necessary to the prior year financial statements and additional restatements required due to the City's implementation of GASB 68, as described in Note 18 to the financial statements. Prior year balances have been restated for comparison purposes.

The City's assets exceeded its liabilities by $26,097,811 (net position) for the fiscal year reported. This represents an increase over the previous year's net position, as restated, of just over $802,000.

The City's governmental funds reported total ending fund balances of $2,669,308 this year. This compares to the prior year ending fund balances of $2,327,582, as restated, showing a net increase of $341,726 during the current year.

At the end of the fiscal year, unassigned fund balance for the general fund was $317,812 or 21% of total General Fund expenditures.

Total liabilities and deferred inflows of resources of the City for the fiscal year 2015 were $8,964,619. Total liabilities and deferred inflows of resources at the end of 2014 were $8,533,617, as restated. This is an increase of $431,002 from 2014. Construction contract payables account for most of the increase over last year.

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 primarily 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.

A budgetary comparison statement is included in the basic financial statements for the General Fund. This statement demonstrates compliance with the City's adopted and final revised budget.

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 by 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.

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Financial Analysis of the City as a Whole

The City's net position at fiscal year-end is $26,097,811. This is a $802,502 increase from the year's beginning net position of $25,295,309. 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
	2015	2014	2015	2014	2015	2014	2015
Current and other assets	$ 3,022	$ 2,517	$ 2,463	$ 1,911	$ 5,485	$ 4,428	$ 10
Capital assets	991	992	28,492	28,341	29,483	29,333	2,672
Total Assets	4,013	3,509	30,955	30,252	34,968	33,761	2,682
Deferred Outflows							
Pension amounts	40	29	53	38	93	67	-
Current and other liabilities	255	51	1,680	1,214	1,935	1,265	275
Long-term liabilities	96	118	6,143	6,329	6,239	6,447	1,625
Unearned revenue	-	49	615	656	615	705	-
Customer deposits	-	-	121	116	121	116	-
Total Liabilities	351	218	8,559	8,315	8,910	8,533	1,900
Deferred Inflows							
Pension amounts	23	-	31	-	54	-	-
Net Position:							
Net investment in capital assets	991	992	20,874	21,009	21,865	22,001	1,047
Restricted	706	541	215	173	921	714	2
Unrestricted	1,982	1,787	1,329	793	3,311	2,580	(267)
Total Net Position	$ 3,679	$ 3,320	$ 22,418	$ 21,975	$ 26,097	$ 25,295	$ 782

The amounts shown above for 2014 governmental activities and business-type activities have been restated to reflect the prior period restatements and adjustments discussed in Note 18 to the financial statements.

Net position increased $359,000 for governmental activities and increased $443,000 for business-type activities.

The table below 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
	2015	2014	2015	2014	2015	2014	2015
Revenues:							
Program Revenues:							
Charges for services	$ 240	$ 180	$ 2,530	$ 2,421	$ 2,770	$ 2,601	$ 2
Operating grants and contributions	33	70	4	337	37	407	27
Capital grants and contributions	504	229	464	71	968	300	252
General Revenues:							
Property taxes	226	203	-	-	226	203	-
Sales and use taxes	764	922	-	-	764	922	-
Franchise and other taxes	377	169	-	-	377	169	-
Miscellaneous	5	1	-	-	5	1	-
Unrestricted investment earnings	5	6	2	2	7	8	-
Gain on sale of capital asset	4	-	-	-	4	-	-
Total Revenues	2,158	1,780	3,000	2,831	5,158	4,611	281
Expenses:							
General government	338	360	-	-	338	360	-
Judicial	50	41	-	-	50	41	-
Public safety	662	669	-	-	662	669	-
Public works	186	210	-	-	186	210	-
Culture and recreation	5	5	-	-	5	5	-
Housing and development	373	163	-	-	373	163	46
Airport	-	-	533	541	533	541	-
Water and sewer	-	-	2,209	2,142	2,209	2,142	-
Total Expenses	1,614	1,448	2,742	2,683	4,356	4,131	46
Increase (decrease) in net position before transfers	544	332	258	148	802	480	235
Transfers	(185)	(69)	185	69	-	-	-
Change in net position	359	263	443	217	802	480	235
Beginning net position	3,390	3,127	22,087	21,870	25,477	24,997	396
Prior period adjustment	(70)	-	(112)	-	-	-	151
Ending net position	$ 3,679	$ 3,390	$ 22,418	$ 22,087	$ 26,279	$ 25,477	$ 782

GOVERNMENTAL REVENUES

The City's governmental activities are heavily reliant on taxes to support governmental operations. Property and sales and use tax provided 60% percent and franchise and other taxes provided 23% 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 $1,614,314. Of this amount, general government was $337,746 (21%), judicial was $50.455 (3%), public safety was $661,502 (41%), public works was $186,434 (12%), and housing and development was $373,177 (23%) of the total cost for services for the year ended December 31, 2015.

BUSINESS-TYPE ACTIVITIES

Operating Revenues vs. Operating Costs
Fiscal Year Ended December 31, 2015

	Revenues	Expenses
Airport Fund	$ 301,521	$ 533,303
Water/Sewer System	$2,233,664	$2,209,027

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 $2,669,308 with $1,645,032 reserved for prepaid items and advance to component unit, and $706,464 for capital projects, tourism and other restricted purposes. Unassigned fund balance is $317,812 and available for continuing City operations.

The total ending fund balances of all governmental funds show an increase of $341,726 over the prior year fund balances, as restated.

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 $196,640 to $1,962,844, at the end of 2015. The SPLOST Fund accounts are designated for expenditures for capital asset purchases and improvements and are financed by SPLOST tax revenues. The SPLOST III Fund (previously labeled SPLOST 2009) balance at the end of 2015 was $441,410 and the SPLOST IV Fund balance at the end of 2015 was $181,773.

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 reported a change in net position of $215,117 in 2015 vs. $358,682 in the prior year. The Airport Fund reported a change in net position of $228,227 vs. a decrease of $(141,421) in the prior year.

Major Proprietary Funds

The Water & Sewer 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 a final 2015 budget at the May 5, 2016, council meeting. The final budget increased revenues by $434,609 to $1,726,319. This increase was primarily due to increases in tax revenues as well as intergovernmental grant revenues received in 2015. The actual revenues for the year ended December 31, 2015, were $1,726,480, an increase over the final budget amount of $161.

The final budget of expenditures for the year ended December 31, 2015, was $1,739,893. Actual expenditures were $1,543,414, which were $196,479 less than the final 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, 2015, was $991,262 and $28,492,478, respectively.

Capital Assets
Net of Accumulated Depreciation

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount
	2015	2014	2015	2014	2015	2014	Change
Non-Depreciable Assets:							
Land	$ -	$ -	$ 1,686	$ 1,686	$ 1,686	$ 1,686	$ -
Air easements	-	-	1,036	1,036	1,036	1,036	-
Construction in progress	-	-	1,894	1,353	1,894	1,353	541
Total	-	-	4,616	4,075	4,616	4,075	541
Depreciable Assets:							
Buildings and improvements	836	866	10,726	10,820	11,562	11,686	(124)
Machinery and equipment	155	126	573	478	728	604	124
Infrastructure	-	-	12,538	12,914	12,538	12,914	(376)
Intangible assets	-	-	39	54	39	54	(15)
Total	991	992	23,876	24,266	24,867	25,258	(391)
Total	$ 991	$ 992	$ 28,492	$ 28,341	$ 29,483	$ 29,333	$ 150

Please refer to Note 5 in the Financial Section of this report for more detail on the City's Capital Assets.

Long-term debt

At the end of the fiscal year, the City had total bonded debt outstanding of $5,557,979 and other long-term debt (GEFA notes) outstanding of $1,682,279. The City's bonded debt represents borrowings secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Debt

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount
	2015	2014	2015	2014	2015	2014	Change
Compensated absences	$ 42	$ 39	$ 46	$ 40	$ 88	$ 79	$ 9
Notes payable	-	-	1,682	1,681	1,682	1,681	1
Revenue bonds payable	-	-	5,558	5,651	5,647	5,764	(117)
Net pension liability	89	113	119	151	119	151	(32)
Total	$ 131	$ 152	$ 7,405	$ 7,523	$ 7,536	$ 7,675	$ (139)

Additional information on the City's long term debt can be found in Note 7. The amount shown above for net pension liability at the end of 2014 is a restatement of the prior year as discussed in Note 18.

Economic Environment and Next Year's Budgets

The City's elected officials considered many factors when adopting the fiscal year 2016 budget. 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 2016, the City Council approved a total budget of $3.9 million. This budget includes operating and non-operating funds. The General Fund budget is $1,393,700 and the Proprietary Funds budget is $2,469,200 (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 30514.

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BASIC FINANCIAL STATEMENTS

CITY OF BLAIRSVILLE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Blairsville Downtown Development Authority
ASSETS				
Cash	$ 368,166	$ 1,433,284	$ 1,801,450	$ 10,062
Restricted cash	805,563	220,584	1,026,147	-
Certificates of deposit	10,000	-	10,000	-
Restricted certificates of deposit	-	115,668	115,668	-
Property taxes receivable	20,257	-	20,257	-
Other taxes receivable	22,551	-	22,551	-
Fines receivable, net	14,557	-	14,557	-
Accounts receivable, net	-	262,064	262,064	-
Intergovernmental receivables	136,393	236,266	372,659	-
Prepaid items	20,032	32,096	52,128	-
Inventory	-	162,607	162,607	-
Advance to component unit	1,625,000	-	1,625,000	-
Capital assets:				
Land and construction in progress	-	4,615,734	4,615,734	2,671,679
Other capital assets, net of depreciation	991,262	23,837,381	24,828,643	-
Intangible assets, net of amortization	-	39,363	39,363	-
Total assets	4,013,781	30,955,047	34,968,828	2,681,741
DEFERRED OUTFLOWS OF RESOURCES				
Pension amounts	40,156	53,446	93,602	-
LIABILITIES				
Accounts payable	28,458	407,385	435,843	-
Accrued interest payable	-	9,924	9,924	-
Unearned revenue	191,867	-	191,867	-
Due to other governments	-	-	-	275,000
Compensated absences, current portion	35,379	36,498	71,877	-
Revenue bonds and notes payable, current portion	-	1,226,396	1,226,396	-
Long-term liabilities:				
Advance from primary government	-	-	-	1,625,000
Compensated absences, less current portion	6,314	9,824	16,138	-
Revenue bonds and notes payable, less current portion	-	6,013,862	6,013,862	-
Net pension liability	89,310	118,867	208,177	-
Unearned revenue	-	615,519	615,519	-
Customer deposits	-	120,850	120,850	-
Total liabilities	351,328	8,559,125	8,910,453	1,900,000
DEFERRED INFLOWS OF RESOURCES				
Pension amounts	23,238	30,928	54,166	-
NET POSITION				
Net investment in capital assets	991,262	20,874,114	21,865,376	1,046,679
Amounts restricted for:				
Capital projects	623,183	-	623,183	-
Debt service	-	215,402	215,402	-
Public safety	6,327	-	6,327	-
Tourism	76,954	-	76,954	-
Development	-	-	-	2,458
Unrestricted amounts	1,981,645	1,328,924	3,310,569	(267,396)
Total net position	$ 3,679,371	$ 22,418,440	$ 26,097,811	$ 781,741

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, 2015

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	$ 337,746	$ 78,166	$ -	$ -	$ (259,580)	$ -	$ (259,580)	
Judicial	50,455	39,094	-	-	(11,361)	-	(11,361)	
Public safety	661,502	123,220	33,184	-	(505,098)	-	(505,098)	
Public works	186,434	-	-	504,435	318,001	-	318,001	
Culture and recreation	5,000	-	-	-	(5,000)	-	(5,000)	
Housing and development	373,177	-	-	-	(373,177)	-	(373,177)	
Total governmental activities	1,614,314	240,480	33,184	504,435	(836,215)	-	(836,215)	
Business-type activities:								
Water and sewerage	2,209,027	2,230,224	3,440	19,437	-	44,074	44,074	
Airport	533,303	300,321	1,200	444,486	-	212,704	212,704	
Total business-type activities	2,742,330	2,530,545	4,640	463,923	-	256,778	256,778	
Total primary government	$ 4,356,644	$ 2,771,025	$ 37,824	$ 968,358	(836,215)	256,778	(579,437)	
Component unit:								
Housing and development	$ 46,227	$ 2,269	$ 27,019	$ 251,778				$ 234,839
General revenues:								
Property taxes					226,252	-	226,252	-
General sales taxes					763,599	-	763,599	-
Franchise taxes					27,612	-	27,612	-
Selective sales taxes					219,458	-	219,458	-
Business taxes					123,545	-	123,545	-
Payments in lieu of tax					4,633	-	4,633	-
Other revenues					5,322	-	5,322	-
Unrestricted investment earnings					5,438	1,657	7,095	131
Gain from sale of equipment					4,423	-	4,423	-
Transfers					(184,909)	184,909	-	-
Total general revenues and transfers					1,195,373	186,566	1,381,939	131
Change in net position					359,158	443,344	802,502	234,970
Net position, beginning of year, as restated					3,320,213	21,975,096	25,295,309	546,771
Net position, end of year					$ 3,679,371	$ 22,418,440	$ 26,097,811	$ 781,741

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

CITY OF BLAIRSVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	SPLOST III	SPLOST IV	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 511,983	$ 448,910	$ 130,185	$ 82,651	$ 1,173,729
Certificate of deposit	10,000	-	-	-	10,000
Property taxes receivable	20,257	-	-	-	20,257
Other taxes receivable	16,250	-	-	6,301	22,551
Fines receivable	23,928	-	-	-	23,928
Due from other governments	84,805	-	51,588	-	136,393
Prepaid items	20,032	-	-	-	20,032
Advance to component unit	1,625,000	-	-	-	1,625,000
Total assets	$ 2,312,255	$ 448,910	$ 181,773	$ 88,952	$ 3,031,890
LIABILITIES					
Accounts payable	$ 15,287	$ 7,500	$ -	$ 5,671	$ 28,458
Unearned revenue	191,867	-	-	-	191,867
Total liabilities	207,154	7,500	-	5,671	220,325
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	128,743	-	-	-	128,743
Unavailable fines revenue	13,514	-	-	-	13,514
Total deferred inflows of resources	142,257	-	-	-	142,257
FUND BALANCES					
Nonspendable	1,645,032	-	-	-	1,645,032
Restricted	-	441,410	181,773	83,281	706,464
Unassigned	317,812	-	-	-	317,812
Total fund balances	1,962,844	441,410	181,773	83,281	2,669,308
Total liabilities, deferred inflows of resources and fund balances	$ 2,312,255	$ 448,910	$ 181,773	$ 88,952	$ 3,031,890

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, 2015

Total fund balances - governmental funds		$ 2,669,308
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 governmental funds financial statements, but are reported in the governmental activities column of the Statement of Net Position.		
Cost of capital assets	$ 1,675,945	
Accumulated depreciation	(684,683)	991,262
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activites when earned.		142,257
In the Statement of Net Position, management has established an allowance for uncollectible accounts against certain revenues which are deferred in the governmental funds financial statements.		(9,371)
Pension amounts reported as deferred outflows of resources on the Statement of Net Position, and which do not provide current financial resources, are not recognized in the governmental funds financial statements. Such amounts are as follows:		
Non amortized differences in pension experience and expectations	12,527	
Deferred pension contributions	27,629	40,156
Pension amounts reported as deferred inflows of resources on the Statement of Net Position, and which do not use current financial resources, are not recognized in the governmental funds financial statements. Such amounts are as follows:		
Changes in actuarial assumptions	(13,090)	
Non amortized investment earnings over expectations	(10,148)	(23,238)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds financial statements, but are reported in the governmental activities column of the Statement of Net Position. Long-term liabilities at year-end consist of the following:		
Compensated absences	(41,693)	
Net pension liabiltiy	(89,310)	(131,003)
Total net position - governmental activities		$ 3,679,371

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, 2015

	General	SPLOST III	SPLOST IV	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 221,880	$ -	$ -	$ -	$ 221,880
General sales taxes	763,599	-	-	-	763,599
Franchise taxes	27,612	-	-	-	27,612
Selective sales taxes	108,945	-	-	110,513	219,458
Insurance premium taxes	37,569	-	-	-	37,569
Financial institutions taxes	85,976	-	-	-	85,976
Licenses and permits	76,905	-	-	-	76,905
Intergovernmental	219,176	61,679	235,504	-	516,359
Charges for services	40,560	-	-	-	40,560
Fines and forfeitures	108,674	-	-	10,198	118,872
Investment earnings	5,438	1,020	49	-	6,507
Contributions from private sources	24,824	-	-	-	24,824
Other revenues	5,322	-	-	-	5,322
Total revenues	1,726,480	62,699	235,553	120,711	2,145,443
Expenditures					
Current:					
General government	328,713	-	-	-	328,713
Judicial	50,455	-	-	-	50,455
Public safety	642,876	-	-	3,893	646,769
Public works	149,655	-	-	-	149,655
Culture and recreation	5,000	-	-	-	5,000
Housing and development	273,825	-	-	99,353	373,178
Capital outlay:					
General government	-	1,189	-	-	1,189
Public safety	84,684	-	-	-	84,684
Public works	8,206	115,644	53,780	-	177,630
Total expenditures	1,543,414	116,833	53,780	103,246	1,817,273
Excess (deficiency) of revenues over expenditures	183,066	(54,134)	181,773	17,465	328,170
Other financing sources (uses):					
Proceeds from sale of equipment	29,079	-	-	-	29,079
Transfers in	18	-	-	-	18
Transfers (out)	(15,523)	-	-	(18)	(15,541)
Total other financing sources (uses)	13,574	-	-	(18)	13,556
Net change in fund balances	196,640	(54,134)	181,773	17,447	341,726
Fund balances, beginning of year, as restated	1,766,204	495,544	-	65,834	2,327,582
Fund balances, end of year	$ 1,962,844	$ 441,410	$ 181,773	$ 83,281	$ 2,669,308

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, 2015

Net change in fund balances - total governmental funds		$ 341,726
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays to purchase or construct capital assets as expenditures. However, in the Statement of Activities, the cost of capitalizable assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which such assets charged to capital outlays exceeded depreciation in the current year.		
Capital outlays	$ 253,563	
Depreciation expense	(60,404)	193,159
The book value of capital assets disposed of is reported on the government-wide Statement of Activities but not reported in the governmental fund statements.		(24,656)
The book value of capital assets contributed by governmental activities to business-type activities is reported as a transfer on the government-wide Statement of Activities but not reported in the governmental fund statements.		(169,386)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This is the amount by which reported revenues in the Statement of Activities exceeded revenues considered available by governmental funds.		8,516
Certain expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. Likewise, certain expenditures in governmental funds are not recognized as expenses in the Statement of Activities to the extent they increase deferred outflows of resources or decrease liabilities or deferred inflows of resources.		
Compensated absences	(2,344)	
Change in net pension liability and deferred amounts	12,143	9,799
Change in net position - governmental activities		$ 359,158

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, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 180,150	$ 221,858	$ 221,880	$ 22
General sales taxes	700,000	763,600	763,599	(1)
Franchise taxes	20,000	27,600	27,612	12
Selective sales taxes	88,000	108,935	108,945	10
Insurance premium taxes	32,500	37,565	37,569	4
Financial institutions taxes	95,000	85,975	85,976	1
Licenses and permits	54,500	76,905	76,905	-
Intergovernmental	-	219,140	219,176	36
Charges for services	29,460	40,490	40,560	70
Fines and forfeitures	75,000	108,670	108,674	4
Interest	5,000	5,435	5,438	3
Contributions from private sources	12,000	24,824	24,824	-
Other revenues	100	5,322	5,322	-
Total revenues	1,291,710	1,726,319	1,726,480	161
Expenditures				
General government				
General administration	388,997	369,424	328,713	40,711
Judicial				
Municipal court	44,250	51,620	50,455	1,165
Public safety				
Police	662,278	812,340	727,560	84,780
Public works				
Streets	174,922	227,433	157,861	69,572
Culture and recreation				
Library	5,000	5,000	5,000	-
Housing and development				
Downtown development	84,263	274,076	273,825	251
Total expenditures	1,359,710	1,739,893	1,543,414	196,479
Excess (deficiency) of revenues over expenditures	(68,000)	(13,574)	183,066	196,640
Other financing sources (uses)				
Proceeds from sale of equipment	-	29,079	29,079	-
Transfers in	-	18	18	-
Transfers (out)	-	(15,523)	(15,523)	-
Total other financing sources (uses)	-	13,574	13,574	-
Net change in fund balances	(68,000)	-	196,640	196,640
Fund balance, beginning of year, as restated	1,766,204	1,766,204	1,766,204	-
Fund balance, end of year	$ 1,698,204	$ 1,766,204	$ 1,962,844	$ 196,640

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, 2015

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
ASSETS			
Current assets:			
Cash	$ 1,433,184	$ 100	$ 1,433,284
Restricted cash for customer deposits	120,850	-	120,850
Restricted cash for debt service	99,734	-	99,734
Restricted certificates of deposit for debt service	115,668	-	115,668
Accounts receivable, net	262,064	-	262,064
Intergovernmental receivables	3,440	232,826	236,266
Prepaid items	28,361	3,735	32,096
Inventory	145,990	16,617	162,607
Total current assets	2,209,291	253,278	2,462,569
Noncurrent assets:			
Capital assets:			
Land and construction in progress	1,658,884	2,956,850	4,615,734
Other capital assets, net of depreciation	14,404,417	9,432,964	23,837,381
Intangible assets, net of amortization	5,524	33,839	39,363
Total noncurrent assets	16,068,825	12,423,653	28,492,478
Total assets	18,278,116	12,676,931	30,955,047
DEFERRED OUTFLOWS OF RESOURCES			
Pension amounts	48,436	5,010	53,446
LIABILITIES			
Current liabilities:			
Accounts payable	128,874	278,511	407,385
Accrued interest payable	9,924	-	9,924
Compensated absences, current portion	33,116	3,382	36,498
Revenue bonds payable, current portion	96,847	-	96,847
Notes payable, current portion	1,129,549	-	1,129,549
Total current liabilities	1,398,310	281,893	1,680,203
Long-term liabilities:			
Compensated absences, less current portion	9,824	-	9,824
Revenue bonds payable, less current portion	5,461,132	-	5,461,132
Notes payable, less current portion	552,730	-	552,730
Net pension liability	107,725	11,142	118,867
Unearned revenue	-	615,519	615,519
Customer deposits	120,850	-	120,850
Total noncurrent liabilities	6,252,261	626,661	6,878,922
Total liabilities	7,650,571	908,554	8,559,125
DEFERRED INFLOWS OF RESOURCES			
Pension amounts	28,029	2,899	30,928
NET POSITION			
Net investment in capital assets	8,726,050	12,148,064	20,874,114
Restricted for debt service	215,402	-	215,402
Unrestricted	1,706,500	(377,576)	1,328,924
Total net position	$ 10,647,952	$ 11,770,488	$ 22,418,440

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, 2015

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Operating revenues:			
Water	$ 1,068,913	$ -	$ 1,068,913
Sewer	1,065,096	-	1,065,096
Water and sewer tap and meter fees	43,721	-	43,721
Water and sewer impact fees	18,958	-	18,958
Reconnect fees and penalties	17,828	-	17,828
Airport hangar leases	-	116,937	116,937
Airport fuel and oil	-	170,993	170,993
Tie down and parking fees	-	7,982	7,982
Operating grant	3,440	1,200	4,640
Other operating revenues	15,708	4,409	20,117
Total operating revenues	2,233,664	301,521	2,535,185
Operating expenses:			
Personal services	855,756	95,884	951,640
Contractual and professional services	42,110	2,400	44,510
Repairs and maintenance	58,861	404	59,265
Supplies and small tools	147,784	124,987	272,771
Insurance	31,368	3,841	35,209
Utilities	228,806	9,274	238,080
Other operating expenses	11,208	11,347	22,555
Depreciation and amortization	574,509	246,434	820,943
Total operating expenses	1,950,402	494,571	2,444,973
Net operating income (loss)	283,262	(193,050)	90,212
Nonoperating revenues (expenses):			
Capital grants and contributions	19,437	444,486	463,923
Interest income	1,657	-	1,657
Interest expense	(258,625)	(38,732)	(297,357)
Total nonoperating revenues (expenses)	(237,531)	405,754	168,223
Income before transfers and capital asset contributions	45,731	212,704	258,435
Transfers in	-	15,523	15,523
Capital assets contributed by general government	169,386	-	169,386
Change in net position	215,117	228,227	443,344
Net position, beginning of year, as restated	10,432,835	11,542,261	21,975,096
Net position, end of year	$ 10,647,952	$ 11,770,488	$ 22,418,440

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, 2015

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Receipts from customers	$ 2,230,544	$ 261,370	$ 2,491,914
Payments to suppliers and service providers	(514,169)	(142,593)	(656,762)
Payments to employees	(864,713)	(96,720)	(961,433)
Net cash provided by (used in) operating activities	851,662	22,057	873,719
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Interest receipts	1,657	-	1,657
Net cash provided by (used in) investing activities	1,657	-	1,657
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(162,723)	(243,298)	(406,021)
Transfers from other funds	-	15,523	15,523
Capital grants received	19,437	212,135	231,572
Proceeds from capital debt	58,313	-	58,313
Principal paid on capital debt	(150,441)	-	(150,441)
Interest paid on capital debt	(258,625)	(38,732)	(297,357)
Net cash provided by (used in) capital and related financing activities	(494,039)	(54,372)	(548,411)
Net increase (decrease) in cash	359,280	(32,315)	326,965
Cash, beginning of year	1,294,488	32,415	1,326,903
Cash, end of year	$ 1,653,768	$ 100	$ 1,653,868
Reconciliation of Total Cash:			
Unrestricted	$ 1,433,184	$ 100	$ 1,433,284
Restricted	220,584	-	220,584
	$ 1,653,768	$ 100	$ 1,653,868

(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, 2015

	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)	$ 283,262	$ (193,050)	$ 90,212
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	574,509	246,434	820,943
Amortization of deferred hangar lease revenue	-	(40,151)	(40,151)
Decrease (increase) in accounts receivable	(8,355)	-	(8,355)
Decrease (increase) in inventory	7,099	7,971	15,070
Decrease (increase) in prepaid items	1,079	(431)	648
(Increase) in pension related deferred outflows of resources	(13,842)	(1,432)	(15,274)
Increase (decrease) in customer deposits	5,060	-	5,060
Increase (decrease) in accounts payable/accrued liabilities	(2,210)	2,120	(90)
Increase (decrease) in deferred revenue	175	-	175
Increase in pension related deferred inflows of resources	28,029	2,899	30,928
Increase (decrease) in compensated absences	5,691	679	6,370
Increase (decrease) in net pension liability	(28,835)	(2,982)	(31,817)
Net cash provided by (used in) operating activities	$ 851,662	$ 22,057	$ 873,719
Noncash capital and related financing activities			
Capital assets contributed by General Government	$ 169,386	$ -	$ 169,386

(concluded)

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 policies are described below.

A. The Reporting Entity

The City was incorporated on December 26, 1835, and is the sole incorporated community in Union County, Georgia. The City operates under a city council/mayor form of government. Policy making and legislative authority are vested in the mayor and a five member City Council elected at large. The Mayor is responsible for the daily operations of the City. The City provides basic services which include general government, public safety, public works, culture and recreation, and housing and development. Water and sewer services, including wastewater treatment, are also provided. In addition, the City operates the Blairsville Municipal Airport, a FAA level III airport just outside the city limits.

In defining the reporting entity for financial reporting purposes and as required by accounting principles generally accepted in the United States of America, management has considered all potential component units. The criteria for including an organization within the City's reporting entity as a component unit, is financial accountability. Financial accountability is defined as appointment of a voting majority of the organization's board and either the ability to impose will by the primary government or the possibility that the organization will provide a financial benefit or impose a financial burden on the primary government. As a result of applying these criteria, there is one component unit included in the financial statements of the City as of December 31, 2015.

The City of Blairsville Downtown Development Authority (the "Development Authority") is reported as a discretely presented component unit on the government-wide financial statements. The purpose of the 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 Development Authority. Information included herein has been compiled from the records of the Development Authority. Separately issued financial statements for the Development Authority are not available as of December 31, 2015.

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 inter-fund activity has been removed from the government-wide 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)

The Statement of Activities reports the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to those 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 is self-financing or draws from the general revenues of the City.

The City's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City's funds are grouped into two broad fund categories and four generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue and capital projects funds. Proprietary funds include enterprise funds. At present, the City operates two special revenue funds and three capital projects funds. A water and sewerage fund and an airport fund are its only two enterprise funds.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for the City's governmental funds and proprietary funds.

The fund financial statements report detailed information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The focus of fund financial statements is on major governmental and enterprise funds rather than on fund types. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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 III Fund (2009) and SPLOST IV Fund (2015) are used to account for revenues provided by referendums authorizing a one percent Special Purpose Local Option Sales Tax for Union County, to be shared with the City. The use of SPLOST proceeds received by the City is restricted to capital projects specified according to the intergovernmental agreements with Union County in connection with each SPLOST referendum.

Although the above SPLOST Funds are not considered "major" using *quantitative standards* prescribed under generally accepted accounting principles, the City is reporting each as major for *qualitative reasons* because of the importance of these funds to financial statement users and for consistency in financial statement presentation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major proprietary (enterprise) funds:

- The Water and Sewerage Fund is used to account for revenues from user charges and the costs of providing water and sewer services to residents.
- The Airport Fund is used to account for revenues from user charges and the costs of providing airport hangar space, fuel and oil, and related services.

Additionally, the City reports the following fund types:

- Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Capital projects funds account for financial resources used to acquire, construct, and maintain capital projects for use by the City.

The City currently operates two special revenue funds; both are considered nonmajor. Additionally, it has a capital projects fund that is also considered nonmajor.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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. Sales taxes are recognized when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government-wide net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position restricted for capital projects reflect the restrictions of their use.

Governmental fund financial statements, on the other hand, 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. Expenditures generally are recorded in the accounting period in which a fund liability is incurred, as under accrual accounting. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. 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. Capital asset acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering such services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the City's water and sewerage and airport enterprise funds are charges for water, sewer and general aviation services provided to residents or others. Operating expenses of the enterprise funds include the costs of providing these 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 Investments

Amounts reported as cash by the City in the accompanying financial statements include cash on hand and on deposit with financial institutions.

State of Georgia statutes require all financial institution deposits and investments in excess of the federal depository insured amount to be fully collateralized by an equivalent amount of state or U.S. obligations. State of Georgia statutes authorize the City to invest in (1) U.S. Government obligations; (2) U.S. Government agency obligations; (3) obligations of the State of Georgia; (4) obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investor's Service, Inc.; (5) negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; (6) repurchase agreements when collateralized by U.S. Government or agency obligations; and (7) pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Investments are reported at fair market value as determined by quoted market prices. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Prepaid Items

Certain payments to vendors for services that will benefit future accounting periods are recorded as prepaid items in both government-wide and governmental fund financial statements. Prepaid items reported by governmental funds are also equally offset by fund balance classified as nonspendable, which indicates they do not constitute "available, spendable financial resources" even though they are a component of net current assets.

F. Inventories

Inventories consist of water system parts, supplies and aviation fuel and are stated at cost using the first-in, first-out (FIFO) method. The City uses the purchases method of accounting for inventories under 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. Capital Assets

Capital assets, which include land, air easements, buildings and improvements, machinery and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. In accordance with authoritative accounting principles, 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 or more 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is capitalized as a cost of the asset constructed. The amount of interest capitalized depends on the specific circumstances. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are expensed as incurred.

Land and construction in progress are not depreciated. Other capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Asset Category	*Years*
Buildings	50
Building improvements	10-30
Vehicles	6
Machinery and equipment	6-10
Infrastructure	25 - 50

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Intangible Assets

Intangible assets consist of water system maps and geological studies in the Water and Sewerage Fund, which are being amortized over an estimated useful life of seven years. Intangible assets in the Airport Fund consist of airport layout plan and monitoring expenses, which are also being amortized over an estimated useful life of seven years.

I. Compensated Absences

The City offers full-time employees compensated time off for personal leave which may be used for vacation or sickness. Personal leave is accrued on a monthly basis according to length of service. Policy permits employees to carry forward accumulated, but unused, leave time up to a maximum of 80 hours. The City's 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 for such payments, are included.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column of the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed in the year of issuance.

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

K. Interfund Transactions and Balances

Quasi-external transactions are accounted for as revenues and expenditures and are not eliminated. The City had no quasi-external transactions during the year.

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Outstanding interfund balances at year end related to such reimbursements, as well as activity between funds representative of lending/borrowing arrangements, are reported as "due to/from other funds" in the governmental fund financial statements. All other interfund transactions are reported as transfers. At year end, all interfund balances outstanding and all transfers among governmental funds are eliminated in the government-wide statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receipts and/or payments to or from other governmental units, not included in the reporting entity of the City, are not reported as transfers, but rather according to the purpose for which the receipt or payment is made.

L. Deferred Outflows / Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Items which qualify for reporting as deferred outflows and deferred inflows of resources in the accompanying financial statements under the *economic resources measurement focus* and accrual accounting are pension amounts in connection with changes in the City's net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources. This amount will reduce the net pension liability in the next fiscal year.

Items which also qualify to be reported as deferred inflows of resources include property taxes levied in 2015 for the 2016 budget and certain unavailable revenues under the *current financial resources measurement focus.* Accordingly, such items appear in the governmental funds balance sheet as deferred inflows of resources and will be recognized as an inflow of resources in 2016 or the period in which the amounts become available.

M. Fund Balance

Fund balances of governmental funds are presented in various classifications that comprise a hierarchy which is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. Descriptions and the City's policies with respect to these classifications are as follows:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ***Nonspendable*** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City has classified prepaid items as nonspendable as these items are not resources in spendable form.
- ***Restricted*** – includes amounts that are restricted to specific purposes by external sources (creditors, grantors, contributors or laws or regulations of other governments) or by constitutional provision or enabling legislation. The City's capital projects funds are legally restricted to expenditures for specific purposes.
- ***Committed*** – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City's highest level of decision-making authority. Commitments may be modified or rescinded only through adoption of a subsequent resolution.
- ***Assigned*** – includes amounts that have been constrained by the City's intent to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. The City Council has retained, for itself, the authority to assign or earmark funds for specific use. However, unlike commitments, assignments do not require formal action and generally only exist temporarily. This classification also includes all remaining positive fund balance for all governmental funds other than the General Fund.
- ***Unassigned*** – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

The City's policy would be to use restricted fund balances first when expenditure is made for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Otherwise, it is the City's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are made for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

N. Net Position

Net position in financial reporting is based on the *economic resources measurement focus* and represents the difference between (a) total assets and deferred outflows of resources and (b) total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. The remaining portion of net position is reported as unrestricted.

The City's policy would be to use restricted net position first when expenditure is made for purposes for which both restricted and unrestricted net position is available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

O. 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, the disclosure 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

A. 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 for all governmental funds. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Annual budgets are adopted for the General Fund and each special revenue fund. Capital projects funds have project length budgets. The budget is 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. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by department, which constitutes the legal level of control and the level at which expenditures may not legally exceed appropriations. All annual appropriations lapse at year end.

Budget revisions at the department level are subject to final review by the City Council. Amendments to the budget were made for the year to reflect greater than expected revenues and increased operating costs in certain departments.

Although not required by state law, an operating budget is also adopted for the proprietary funds, i.e. the Water and Sewerage Fund and the Airport Fund, for administrative control purposes.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

B. Excess of Expenditures over Appropriations

As shown in the accompanying budgetary comparison statement for the General Fund, departmental expenditures did not exceed amended appropriated budget amounts during the year.

NOTE 3. CASH DEPOSITS AND INVESTMENTS

Cash on the accompanying financial statements includes cash on hand, demand deposits and money market accounts on deposit with financial institutions. 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. At December 31, 2015, the City had no deposits that were exposed to custodial credit risk.

Investments at December 31, 2015, consist of certificates of deposit with FDIC insured financial institutions. The General Fund certificate bears interest at 0.25% and the Water and Sewerage Fund certificates bear interest at 0.1% and 0.25%. All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

NOTE 4. RECEIVABLES

Receivables at December 31, 2015, for the City's governmental and enterprise funds, are as follows:

	Governmental Funds				
Receivables:	General Fund	SPLOST IV Fund	Nonmajor Funds	Enterprise Funds	Total
Property taxes	$ 20,257	$ -	$ -	$ -	$ 20,257
Franchise taxes	6,852	-	-	-	6,852
Alcoholic beverage excise tax	9,398	-	-	-	9,398
Hotel/motel tax	-	-	6,301	-	6,301
Fines	23,928	-	-	-	23,928
Other governments:					
Title ad valorem tax	10,374	-	-	-	10,374
Sales taxes	67,071	-	-	-	67,071
Grants	7,360	-	-	236,266	243,626
SPLOST allocation	-	51,588	-	-	51,588
Water and sewer	-	-	-	263,880	263,880
Gross receivables	145,240	51,588	6,301	500,146	703,275
Less allowance for uncollectibles	-	-	-	1,816	1,816
Net receivables	$ 145,240	$ 51,588	$ 6,301	$ 498,330	$ 701,459

The City bills and collects its own property taxes. Property taxes were levied in October 2015. The tax levy was payable on or before December 31, 2015, after which the account is assessed penalties. Interest on unpaid taxes began accruing on January 31, 2016. 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, 2015. The property taxes levied in October 2015 were intended for use in the 2016 budget year. Therefore, the entire 2015 digest levy of $122,945 is included in deferred inflows of resources on the accompanying governmental fund balance sheet. Prior year levies were recorded using substantially the same principles, and remaining receivables are re-evaluated annually for collectability.

NOTE 4. RECEIVABLES (CONCLUDED)

The City has not established a lien date for unpaid property taxes.

Fines receivable represent adjudicated amounts due the City at December 31, 2015. Fines not collected within 60 days following year end are not considered available to liquidate liabilities of the current period and, accordingly, are classified as unavailable and reported as deferred inflows of resources on the accompanying governmental funds balance sheet.

Allowances for uncollectible accounts have been recorded in the Statement of Net Position based on historical experience and management's estimates of collectability. As of year-end, an allowance for uncollectible fines receivable in the amount of $9,371 has been recorded under governmental activities.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

Governmental Activities:	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not depreciated:					
Construction in progress	$ -	$ 71,975	$ -	$ (71,975)	$ -
Total capital assets not depreciated	-	71,975	-	(71,975)	-
Capital assets depreciated:					
Buildings and improvements	999,196	10,967	-	(10,967)	999,196
Machinery and equipment	648,067	170,621	(55,495)	(86,444)	676,749
Total capital assets depreciated	1,647,263	181,588	(55,495)	(97,411)	1,675,945
Less accumulated depreciation for:					
Buildings and improvements	133,521	29,185	-	-	162,706
Machinery and equipment	521,597	31,219	(30,839)	-	521,977
Total accumulated depreciation	655,118	60,404	(30,839)	-	684,683
Total capital assets depreciated, net	992,145	121,184	(24,656)	(97,411)	991,262
Governmental activities - capital assets, net	$ 992,145	$ 193,159	$ (24,656)	$ (169,386)	$ 991,262

Additions to capital assets under governmental activities during 2015 financed with funds from SPLOST III and SPLOST IV in the amount of $169,386 were contributed to the Water and Sewerage Fund and are reported as transfers in the above schedule of activity.

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-type Activities:	Beginning Balance	Additions	Reclassifications	Transfers	Ending Balance
Capital assets not depreciated:					
Land	$ 1,685,633	$ -	$ -	$ -	$ 1,685,633
Airspace easements	1,035,758	-	-	-	1,035,758
Construction in progress	1,353,142	728,720	(259,494)	71,975	1,894,343
Total capital assets not depreciated	4,074,533	728,720	(259,494)	71,975	4,615,734
Capital assets depreciated:					
Buildings and improvements	13,010,651	-	192,352	10,967	13,213,970
Machinery and equipment	1,362,677	74,265	-	86,444	1,523,386
Infrastructure	18,155,891	-	67,142	-	18,223,033
Total capital assets depreciated	32,529,219	74,265	259,494	97,411	32,960,389
Less accumulated depreciation for:					
Buildings and improvements	2,190,078	298,287	-	-	2,488,365
Machinery and equipment	884,563	65,066	-	-	949,629
Infrastructure	5,242,194	442,820	-	-	5,685,014
Total accumulated depreciation	8,316,835	806,173	-	-	9,123,008
Total capital assets depreciated, net	24,212,384	(731,908)	259,494	97,411	23,837,381
Business-type activities - capital assets, net	$ 28,286,917	$ (3,188)	$ -	$ 169,386	$ 28,453,115
Intangible assets:					
Mapping and studies	$ 103,377	$ -	$ -	$ -	$ 103,377
Accumulated amortization	49,244	14,770	-	-	64,014
Tangible assets, net	$ 54,133	$ (14,770)	$ -	$ -	$ 39,363

Additions to capital assets in the amount of $169,386 reported as transfers by business-type activities in the above schedule were contributed from governmental activities.

NOTE 5. CAPITAL ASSETS (CONCLUDED)

Capital asset activity of the Development Authority for the year ended December 31, 2015, was as follows:

Development Authority:	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not depreciated:				
Land [1]	$ 2,050,747	$ 110,040	$ -	$ 2,160,787
Construction in progress	-	510,892	-	510,892
Total capital assets not depreciated	$ 2,050,747	$ 620,932	$ -	$ 2,671,679

[1] The cost of land reported at December 31, 2014, in the amount of $1,879,629 has been restated for the capitalization of 2014 costs and a gain from 2014 sales not previously recognized. See Note 18.

Depreciation and amortization expense for the year ended December 31, 2015, was charged to functions/programs of the primary government as follows:

Governmental Activities:	Depreciation Expense	Amortization Expense
General government	$ 9,360	
Public safety	22,509	
Public works	28,535	
Total expense - Governmental activities	$ 60,404	
Business-type Activities:		
Water and sewer	$ 571,746	$ 2,763
Airport	234,427	12,007
Total expense - Business-type activities	$ 806,173	$ 14,770

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NOTE 6. RESTRICTED ASSETS

Restrictions:	Governmental Activities	Business-type Activities
Restricted cash:		
General Fund - for purposes of grant received	$ 143,817	$ -
SPLOST III Fund - for purposes legally authorized under the 2007 SPLOST intergovernmental agreement	448,910	-
SPLOST IV Fund - for purposes legally authorized under the 2013 SPLOST intergovernmental agreement	130,185	-
Nonmajor fund - for tourism, conventions, and trade shows	76,324	-
Nonmajor fund - for law enforcement purposes	6,327	-
Water and Sewerage Fund - for purposes required by 1996 and 2010 revenue bond resolutions	-	99,734
Customer deposits	-	120,850
Total restricted cash	$ 805,563	$ 220,584
Restricted certificates of deposit - for purposes required by 1996 and 2010 revenue bond resolutions	$ -	$ 115,668

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended December 31, 2015:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Compensated absences	$ 39,349	$ 42,807	$ (40,463)	$ 41,693	$ 35,379
Net pension liability [1]	113,215	93,218	(117,123)	89,310	-
	152,564	136,025	(157,586)	131,003	35,379
Business-type Activities:					
Compensated absences	39,952	64,324	(57,954)	46,322	36,498
Revenue Bonds	5,650,898	-	(92,919)	5,557,979	96,847
GEFA Notes	1,681,488	58,313	(57,522)	1,682,279	1,129,549
Net pension liability [1]	150,684	124,073	(155,890)	118,867	-
	7,523,022	246,710	(364,285)	7,405,447	1,262,894
Total	$ 7,675,586	$ 382,735	$ (521,871)	$ 7,536,450	$ 1,298,273

[1] As dicussed in Note 18, the City implemented GASB Statement No. 68 during the year. Accordingly, beginning balances are restated to record net pension liability as of the beginning of the year.

Under governmental activities, net pension liability and compensated absences are typically paid by the General Fund. Under business-type activities, long term liabilities are typically liquidated by the fund in which the liabilities were incurred. The City encourages and expects employees will use leave time annually, as it accrues.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Primary Government – Business-type Activities

Revenue bonds and notes payable in the Water and Sewerage Fund at December 31, 2015, are as follows:

Series 1996A and 1996B Revenue Bonds issued in 1997 for $765,700 and $1,335,300 at 4.875% and 4.5% interest, respectively; payable in monthly installments of $9,639 for the purpose of additions, extensions and improvements to the water and sewerage system.	$ 1,588,478
Less current portion	(42,890)
	$ 1,545,588

Series 2010A and 2010B Revenue Bonds issued in 2011 for $3,398,000 and $802,000 at 4.25% and 2.5% interest, respectively; payable in monthly installments of $17,395 for the purpose of additions, extensions and improvements to the waste water treatment facility.	$ 3,969,501
Less current portion	(53,957)
	$ 3,915,544

GEFA $1,693,000 loan agreement dated in 2013 at 0.5% interest for water system improvements; 20 year amortization begins when loan is fully drawn and construction is complete; loan is subject to 25% forgiveness under the American Recovery and Reinvestment Act of 2009 (ARRA); balance shown is net of $356,675 forgiven to date.	$ 1,070,025
Less current portion	(1,070,025)
	$ -

GEFA $600,000 note issued in 2007 for water system improvements, bearing interest at 3.92% and payable in monthly installments of $3,611 through 2027.	$ 409,708
Less current portion	(27,762)
	$ 381,946

NOTE 7. LONG-TERM DEBT (CONCLUDED)

Primary Government – Business-type Activities (Concluded)

GEFA $1,076,000 note issued in 2011 for sewer system rehabilitation and pump station, bearing interest at 3% and payable in monthly installments of $3,117 through 2021. Under terms of the American Recovery and Reinvestment Act of 2009, the federal portion of this loan (70% or $753,200) was forgiven in 2011, reducing the original loan amount to $322,800.	$ 202,546
Less current portion	(31,762)
	$ 170,784

Total interest on Revenue Bonds and GEFA Notes paid by the Water and Sewerage Authority during 2015 amounting to $263,845 includes interest capitalized to construction in progress of $5,220. Future principal and interest payments on Revenue Bonds and GEFA Notes for the next five years and until maturity are as follows:

	Revenue Bonds			GEFA Notes		
Year	Principal	Interest	Total	Principal	Interest	Total
2016	$ 96,847	$ 227,561	$ 324,408	$ 1,129,549	$ 21,207	$ 1,150,756
2017	100,375	224,033	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	114,146	210,262	324,408	68,273	12,458	80,731
2021-2025	648,573	973,467	1,622,040	216,617	34,309	250,926
2026-2030	800,921	821,119	1,622,040	76,526	2,909	79,435
2031-2035	990,105	631,935	1,622,040	-	-	-
2036-2040	839,426	425,851	1,265,277	-	-	-
2041-2045	767,459	276,241	1,043,700	-	-	-
2046-2050	935,587	108,113	1,043,700	-	-	-
2051	50,110	2,075	52,185	-	-	-
	$ 5,557,979	$ 4,335,043	$ 9,893,022	$ 1,682,279	$ 121,762	$ 1,804,041

Component Unit

During 2012, the City of Blairsville Downtown Development Authority acquired tracts of land totaling 8.271 acres for approximately $2 million, with financing obtained in the amount of $1,625,000 from a local bank. The promissory note required quarterly interest only payments at 3.97% and matured in August 2015. In July 2015, the City repaid the outstanding principal of $1,625,000 on behalf of the Authority. Under informal agreement with the City, the balance now owed the City by the Authority is non-interest bearing and will be repaid as the land is developed and sold. There were no repayments during the year. The balance outstanding at December 31, 2015, of $1,625,000 is reported as an advance from primary government in the accompanying Statement of Net Position.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund activity consisted of the following for the year ended December 31, 2015:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental fund	$ 18
Airport Fund	General Fund	15,523
		$ 15,541

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 BALANCE

Fund balances of governmental funds at December 31, 2015, as presented in the accompanying balance sheet – governmental funds, are classified as follows:

Nonspendable: Amounts that are either not in spendable form or they are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for specific purposes as imposed by state or federal laws or constraints imposed by grantors or creditors.

Unassigned: All amounts not included in other spendable classifications for the General Fund and negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The details of fund balances at December 31, 2015, are as follows:

General Fund – Prepaid items of $20,032 and the advance of $1,625,000 to component unit are considered nonspendable fund balance. The residual balance of $317,812 is classified as unassigned fund balance.

SPLOST Funds – The amounts classified as restricted fund balance of $441,410 in SPLOST III (2009) and $181,773 in SPLOST IV (2015) can only be spent for legally authorized and approved capital projects, vehicles and equipment in accordance with the 2009 and 2013 SPLOST referendums (see Note 1B).

Other Nonmajor Funds – Fund balance classifications of other nonmajor funds are as follows:

Nonmajor Funds	Purpose	Fund Balance
Restricted Fund Balances:		
Special Revenue Funds:		
Hotel/Motel	Promote tourism, conventions and trade shows	$ 76,954
Confiscated Assets	Law enforcement purposes	6,327
	Total restricted fund balances	$ 83,281

NOTE 10. RENTALS UNDER OPERATING LEASES

The City leases, as lessor, airport hangar space to private individuals and corporations under long-term operating leases. The leases began in 2006 following construction of the City's hangar facilities. The leases include terms of 20 years and require rents ranging from $25,000 to $63,500 to be fully paid in advance. Earned and unearned revenues in connection with these leases are reported in the accompanying financial statements of the City's Airport Fund (a proprietary fund). The City's investment in capital assets held for leasing purposes is $789,047 (net of accumulated depreciation of $183,084) at December 31, 2015.

The following schedule presents the future minimum rentals from these leases (net of 6% discount for prepayment) as of December 31, 2015:

Year ending December 31,	Rental Income
2016	$ 42,576
2017	45,299
2018	48,143
2019	51,150
2020	54,292
Subsequent years	374,059
Total minimum future rentals	$ 615,519

NOTE 11. PENSION PLAN

A. Plan Description

The City, as authorized by the City Council, has established The City of Blairsville Retirement Plan (CBRP), a defined benefit pension plan, covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City makes no investments on behalf of the CBRP. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the CBRP provides pension benefits and death and disability benefits for plan members and beneficiaries. Eligibility for participation is available immediately beginning with date of employment for all full-time employees who work at least forty hours a week. Elected officials are not covered by the CBRP. Employee benefits vest 50% after five years of service and continue vesting an additional 10% each year thereafter. Benefits fully vest after ten years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 1.50% of final average earnings. An employee may elect early retirement at the age of 55 provided he has a minimum of ten years total credited service. Retirement between the ages of 55-65, will result in a reduced monthly benefit.

NOTE 11. PENSION PLAN (CONTINUED)

To receive full benefits, an employee must be age 65 with at least five years of service. The benefit is based on the highest five year's average earnings. Employees do not contribute toward the plan.

Plan Membership. At July 1, 2015, the date of the most recent actuarial valuation, there were 38 participants consisting of the following:

Retired participants and beneficiaries	6
Vested former participants	5
Active participants	27
Total	38

Contributions. The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law (Georgia Code Section 47-20-10). The Board of Trustees of GMEBS has adopted an actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan, as adopted by the City Council, is to contribute an amount equal to or greater than the recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2015, the City's recommended contribution (and amount contributed) of $85,870 was 8.39% of expected payroll.

B. Net Pension Liability of the City

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

Actuarial data developed in connection with the City's actuarial valuation as of July 1, 2015, were used to measure total pension liability as of March 31, 2015. The balances as of March 31, 2015, constitute measurements of the net pension liability for the year ending December 31, 2015.

Actuarial assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.75%
Projected salary increases	3.75% - 8.00% (including inflation)
Cost of living adjustments	0.00%
Inflation	3.25%

Mortality rates for the July 1, 2015, valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. For disabled mortality, the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates was used.

NOTE 11. PENSION PLAN (CONTINUED)

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2015, are summarized in the table below.

Asset class	Target Allocation	Long-term expected real rate of return [1]
Domestic equity	50%	5.95%
International equity	15%	6.45%
Fixed income	25%	1.55%
Real estate	10%	3.75%
Cash	0%	-
	100%	

[1] Rates are shown net of pension plan investment expense and assumed inflation of 3.25%.

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at the recommended contribution rate as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTE 11. PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2015, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2015	$ 1,766,024	$ 1,502,125	$ 263,899
Changes for the year:			
Service cost	39,758	-	39,758
Interest	135,798	-	135,798
Differences between expected and actual experience	35,037	-	35,037
Contributions - employer	-	88,319	(88,319)
Net investment income	-	148,080	(148,080)
Benefit payments	(27,587)	(27,587)	-
Administrative expense	-	(6,698)	6,698
Other changes	(36,614)	-	(36,614)
Net changes	146,392	202,114	(55,722)
Balances at December 31, 2015	$ 1,912,416	$ 1,704,239	$ 208,177

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75 percent) or 1 percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
City's net pension liability	$ 451,659	$ 208,177	$ 4,237

Changes in the Net Pension Liability of the City. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long- term perspective. Calculations are based on the substantive plan in effect as of July 1, 2015.

NOTE 11. PENSION PLAN (CONCLUDED)

C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of $57,565. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 29,200	$ -
Changes in assumptions	-	(30,510)
Net difference between projected and actual earnings on pension plan investments	-	(23,656)
City contributions subsequent to the measurement date	64,402	-
Total	$ 93,602	$ (54,166)

City contributions of $64,402 subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	
2016	$ (6,176)
2017	(6,176)
2018	(6,176)
2019	(6,176)
2020	(262)
Total	$ (24,966)

NOTE 12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (the City of Blairsville Savings and Retirement Plan) created in accordance with Internal Revenue Code 457. The Mayor and Council established this defined contribution plan and Edward Jones administers the plan. Full-time city employees are eligible immediately 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. During 2015, the City's match was capped at 5%. 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 year ending December 31, 2015, employee and matching contributions of the City were $53,998 and 40,491, respectively.

NOTE 13. JOINT VENTURE

The City, in conjunction with other 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 required for each municipality and county in the state by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the GMRC. Board membership of the GMRC includes the chief elected official of each county and appointed mayors from municipalities in the area.

Each member county and municipality is required by law to pay minimum annual dues to the GMRC. Georgia law also provides that member governments are liable for any debts or obligations of the GMRC (OCGA 50-8-39.1). Separate financial statements can be provided by contacting the GMRC directly at Georgia Mountains Regional Commission, 1310 West Ridge Road, Gainesville, Georgia 30501.

NOTE 14. 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, 2015. No provisions have been made in the financial statements for the year ending December 31, 2015, 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.

NOTE 14. RISK MANAGEMENT (CONCLUDED)

The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds. The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

NOTE 15. COMMITMENTS AND CONTINGENCIES

Commitments

The City routinely enters into agreements and commitments in the ordinary course of business. Such agreements or commitments are not considered material to the accompanying financial statements except for those in connection with an ongoing water line improvement project and airport south ramp rehabilitation project. The water line improvement project has a total budget of $1,693,000 with incurred costs of $1,567,000 through December 31, 2015. The airport south ramp project has a total budget of $803,000, with incurred costs of $327,000 through December 31, 2015. Combined costs to complete both projects are projected to be $602,000.

The Development Authority's business development project in progress at year end includes a connector drive with a total projected cost of $742,000. Costs to complete the project of approximately $231,000 after year end were funded by grant revenues and additional advances from the General Fund amounting to $87,000.

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.

Litigation

There are no suits pending or unasserted claims that would result in material liabilities to the City.

NOTE 16. HOTEL/MOTEL TAX

The City levies a 5% lodging excise tax on applicable businesses inside the City. During the year ended December 31, 2015, $110,513 was reported as revenue from the lodging tax. According to the Official Code of Georgia Annotated 48-13-51, 40% of the revenue is required to be spent promoting tourism, conventions and trade shows. The City spent $99,353 (representing 90%) in the current year for these purposes, thereby conforming to the requirements of state law.

NOTE 17. WATER AND SEWER DEPARTMENT ACTIVITIES

The City has issued revenue bonds to finance capital improvements in its water and sewer operations. Both operations are accounted for in a single fund (i.e., the Water and Sewerage Fund). However, investors in the revenue bonds rely solely on the revenues generated from each operation for repayment. Summary financial information for water and sewer operations is as follows:

	WATER	SEWER
CONDENSED STATEMENT OF NET POSITION		
Assets:		
Current assets	$ 1,854,386	$ 354,905
Capital and non-current assets	7,027,988	9,040,837
Total assets	8,882,374	9,395,742
Deferred outflows of resources:		
Pension amounts	29,060	19,376
Liabilities:		
Current liabilities	1,279,531	118,779
Long-term liabilities	1,550,985	4,701,276
Total liabilities	2,830,516	4,820,055
Deferred inflows of resources:		
Pension amounts	16,817	11,212
Net Position:		
Net investment in capital assets	4,443,470	4,282,580
Restricted for debt service	-	215,402
Unrestricted	1,620,632	85,868
Total net position	$ 6,064,102	$ 4,583,850
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION		
Operating revenues (pledged against bonds)	$ 1,152,532	$ 1,081,132
Depreciation expense	(270,439)	(304,070)
Other operating expenses	(799,041)	(576,852)
Operating income	83,052	200,210
Non-operating revenues (expenses)	(41,512)	(196,019)
Capital assets contributed by general government	115,644	53,742
Change in net position	157,184	57,933
Net position, beginning of year, as restated	5,906,918	4,525,917
Net position, end of year	$ 6,064,102	$ 4,583,850

NOTE 18. PRIOR PERIOD RESTATEMENTS AND ADJUSTMENTS

As discussed in Note 11 above, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The new standards significantly changed the City's accounting for pension amounts. As a result of the change in accounting principle, the City was required to restate beginning net position for net pension liability and deferred outflows of resources – pension amounts.

Additionally, certain adjustments were required to restate beginning net position and fund balances primarily related to certain revenue and expense transactions in 2014 not previously recorded, and the capitalization of certain costs that were inadvertently expensed.

Prior period restatements and adjustments to net position and fund balances are identified as follows:

	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Blairsville Downtown Development Authority
Net position, December 31, 2014, as originally reported	$ 3,389,963	$ 22,087,608	$ 396,016
Deferred outflows of resources - pension item	28,680	38,172	-
Net pension liability	(113,215)	(150,684)	-
Revenues from fines	(5,808)	-	-
SPLOST (intergovernmental) revenues	20,593	-	-
Land development costs capitalized	-	-	61,056
Profit on sale of land	-	-	110,062
Consulting costs	-	-	(10,870)
Accrued interest on bank note	-	-	(9,493)
Net position, December 31, 2014, as restated	$ 3,320,213	$ 21,975,096	$ 546,771

	General Fund	SPLOST III Fund
Fund balance, December 31, 2014, as originally reported	$ 1,772,012	$ 474,951
Revenues from fines	(5,808)	-
SPLOST (intergovernmental) revenues	-	20,593
Fund balance, December 31, 2014, as restated	$ 1,766,204	$ 495,544

	Water and Sewerage Fund	Airport Fund
Net position, December 31, 2014, as originally reported	$ 10,534,801	$ 11,552,807
Deferred outflows of resources - pension item	34,594	3,578
Net pension liability	(136,560)	(14,124)
Net position, December 31, 2014, as restated	$ 10,432,835	$ 11,542,261

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BLAIRSVILLE, GEORGIA
RETIREMENT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2015

		Year End 2015
Total pension liability		
Service cost		$ 39,758
Interest		135,798
Differences between expected and actual experience		35,037
Changes of assumptions		(36,614)
Benefit payments		(27,587)
Net change in total pension liability		146,392
Total pension liability - beginning		1,766,024
Total pension liability - ending	(a)	$ 1,912,416
Plan fiduciary net position		
Contributions - employer		$ 88,319
Net investment income		148,080
Benefit payments		(27,587)
Administrative expense		(6,698)
Net change in plan fiduciary net position		202,114
Plan fiduciary net position - beginning		1,502,125
Plan fiduciary net position - ending	(b)	$ 1,704,239
Net pension liability - ending	(a) - (b)	$ 208,177
Plan fiduciary net position as a percentage of total pension liability		89.11%
Covered-employee payroll		$ 1,118,389
Net pension liability as a percentage of covered-employee payroll		18.61%

Historical information prior to implementation of GASB 68 is not required.

CITY OF BLAIRSVILLE, GEORGIA
RETIREMENT PLAN
SCHEDULE OF CITY CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015
Actuarially determined contribution	$ 85,870
Contributions in relation to the actuarially determined contribution	85,870
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 1,005,903
Contributions as a percentage of covered-employee payroll	8.54%

Notes to the Schedule:

A. Acturarial Methods and Assumptions:

Valuation Date	July 1, 2015
Cost Method	Projected unit credit
Amortization Method	Closed level dollar for remaining unfunded liability
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 the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net investment rate of return	7.75%
Projected salary increases	3.25% plus service based merit increases
Cost of living adjustments	0.00%

B. Historical information prior to implementation of GASB 68 is not required.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BLAIRSVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Special Revenue		Captital Project	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	DDA/TE Project	
Assets				
Cash	$ 76,324	$ 6,327	$ -	$ 82,651
Other taxes receivable	6,301	-	-	6,301
Total assets	$ 82,625	$ 6,327	$ -	$ 88,952
Liabilities				
Accounts payable	$ 5,671	$ -	$ -	$ 5,671
Total liabilities	5,671	-	-	5,671
Fund Balances				
Restricted	76,954	6,327	-	83,281
Total fund balances	76,954	6,327	-	83,281
Total liabilities and fund balances	$ 82,625	$ 6,327	$ -	$ 88,952

CITY OF BLAIRSVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	DDA/TE Project	
Revenues				
Selective sales and use taxes	$ 110,513	$ -	$ -	$ 110,513
Fines and forfeitures	-	10,198	-	10,198
Total revenues	110,513	10,198	-	120,711
Expenditures				
Current:				
Public safety	-	3,893	-	3,893
Housing and development	99,353	-	-	99,353
Total expenditures	99,353	3,893	-	103,246
Excess (deficiency) of revenues over expenditures	11,160	6,305	-	17,465
Other financing sources (uses)				
Transfers (out)	-	-	(18)	(18)
Net change in fund balances	11,160	6,305	(18)	17,447
Fund balances, beginning of year	65,794	22	18	65,834
Fund balances, end of year	$ 76,954	$ 6,327	$ -	$ 83,281

CITY OF BLAIRSVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2015

Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
SPLOST III (2009)						
Water and sewer facilities and equipment	$ 1,575,000	$ 1,575,000	$ 369,034	$ 115,644	$ 484,678	31%
City Hall renovation and expansion	325,000	325,000	296,314	1,189	297,503	92%
Streets, street improvements and public facilities	100,000	100,000	70,129	-	70,129	70%
	$ 2,000,000	$ 2,000,000	$ 735,477	$ 116,833	$ 852,310	
SPLOST IV (2015)						
Administrative buildings and equipment	$ 200,000	$ 200,000	$ -	$ -	$ -	0%
Public safety equipment and vehicles	200,000	200,000	-	-	-	0%
Public works vehicles, equipment, roads and sidewalks	500,000	500,000	-	-	-	0%
Water and sewer system improvements	600,000	600,000	-	53,780	53,780	9%
	$ 1,500,000	$ 1,500,000	$ -	$ 53,780	$ 53,780	

Notes to Schedule:

The above schedule has been prepared using the modified accrual basis of accounting.

Current year expenditures include $115,644 and $53,742 in SPLOST III and SPLOST IV, respectively, for water system improvements and equipment which were contributed to the Water and Sewerage Fund at year end. See Note 5 to accompanying financial statements.

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
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 unit, each major fund, and the aggregate remaining fund information of the City of Blairsville, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Blairsville, Georgia's basic financial statements, and have issued our report thereon dated April 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Blairsville, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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
April 29, 2016