CITY OF BLAIRSVILLE, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

CITY OF BLAIRSVILLE, GEORGIA
FINANCIAL REPORT
DECEMBER 31, 2016

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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, each major fund, and the aggregate remaining fund information of the City of Blairsville, Georgia, as of and for the year ended December 31, 2016, 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, each major fund, and the aggregate remaining fund information of the City of Blairsville, Georgia, as of December 31, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8 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 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 not a required part of the basic financial statements.

The Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is the responsibility of management and was derived from and relates 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 Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2017 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
May 5, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Blairsville, Georgia (City) basic financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government. Unless otherwise noted, component units, related organizations, and joint ventures reported separately from the primary government are not included.

Financial Highlights

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

The City's assets exceeded its liabilities by $27,165,665 (net position) for the fiscal year reported. This represents an increase over the previous year of just over $1,067,854.

The City's governmental funds reported total ending fund balance of $3,442,332 this year. This compares to the prior year ending fund balance of $3,031,890 showing a net increase of $410,442 during the current year.

At the end of the fiscal year, unassigned fund balance for the general fund was $2,316,724 or 117% of total General Fund expenditures.

Total liabilities of the City for the fiscal year 2016 were $8,325,737. Total liabilities of resources at the end of 2015 were $8,964,619. This is a decrease of $638,882 from 2015. Accounting for part of this decrease over last year is the retiring USDA Loan Number1996A.

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.

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

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

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

Notes to the financial statements

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

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Financial Analysis of the City as a Whole

The City's net assets at fiscal year-end are $27,165,665. This is a $1,067,854 increase from the beginning year's net assets of $26,097,811. 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
	2016	2015	2016	2015	2016	2015	2016
Current and Other Assets	$ 3,435	$ 3,022	$ 1,970	$ 2,463	$ 5,405	$ 5,485	$ 26
Capital Assets	1,000	991	28,885	28,492	29,885	29,483	2,904
Total Assets	4,435	4,013	30,855	30,955	35,290	34,968	2,930
Deferred Outflows							
Pension Amounts	91	40	110	53	201	93	-
Current and Other Liabilities	97	255	1,631	1,680	1,728	1,935	275
Long-term liabilities	173	96	6,339	6,143	6,512	6,239	1,905
Unearned Revenue	-	-		615	-	615	
Customer Deposits	-	-	-	121	-	121	-
Total Liabilities	270	351	7,970	8,559	8,240	8,910	2,180
Deferred Inflows							
Pension Amounts	39	23	47	31	86	54	-
Net Position:							
Net Investment in Capital Assets	1,000	991	21,769	20,874	22,769	21,865	724
Restricted	876	706	236	215	1,112	921	4
Unrestricted	2,341	1,982	943	1,329	3,284	3,311	23
Total Net Position	$ 4,217	$ 3,679	$ 22,948	$ 22,418	$ 27,165	$ 26,097	$ 751

Net position increased $537,707 for governmental activities and increased $530,147 for business-type activities.

The table below provides a summary of the City's changes in net position:

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Component Unit
	2016	2015	2016	2015	2016	2015	2016
Revenues:							
Program Revenues:							
Charges for services	$ 231	$ 240	$ 2,592	$ 2,530	$ 2,823	$ 2,770	$ 3
Operating grants and contributions	50	33	50	4	100	37	31
Capital grants and contributions	466	504	762	464	1,228	968	144
General Revenues:							
Property taxes	209	226	-	-	209	226	-
Sales and use taxes	799	764	-	-	799	764	-
Franchise and miscellaneous taxes	395	377	-	-	395	377	-
Miscellaneous	6	5	6	-	12	5	-
Unrestricted investment earnings	4	5	1	2	5	7	-
Gain on disposition of cap asset	-	4	-	-	-	4	-
Total Revenues	2,160	2,158	3,411	3,000	5,571	5,158	178
Expenses:							
General government	348	338	-	-	348	338	-
Judicial	54	50	-	-	54	50	-
Public safety	723	662	-	-	723	662	-
Public works	281	186	-	-	281	186	-
Culture and recreation	5	5	-	-	5	5	-
Housing and Development	282	373	-	-	282	373	15
Airport	-	-	601	533	601	533	-
Water and Sewer	-	-	2,352	2,209	2,352	2,209	-
Total Expenses	1,693	1,614	2,953	2,742	4,646	4,356	15
Increase (decrease) in net position before transfers	467	544	458	258	925	802	163
Transfers	(123)	(185)	123	185	-	-	-
Change in net position	344	359	581	443	925	802	163
Beginning net position	3,679	3,390	22,418	22,087	26,097	25,477	588
Prior period adjustment	-	(70)	-	(112)	-	(182)	-
Ending net position	$ 4,023	$ 3,679	$ 22,999	$ 22,418	$ 27,022	$ 26,097	$ 751

GOVERNMENTAL REVENUES

The City's governmental activities are heavily reliant on taxes to support governmental operations. Property and general sales tax provided 64% and miscellaneous taxes provide 17% 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 $1,693,051. Of this amount, general government was $347,636 (21%), judicial was $54,078 (3%), public safety was $722,585 (43%) and public works was $281,493 (17%) of the total cost for services for the year ended December 31, 2016.

BUSINESS-TYPE ACTIVITIES

Operating Revenues vs. Operating Costs
Fiscal Year Ended December 31, 2016

	Revenues	Expenses
Airport Fund	$ 352,374	$ 601,311
Water/Sewer System	$2,239,984	$2,352,463

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 $3,213,308 with $896,585 reserved for prepaid items, capital projects, and tourism. Unassigned fund balance is $2,319,932, indicating availability for continuing City service requirements.

The total ending fund balances of all governmental funds show an increase over the prior year of $350,413.

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 $374,867. 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 2016 was $404,009 and the SPLOST IV Fund balance at the end of 2016 was $406,755.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Water/Sewer Fund change in net position was $(42,950) vs. $215,117 from the prior year. The Airport Fund change in net assets was $573,097 vs. $(228,227) from the prior year.

Major Proprietary Funds

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

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

General Fund Budgetary Highlights

The City Council approved a final 2016 budget at the April 4, 2017 council meeting. The budget decreased $83,556 to $1,310,144. This decrease was due to a prior year surplus that was not needed. The actual revenues for the year ended December 31, 2016 was $1,7,31,447, an increase over the final budget amount of $421,303.

The final budget of expenditures for the year ended December 31, 2016 was $1,310,144. Actual expenditures were $1,458,498, approximately $148,354 more 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, 2016 was $1,000,561 and $28,900,043 respectively.

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount
	2016	2015	2016	2015	2016	2015	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	-	-	668	1,894	668	1,894	(1,226)
Total	-	-	3,390	4,616	3,390	4,616	(1,226)
Depreciable Assets:							
Buildings and Improvements	807	836	11,169	10,726	11,976	11,562	414
Machinery and equipment	193	155	529	573	722	728	(6)
Infrastructure			13,788	12,538	13,788	12,538	
Intangible Assets	-	-	25	39	25	39	(14)
Total	1,000	991	25,511	23,876	26,511	24,867	394
Total	$ 1,000	$ 991	$ 28,901	$ 28,492	$ 29,901	$ 29,483	$ (832)

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 $4,878,363 and other long-term debt (GEFA notes) outstanding of $1,814,311. The bonded debt is not comprised of debt backed by the full faith and credit of the government. The City of Blairsville's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Debt

(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount
	2016	2015	2016	2015	2016	2015	Change
Notes Payable	$ -	$ -	#####	$ 1,682	$ 1,814	$ 1,682	$ 132
Compensated Absences	35	42	54	46	89	88	1
Revenue bonds payable	-	-	4,878	5,558	4,878	5,558	(680)
Net Pension Liability	139	89	169	119	308	208	100
Total	$ 174	$ 131	#####	$ 7,405	$ 7,089	$ 7,536	$ (447)

Additional information on the City's long term debt can be found in Note 7.

Economic Environment and Next Year's Budgets

The City's elected officials considered many factors when adopting the fiscal year 2017 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 2017, the City Council approved a total budget of $4.0 million. This budget includes operating and non-operating funds. The General Fund budget is $1,449,660 and the Proprietary Funds budget is $2,544,375 (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.

CITY OF BLAIRSVILLE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Blairsville Downtown Development Authority
ASSETS				
Cash	$ 474,954	$ 1,160,854	$ 1,635,808	$ 26,211
Restricted cash	838,510	236,497	1,075,007	-
Certificates of deposit	10,000	-	10,000	-
Restricted certificates of deposit	-	115,668	115,668	-
Property taxes receivable	16,817	-	16,817	-
Other taxes receivable	21,571	-	21,571	-
Fines receivable, net	12,285	-	12,285	-
Accounts receivable, net	-	249,809	249,809	-
Intergovernmental receivables	134,053	-	134,053	-
Internal balances	-	-	-	-
Prepaid items	20,988	33,182	54,170	-
Inventory	-	173,689	173,689	-
Advance to component unit	1,905,497	-	1,905,497	-
Capital assets:				
Land and construction in progress	-	3,389,765	3,389,765	2,904,466
Other capital assets, net of depreciation	1,000,561	25,470,913	26,471,474	-
Intangible assets, net	-	24,595	24,595	-
Total assets	4,435,236	30,854,972	35,290,208	2,930,677
DEFERRED OUTFLOWS OF RESOURCES				
Pension amounts	90,859	110,335	201,194	-
LIABILITIES				
Accounts payable	41,631	344,971	386,602	-
Accrued interest payable	-	8,979	8,979	-
Unearned revenue	54,990	-	54,990	-
Due to other governments	-	-	-	275,000
Revenue bonds and notes payable, current portion	-	1,277,132	1,277,132	-
Long-term liabilities:				
Advance from primary government	-	-	-	1,905,497
Unearned revenue	-	573,767	573,767	-
Customer deposits	-	126,647	126,647	-
Compensated absences	35,004	54,266	89,270	-
Revenue bonds and notes payable, less current portion	-	5,415,542	5,415,542	-
Net pension liability	139,040	168,844	307,884	-
Total liabilities	270,665	7,970,148	8,240,813	2,180,497
DEFERRED INFLOWS OF RESOURCES				
Pension amounts	38,352	46,572	84,924	-
NET POSITION				
Net investment in capital assets	1,000,561	21,769,390	22,769,951	723,969
Amounts restricted for:				
Capital projects	810,764	-	810,764	-
Debt service	-	236,497	236,497	-
Public safety	669	-	669	-
Tourism	64,164	-	64,164	-
Development	-	-	-	4,100
Unrestricted amounts	2,340,920	942,700	3,283,620	22,111
Total net position	$ 4,217,078	$ 22,948,587	$ 27,165,665	$ 750,180

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, 2016

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	$ 347,636	$ 67,986	$ -	$ -	$ (279,650)	$ -	$ (279,650)	
Judicial	54,078	42,037	-	-	(12,041)	-	(12,041)	
Public safety	722,585	121,699	50,280	-	(550,606)	-	(550,606)	
Public works	281,493	-	-	465,538	184,045	-	184,045	
Culture and recreation	5,000	-	-	-	(5,000)	-	(5,000)	
Housing and development	282,259	-	-	-	(282,259)	-	(282,259)	
Total governmental activities	1,693,051	231,722	50,280	465,538	(945,511)	-	(945,511)	
Business-type activities:								
Water and sewerage	2,352,463	2,239,984	-	66,575	-	(45,904)	(45,904)	
Airport	601,311	352,374	-	695,260	-	446,323	446,323	
Total business-type activities	2,953,774	2,592,358	-	761,835	-	400,419	400,419	
Total primary government	$ 4,646,825	$ 2,824,080	$ 50,280	$ 1,227,373	(945,511)	400,419	(545,092)	
Component unit:								
Housing and development	$ 15,520	$ 2,909	$ 30,790	$ 143,817				$ 161,996
General revenues:								
Property taxes					208,761	-	208,761	-
General sales taxes					798,668	-	798,668	-
Franchise taxes					27,594	-	27,594	-
Selective sales taxes					238,147	-	238,147	-
Business taxes					124,675	-	124,675	-
Payments in lieu of tax					4,675	-	4,675	-
Other revenues					6,376	6,326	12,702	-
Unrestricted investment earnings					3,684	453	4,137	30
Transfers					(122,949)	122,949	-	-
					1,289,631	129,728	1,419,359	30
Change in net position					344,120	530,147	874,267	162,026
Net position, beginning of year, as restated					3,872,958	22,418,440	25,295,309	588,154
Net position, end of year					$ 4,217,078	$ 22,948,587	$ 27,165,665	$ 750,180

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

CITY OF BLAIRSVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	SPLOST III	SPLOST IV	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 493,325	$ 404,009	$ 351,851	$ 64,280	$ 1,313,465
Certificate of deposit	10,000	-	-	-	10,000
Property taxes receivable	16,817	-	-	-	16,817
Other taxes receivable	15,139	-	-	6,432	21,571
Fines receivable	19,942	-	-	-	19,942
Due from other governments	79,149	-	54,904	-	134,053
Prepaid items	20,987	-	-	-	20,987
Due from component unit	1,905,497	-	-	-	1,905,497
Total assets	$ 2,560,856	$ 404,009	$ 406,755	$ 70,712	$ 3,442,332
LIABILITIES					
Accounts payable	$ 33,809	$ -	$ -	$ 5,879	$ 39,688
Accrued liabilities	1,943	-	-	-	1,943
Unearned revenue	181,425	-	-	-	181,425
Total liabilities	217,177	-	-	5,879	223,056
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	-	-	-	-	-
Unavailable revenue	5,968	-	-	-	5,968
Total deferred inflows of resources	5,968	-	-	-	5,968
FUND BALANCES					
Nonspendable	20,987	-	-	-	20,987
Restricted	-	404,009	406,755	64,833	875,597
Unassigned	2,316,724	-	-	-	2,316,724
Total fund balances	2,337,711	404,009	406,755	64,833	3,213,308
Total liabilities, deferred inflows of of resources and fund balances	$ 2,560,856	$ 404,009	$ 406,755	$ 70,712	$ 3,442,332

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, 2016

Total fund balances - governmental funds		$ 3,213,308
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	$ 1,751,493	
Accumulated depreciation	(750,932)	1,000,561
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.		132,403
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.		(7,657)
Pension amounts reported as deferred outflows of resources on the Statement of Net Assets and which do not provide current financial resources are not recognized in the governmental funds financial statements. Such amounts are as follows:		
Differences between expected and actual experience	23,360	
Net Difference between projected and actual earnings on pension plan investments	84,610	
Deferred pension contributions	64,024	171,994
Pension amounts reported as deferred inflows of resources on the Statement of Net Assets and which do not use current financial resources, are not recognized on the governmental funds financial statements. Such amounts are as follows:		
Changes in actuarial assumptions	(24,408)	
Non amortized investment earnings over expectations	(6,350)	(30,758)
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	(35,004)	
Net pension liabiltiy	(227,769)	(262,773)
Total net position - governmental activities		$ 4,217,078

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, 2016

	General	SPLOST III	SPLOST IV	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 211,069	$ -	$ -	$ -	$ 211,069
General sales taxes	798,668	-	-	123,540	922,208
Franchise taxes	27,594	-	-	-	27,594
Selective sales taxes	114,606	-	-	-	114,606
Insurance premium taxes	41,193	-	-	-	41,193
Financial institutions taxes	83,482	-	-	-	83,482
Licenses and permits	66,441	-	-	-	66,441
Intergovernmental	168,419	-	311,925	-	480,344
Charges for services	43,687	-	-	-	43,687
Fines and forfeitures	127,426	-	-	-	127,426
Investment earnings	3,684	861	485	-	5,030
Contributions from private sources	38,803	-	-	-	38,803
Other revenues	6,375	-	-	-	6,375
Total revenues	1,731,447	861	312,410	123,540	2,168,258
Expenditures					
Current:	-				
General government	338,553	-	-	-	338,553
Judicial	54,078	-	-	-	54,078
Public safety	677,419	-	-	5,658	683,077
Public works	173,922	-	-	-	173,922
Culture and recreation	5,000	-	-	-	5,000
Housing and development	171,295	-	-	110,963	282,258
Capital outlay:					
General government	-	-	1,651	-	1,651
Public safety	38,231	-	37,317	-	75,548
Public works	-	38,262	48,460		86,722
Total expenditures	1,458,498	38,262	87,428	116,621	1,383,469
Other financing sources (uses):					
Proceeds from sale of equipment	-	-	-	-	-
Transfers in	25,367	-	-	-	25,367
Transfers (out)	(117,036)	-	-	(25,367)	(142,403)
Total other financing sources (uses)	(91,669)	-	-	(25,367)	(117,036)
Net change in fund balances	181,280	(37,401)	224,982	(18,448)	350,413
Fund balances, beginning of year, as restated	2,156,431	441,410	181,773	83,281	2,862,895
Fund balances, end of year	$ 2,337,711	$ 404,009	$ 406,755	$ 64,833	$ 3,213,308

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, 2016

Net change in fund balances - total governmental funds		$ 350,413
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays	$ 75,548	
Depreciation expense	(66,249)	9,299
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.		(5,913)
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.		(2,227)
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	6,689	
Change in net pension liability and deferred amounts	(14,141)	(7,452)
Change in net position - governmental activities		$ 344,120

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, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 191,150	$ 187,195	$ 211,069	$ 23,874
General sales taxes	700,000	700,000	798,668	98,668
Franchise taxes	26,500	26,500	27,594	1,094
Insurance premium taxes	32,500	32,500	41,193	8,693
Financial institutions taxes	95,000	83,482	83,482	-
Selective sales taxes	88,000	88,000	114,606	26,606
Licenses and permits	56,200	56,200	66,441	10,241
Intergovernmental	-	2,034	168,419	166,385
Charges for services	29,750	29,750	43,687	13,937
Fines and forfeitures	89,500	88,699	127,426	38,727
Interest	5,000	3,684	3,684	-
Contributions from private sources	12,000	12,000	38,803	26,803
Other revenues	100	100	6,375	6,275
Total revenues	1,325,700	1,310,144	1,731,447	421,303
Expenditures				
General government				
General administration	353,543	346,359	338,553	7,806
Judicial				
Municipal court	45,250	55,350	54,078	1,272
Public safety				
Police	630,216	695,320	715,650	(20,330)
Public works				
Streets	334,386	180,585	173,922	6,663
Culture and recreation				
Library	5,000	5,000	5,000	-
Housing and development				
Downtown development	25,305	27,530	171,295	(143,765)
Total expenditures	1,393,700	1,310,144	1,458,498	(148,354)
Excess (deficiency) of revenues over expenditures	(68,000)	-	272,949	272,949
Other financing sources (uses)				
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	25,367	25,367
Transfers (out)		-	(117,036)	(117,036)
Total other financing sources (uses)	-	-	(91,669)	(91,669)
Net change in fund balances	(68,000)	-	181,280	181,280
Fund balance, beginning of year, as restated	2,156,431	2,156,431	2,156,431	-
Fund balance, end of year	$ 2,088,431	$ 2,156,431	$ 2,337,711	$ 181,280

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, 2016

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
ASSETS			
Current assets:			
Cash	$ 1,149,775	$ 100	$ 1,149,875
Restricted cash for customer deposits	126,647	-	126,647
Restricted cash for debt service	120,829	-	120,829
Restricted certificates of deposit for debt service	115,668	-	115,668
Accounts receivable, net	249,809	-	249,809
Intergovernmental receivables	-	-	-
Prepaid items	29,491	3,691	33,182
Inventory	168,631	5,058	173,689
Total current assets.	1,960,850	8,849	1,969,699
Noncurrent assets:			
Capital assets:			
Land and construction in progress	103,512	3,286,253	3,389,765
Other capital assets, net of depreciation	15,529,990	9,940,923	25,470,913
Intangible assets, net	2,762	21,833	24,595
Total noncurrent assets	15,636,264	13,249,009	28,885,273
Total assets	17,597,114	13,257,858	30,854,972
DEFERRED OUTFLOWS OF RESOURCES			
Pension amounts	99,591	10,744	110,335
LIABILITIES			
Current liabilities:			
Accounts payable	23,044	322,676	345,720
Accrued interest payable	8,979	-	8,979
Revenue bonds payable, current portion	84,890	-	84,890
Notes payable, current portion	1,371,828	-	1,371,828
Total current liabilities	1,488,741	322,676	1,811,417
Long-term liabilities:			
Compensated absences	45,842	8,424	54,266
Customer deposits	126,647	-	126,647
Revenue bonds payable, less current portion	4,793,473	-	4,793,473
Notes payable, less current portion	442,483	-	442,483
Unearned revenue	75	572,942	573,017
Net pension liability	152,403	16,441	168,844
Total noncurrent liabilities	5,560,923	597,807	6,158,730
Total liabilities	7,049,664	920,483	7,970,147
DEFERRED INFLOWS OF RESOURCES			
Pension amounts	42,037	4,535	46,572
NET POSITION			
Net investment in capital assets	8,841,073	12,928,317	21,769,390
Restricted for debt service	236,497	-	236,497
Unrestricted	1,527,432	(584,733)	942,699
Total net position	$ 10,605,002	$ 12,343,585	$ 22,948,587

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, 2016

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Operating revenues:			
Water	$ 1,097,973	$ -	$ 1,097,973
Sewer	1,083,365	-	1,083,365
Water and sewer tap and meter fees	22,975	-	22,975
Water and sewer impact fees	8,688	-	8,688
Reconnect fees and penalties	17,969	-	17,969
Airport hangar leases	-	126,967	126,967
Airport fuel and oil	-	216,512	216,512
Tie down and parking fees	-	8,877	8,877
Operating grant	-	-	-
Other operating revenues	11,039	5,334	16,373
Total operating revenues	2,242,009	357,690	2,599,699
Operating expenses:			
Personnel services	950,278	106,880	1,057,158
Contractual and professional services	59,125	3,025	62,150
Repairs and maintenance	87,406	13,649	101,055
Supplies and small tools	126,413	146,033	272,446
Insurance	29,287	3,915	33,202
Utilities	227,615	8,109	235,724
Other operating expenses	10,334	15,231	25,565
Depreciation and amortization	632,758	267,181	899,939
Total operating expenses	2,123,216	564,023	2,687,239
Net operating income (loss)	118,793	(206,333)	(87,540)
Nonoperating revenues (expenses):			
Capital grants and contributions	66,575	695,260	761,835
Interest income	453	-	453
Interest expense	(231,244)	(36,306)	(267,550)
Total nonoperating revenues (expenses)	(164,216)	658,954	494,738
Income (loss) before transfers and capital asset contributions	(45,423)	452,621	407,198
Transfers in	(3,440)	120,476	117,036
Capital assets contributed by general government	5,913	-	5,913
Change in net position	(42,950)	573,097	530,147
Net position, beginning of year	10,647,952	11,770,488	22,418,440
Net position, end of year	$ 10,605,002	$ 12,343,585	$ 22,948,587

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, 2016

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Receipts from customers	$ 2,253,247	$ 315,113	$ 2,568,360
Payments to suppliers and service providers	(579,095)	(173,095)	(752,190)
Payments to employees	(947,416)	(106,838)	(1,054,254)
Net cash provided by (used in) operating activities	726,736	35,180	761,916
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Interest receipts	453	-	453
Net cash provided by (used in) investing activities	453	-	453
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(204,762)	(1,051,904)	(1,256,666)
Transfers from other funds	-	120,476	120,476
Capital grants received	66,575	932,554	999,129
Proceeds from capital debt	199,725	-	199,725
Principal paid on capital debt	(814,000)	-	(814,000)
Interest paid on capital debt	(231,244)	(36,306)	(267,550)
Net cash provided by (used in) financing activities	(983,706)	(35,180)	(1,018,886)
Net increase (decrease) in cash and cash equivalents	(256,517)	-	(256,517)
Cash, beginning of year	1,653,768	100	1,653,868
Cash, end of year	$ 1,397,251	$ 100	$ 1,397,351
Reconciliation of Total Cash:			
Unrestricted	$ 1,149,775	$ 100	$ 1,149,875
Restricted	247,476	-	247,476
	$ 1,397,251	$ 100	$ 1,397,351

(continued)

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

CITY OF BLAIRSVILLE, GEORGIA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

(concluded)

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating (loss)	$ 118,793	$ (206,333)	$ (87,540)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	632,758	267,181	899,939
Amortization of deferred hangar lease revenue	-	(42,576)	(42,576)
Decrease (increase) in accounts receivable	15,875	-	15,875
Decrease (increase) in inventory	(22,641)	11,559	(11,082)
Decrease (increase) in prepaid items	(1,130)	44	(1,086)
(Increase) in pension related deferred outflowsof resourses	(51,155)	(5,734)	(56,889)
Increase (decrease) in customer deposits	5,797	-	5,797
Increase (decrease) in accounts payable/accrued liabilities	11,454	(938)	10,516
Increase (decrease) in deferred revenue	75	-	75
Increase in pension related deferred inflows of resoures	14,008	1,636	15,644
Increase (decrease) in compensated absences	2,902	5,042	7,944
Increase (decrease) in net pension liability	44,678	5,299	49,977
Net cash provided by (used in) operating activities	$ 726,736	$ 35,180	$ 756,617

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, 2016.

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, 2016.

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 hanger 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 of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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. 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 City are depreciated using the straight line method over the following useful lives:

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

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, and are being amortized over an estimated useful life of 7 years. Intangible assets in the Airport Fund consist of airport layout plan and monitoring expenses, and are being amortized over an estimated useful life of 7 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 statement 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. The City has only one type of item which arises under the *economic resources measurement focus* and accrual accounting that qualifies for reporting in this category. Accordingly, a deferred pension asset has been recorded as required by the newly issued accounting standards, GASB 68 – Accounting and Financial Reporting for Pensions, and GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date.

In addition to liabilities, the statement 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. The City has only one type of item which arises under the *current financial resources measurement focus* and modified accrual accounting that qualifies for reporting in this category. Accordingly, property taxes levied in November, 2015 for the 2016 budget are deferred and will be recognized as an inflow of resources in 2016 or the period that the amounts become available.

In accordance with the newly issued pension standards as noted above, the City also has one type of item which arises under the *economic resources measurement focus* and accrual accounting that qualifies for reporting as a *deferred inflow of resources*. Accordingly, a deferred pension liability has been recorded as required by the newly issued pension standards noted above.

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:

- ***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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

- ***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 purposes, but do not meet the definition or 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

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 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, 2016, the City had no deposits that were exposed to custodial credit risk.

Investments at December 31, 2016, 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, 2016, for the City's activities in the aggregate are as follows:

Receivables:	General Fund	SPLOST IV Fund	Nonmajor Funds	Enterprise Funds	Total
Property taxes	$ 16,817	$ -	$ -	$ -	$ 16,817
Franchise taxes	6,678	-	-	-	6,678
Alcoholic beverage excise tax	8,343	-	-	-	8,343
A/R Energy excise tax	118	-	-	-	118
Hotel/motel tax	-	-	6,432	-	6,432
Fines	19,142	-	-	-	19,142
Other governments:					
Title ad valorem tax	7,767	-	-		7,767
Sales taxes	71,382	-	-		71,382
Grants	-	-	-	-	-
SPLOST allocation	-	54,904	-		54,904
Water and sewer	-	-	-	251,445	251,445
Gross receivables	130,247	54,904	6,432	251,445	443,028
Less allowance for uncollectibles	-	-	-	1,636	1,636
Net receivables	$ 130,247	$ 54,904	$ 6,432	$ 249,809	$ 441,392

The City bills and collects its own property taxes. Property taxes were levied in October 2016. The tax levy was payable on or before December 31, 2016, after which the account is assessed penalties. Interest on unpaid taxes began accruing on January 31, 2017. 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, 2016. The property taxes levied in October 2016 were intended for use in the 2017 budget year. Therefore, the entire 2016 digest levy of $125,271 is included in deferred inflows of resources on the governmental fund balance sheet. Prior year levies were recorded using substantially the same principles, and remaining receivables are re-evaluated annually for collectability.

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

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

Governmental Activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not depreciated:				
Construction in progress	$ -	$ -	$ -	$ -
Total capital assets not depreciated	-	-	-	-
Capital assets depreciated:				
Buildings and improvements	999,196	-	-	999,196
Machinery and equipment	676,748	75,328	(27,145)	724,931
Total capital assets depreciated	1,675,944	75,328	(27,145)	1,724,127
Less accumulated depreciation for:				
Buildings and improvements	162,706	29,185	-	191,891
Machinery and equipment	485,918	37,064	(27,145)	495,837
Total accumulated depreciation	648,624	66,249	(27,145)	687,728
Total capital assets depreciated, net	1,027,320	9,079	-	1,036,399
Governmental activities - capital assets, net	$ 1,027,320	$ 9,079	$ -	$ 1,036,399

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NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-type Activities:	Beginning Balance	Additions	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	1,894,343	410,196	(1,636,165)	668,374
Total capital assets not depreciated	4,615,734	410,196	(1,636,165)	3,389,765
Capital assets depreciated:				
Buildings and improvements	13,213,969	763,134		13,977,103
Machinery and equipment	1,523,384	34,720	-	1,558,104
Infrastructure	18,223,036	99,453	1,636,165	19,958,654
Total capital assets depreciated	32,960,389	897,307	1,636,165	35,493,861
Less accumulated depreciation for:				
Buildings and improvements	2,488,365	319,841	-	2,808,206
Machinery and equipment	949,629	79,627	-	1,029,256
Infrastructure	5,685,014	485,703	-	6,170,717
Total accumulated depreciation	9,123,008	885,171	-	10,008,179
Total capital assets depreciated, net	23,837,381	12,136	1,636,165	25,485,682
Business-type activities - capital assets, net	$ 28,453,115	$ 422,332	$ -	$ 28,875,447
Intangible assets:				
Mapping and studies	$ 103,377	$ -	$ -	$ 103,377
Accumulated amortization	64,014	14,770	-	78,784
Tangible assets, net	$ 39,363	$ (14,770)	$ -	$ 24,593

NOTE 5. CAPITAL ASSETS (CONCLUDED)

Capital asset activity of the Development Authority for the year ended December 31, 2016, 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

Depreciation and amortization expense for the year ended December 31, 2016, was charged to functions/programs of the primary government as follows:

Governmental Activities:	Depreciation Expense	Amortization Expense
General government	$ 9,937	
Public safety	24,687	
Public works	31,625	
Total expense - Governmental activities	$ 66,249	
Business-type Activities:		
Water and sewer	$ 629,996	$ 2,763
Airport	255,175	12,007
Total expense - Business-type activities	$ 885,171	$ 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	$ -	$ -
SPLOST III Fund - for purposes legally authorized under the 2007 SPLOST intergovernmental agreement	404,009	-
SPLOST IV Fund - for purposes legally authorized under the 2013 SPLOST intergovernmental agreement	351,850	-
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	-	120,829
Customer deposits	-	120,850
Total restricted cash	$ 838,510	$ 241,679
Restricted certificates of deposit - for purposes required by 1996 and 2010 revenue bond resolutions	$ -	$ 115,668

NOTE 7. LONG-TERM DEBT

Primary Government – Business-type Activities

Revenue bonds and notes payable in the Water and Sewerage Fund at December 31, 2016, 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

NOTE 7. LONG-TERM DEBT (CONTINUED)

Primary Government – Business-type Activities

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.	$ 1,249,611
Less current portion	(1,249,611)
	$ -

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

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%) of $753,200 was forgiven in 2011, reducing the original loan amount to $322,800.	$ 202,546
Less current portion	(31,762)
	$ 170,784

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. At maturity, 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, 2016, of $1,625,000 is reported as an advance from primary government in the accompanying statement of net position.

NOTE 7. LONG-TERM DEBT (CONCLUDED)

The following is a summary of long-term debt activity for the year ended December 31, 2016:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Compensated absences [1]	$ 41,693	$ 33,775	$ (40,463)	$ 35,005	$ -
Net pension liability	89,310	49,730	-	139,040	-
	131,003	83,505	(40,463)	174,045	-
Business-type Activities:					
Compensated absences	46,322	62,517	(57,954)	50,885	-
Revenue Bonds	5,557,979	-	(667,762)	4,890,217	84,891
GEFA Notes	1,682,279	266,300	(146,238)	1,802,341	1,311,209
Net pension liability	118,867	49,977	-	168,844	-
	7,405,447	378,794	(871,954)	6,912,287	1,396,100
Total	$ 7,536,450	$ 462,299	$ (912,417)	$ 7,086,332	$ 1,396,100

[1] Typically, compensated absences under governmental activities are paid by the General Fund. The City encourages and expects employees will use leave time annually, as it accrues.

Total interest paid during 2015 of $263,845 includes interest capitalized to construction in progress of $5,220. The City's future principal and interest payments relating to revenue bonds and notes payable for the next five years and until maturity are as follows:

	Revenue Bonds			GEFA Notes		
Year	Principal	Interest	Total	Principal	Interest	Total
2017	84,586	223,737	308,323	1,311,209	19,133	1,330,342
2018	88,084	219,437	307,521	63,746	16,985	80,731
2019	91,731	214,949	306,680	65,970	14,761	80,731
2020	95,533	210,262	305,795	68,273	12,458	80,731
2021	99,498	205,370	304,868	67,541	10,074	77,615
2022-2026	563,144	945,573	1,508,717	190,136	26,502	216,638
2027-2031	691,017	786,491	1,477,508	35,466	640	36,106
2036-2036	848,789	588,916	1,437,705	-	-	-
2037-2041	716,617	393,147	1,109,764	-	-	-
2042-2046	798,407	245,296	1,043,703	-	-	-
2047-2051	813,133	74,012	887,145	-	-	-
	$ 4,890,539	$ 4,107,190	$ 8,997,729	$ 1,802,341	$ 100,554	$ 1,902,894

Revenue bonds and notes payable are typically liquidated by the fund in which the liabilities were incurred (General Fund, Water and Sewerage Fund, and Airport Fund).

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund activity consisted of the following for the year ended December 31, 2016:

Transfers In	Transfers Out	Amount
Airport Fund	General Fund	$ 121,676
		$ 121,676

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, 2016, 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, 2016, are as follows:

General Fund – Prepaid items in the amount of $20,987 are considered nonspendable fund balance. The residual balance of $2,316,724 is classified as unassigned fund balance.

SPLOST Funds – The amounts classified as restricted fund balance of $404,009 in SPLOST III (2009) and $406,755 in SPLOST IV (2015) can only be spent for legally authorized and approved capital projects, vehicles and equipment in accordance with the 2009 and 2015 SPLOST referendums (see Note 1B).

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

Nonmajor Funds	Purpose	
Restricted Fund Balances:		
Special Revenue Funds:		
Hotel/Motel	Promote tourism, conventions and trade shows	$ 64,164
Confiscated Assets	Law enforcement purposes	669
		$ 64,833

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 $769,605 (net of accumulated depreciation of $202,527) at December 31, 2016.

The following schedule presents the future minimum rentals from these leases (net of 6% discount for prepayment) as of December 31, 2016:

Year ending December 31,	Rental Income
2017	45,299
2018	48,143
2019	51,150
2020	54,292
2021	57,727
Subsequent years	316,336
Total minimum future rentals	$ 572,947

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 plan 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 thirty 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 in excess of covered compensation. An employee may elect early retirement at the age of

NOTE 11. PENSION PLAN (CONTINUED)

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. To receive full benefits, an employee must be employed until age 65. The benefit is calculated on the last five year's highest averaged earnings. Employees do not contribute toward the plan.

Plan Membership. At July 1, 2016, the date of the most recent actuarial valuation, there were 38 participants consisting of the following:

Plan Membership - July 1, 2016	
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. 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, 2016, the City's recommended contribution (and amount contributed) of $85,364 was 7.51% 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, 2016, were used to measure total pension liability as of March 31, 2016. The balances as of March 31, 2016, constitute measurements of the net pension liability for the year ending December 31, 2016.

NOTE 11. PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:	
Net investment rate of return	7.75%
Projected salary increases	3.25% plus service based merit
Cost of living adjustments	0.00%
Inflation	3.25%

Mortality rates for the July 1, 2016 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.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – 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, 2016, are summarized in the table below.

Asset class	Target Allocation	Long-term expected real rate of return [1]
Domestic equity	45%	6.75%
International equity	20%	7.45%
Real estate	10%	4.55%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
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 plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2016	$ 1,912,416	$ 1,704,239	$ 208,177
Changes for the year:			
Service cost	44,770		44,770
Interest	147,143		147,143
Differences between expected and actual experience	(7,617)		(7,617)
Contributions - employer		85,743	(85,743)
Contributions - employee	-	-	-
Net investment income		6,113	(6,113)
Benefit payments, including refunds of employee contributions	(27,587)	(27,587)	-
Administrative expense		(7,267)	7,267
Other changes	-		-
Net changes	156,709	57,002	99,707
Balances at December 31, 2016	$ 2,069,125	$ 1,761,241	$ 307,884

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	$ 566,324	$ 307,884	$ 90,936

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, 2016.

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, 2016, the City recognized pension expense of $83,272. At December 31, 2016, 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	$ 23,360	$ (6,350)
Changes in assumptions	-	(24,408)
Net difference between projected and actual earnings on pension plan investments	84,610	-
City contributions subsequent to the measurement date	64,023	-
Total	$ 171,993	$ (30,758)

City contributions subsequent to the measurement date of $64,023 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:	
2017	$ 18,142
2018	18,142
2019	18,142
2020	24,056
2021	(1,270)
Total	$ 77,212

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 2016, 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, 2016, employee and matching contributions of the City were $55,829 and 42,214, respectively.

NOTE 13. JOINT VENTURE

The City of Blairsville, Georgia, in conjunction with cities and counties in the thirteen (13) county Northeast Georgia areas is a member of the Georgia Mountains Regional Commission (GMRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional development centers (RDCs), and was amended in 2008 to consolidate the existing RDCs into fewer organizations called Regional Commissions (RCs). Each county and municipality in the state is required by law to pay minimum annual dues to the RC. An RC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County board members and municipal board members from the same County elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a County.

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

NOTE 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, 2016. No provisions have been made in the financial statements for the year ending December 31, 2016 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, CONTINGENCIES AND SUBSEQUENT EVENTS

Grant Contingencies

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

Commitments

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

Litigation

There are no suits pending on unasserted claims that would result in material liabilities to the City. The City has entered into various agreements and contracts in the normal course of business. There were no such agreements which give rise to assets or liabilities that are considered to be material at December 31, 2016.

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, 2016, $123,540 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 $110,963 (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	$ 1,599,353	$ 361,497
Capital and non-current assets	6,868,138	8,768,126
Total assets	8,467,491	9,129,623
Deferred outflows of resources:		
Pension amounts	59,755	39,836
Liabilities:		
Current liabilities	1,369,642	119,099
Long-term liabilities	974,707	4,586,216
Total liabilities	2,344,349	4,705,315
Deferred inflows of resources:		
Pension amounts	25,222	16,815
Net Position:		
Net investment in capital assets	4,519,147	4,321,926
Restricted for debt service	-	236,497
Unrestricted	1,451,060	76,372
Total net position	$ 5,969,352	$ 4,635,650
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION		
Operating revenues (pledged against bonds)	$ 1,109,012	$ 1,132,997
Depreciation expense	(336,309)	(296,449)
Other operating expenses	(864,466)	(625,992)
Operating income	(91,763)	210,556
Non-operating revenues (expenses)	(2,987)	(164,669)
Capital assets contributed by general government	-	5,913
Change in net position	(94,750)	51,800
Net position, beginning of year, as restated	6,064,102	4,583,850
Net position, end of year	$ 5,969,352	$ 4,635,650

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BLAIRSVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2016

		Year End 2016	Year End 2015
Total pension liability			
Service cost		$ 44,770	$ 39,758
Interest		147,143	135,798
Defferences between expected and actual experience		(7,617)	35,037
Changes of assumptions			(36,614)
Benefit payments, including refunds of employee contributions		(27,587)	(27,587)
Net change in total pension liability		156,709	146,392
Total pension liability - beginning		1,912,416	1,766,024
Total pension liability - ending	(a)	$ 2,069,125	$ 1,912,416
Plan fiduciary net position			
Contributions - employer		$ 85,743	$ 88,319
Net investment income		6,113	148,080
Benefit payments, including refunds of employee contributions		(27,587)	(27,587)
Administrative expense		(7,267)	(6,698)
Net change in plan fiduciary net position		57,002	202,114
Plan fiduciary net position - beginning		1,704,239	1,502,125
Plan fiduciary net position - ending	(b)	$ 1,761,241	$ 1,704,239
Net pension liability - ending	(a) - (b)	$ 307,884	$ 208,177
Plan fiduciary net position as a percentage of total pension liability		85.12%	89.11%
Covered-employee payroll		$ 1,138,112	$ 1,118,389
Net pension liability as a percentage of covered-employee payroll		27.05%	18.61%

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, 2016

	Special Revenue		Captital Project	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	DDA/TE Project	
Assets				
Cash	$ 63,521	$ 759	$ -	$ 64,280
Other taxes receivable	6,432	-	-	6,432
Total assets	$ 69,953	$ 759	$ -	$ 70,712
Liabilities				
Accounts payable	$ 5,789	$ 90	$ -	$ 5,879
Total liabilities	5,789	90	-	5,879
Fund Balances				
Restricted	64,164	669	-	64,833
Total fund balances	64,164	669	-	64,833
Total liabilities and fund balances	$ 69,953	$ 759	$ -	$ 70,712

CITY OF BLAIRSVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	DDA/TE Project	
Revenues				
Selective sales and use taxes	$ 123,540	$ -	$ -	$ 123,540
Total revenues	123,540	-	-	123,540
Expenditures				
Current:				
Public safety	-	5,658	-	5,658
Housing and development	110,963	-	-	110,963
Total expenditures	110,963	5,658	-	116,621
Excess (deficiency) of revenues over expenditures	12,577	(5,658)	-	6,919
Other financing sources (uses)				
Transfers (out)	(25,367)	-	-	(25,367)
Net change in fund balances	(12,790)	(5,658)	-	(18,448)
Fund balances, beginning of year	76,954	6,327	-	83,281
Fund balances, end of year	$ 64,164	$ 669	$ -	$ 64,833

CITY OF BLAIRSVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2016

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Blairsville, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Blairsville, Georgia basic financial statements, and have issued our report thereon dated May 5, 2017.

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.

RL Jennings & Associates, PC

Ellijay, Georgia
May 5, 2017