CITY OF BLAIRSVILLE, GEORGIA

Annual Financial Report

For the year ended December 31, 2017

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CITY OF BLAIRSVILLE, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2017

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blairsville, Georgia, as of and for the year ended December 31, 2017, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blairsville, Georgia, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 3 through 13 and 56 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blairsville, Georgia's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018, 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.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
April 27, 2018

City of Blairsville

P. O. Box 307
Blairsville, Georgia 30514
*****
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MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Blairsville management is proud to present this narrative discussion and analysis of the City of Blairsville's financial performance, making available an overview of the activities for the year ended December 31, 2017. This report is drafted annually to provide readers of financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Blairsville. As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis affords comparisons with the previous fiscal year.

Financial Highlights

- City of Blairsville's assets exceeded its liabilities at December 31, 2017 by $28,670,291 (*net position*). Of this amount, $4,037,242 is reported as unrestricted net position. This is an increase of $1,151,867 from the previous year for unrestricted. Total net position increased by $766,972 from the previous year.

- As of December 31, 2017, City of Blairsville's governmental funds reported combined ending fund balances of $3,533,569. Approximately 70% of this total amount, or $2,480,942, is reported as unassigned and available for spending at the City's discretion. Approximately 29%, or $1,030,371, is reported as restricted. Information about the City of Blairsville's policy on fund balance can be found in Note 1L in the *Notes to the Financial Statements* beginning on page 34.

More detailed information regarding these activities and funds begins on page 14.

Overview of the Financial Statements

This discussion and analysis narrative is intended to serve as an introduction to the City of Blairsville's basic financial statements. The City of Blairsville's basic financial statements are composed of three elements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information in addition to our basic financial statements.

Government-wide Financial Statements (Reporting the City as a whole). The focus of the government-wide financial statements is on the overall financial position and activities of the City of Blairsville and is designed to provide a broad overview of the City's financial activities in a manner similar to a private business enterprise.

The City's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These two statements report information about the City of Blairsville using the accrual basis of accounting, which is similar to the accounting used by non-public businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The purpose of the ***Statement of Net Position*** (pages 14-15) is to report all of the assets held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the total assets and total liabilities is labeled *net position*. While the purpose of City Government is not to accumulate net position, as this amount increases it can indicate the strength of the City's financial position as a whole. When this amount decreases it can indicate a weakening of the City's financial position.

The ***Statement of Activities*** (page 16) presents the revenues and expenses of the City. Under the accrual basis of accounting, revenues are recognized when earned and expenses when incurred in this statement. Thus, revenues are reported even when they may not be collected for several weeks after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *change in net position*. The Statement of Activities primary focus is on the *net cost* of various activities provided by the City and identifies the extent to which each function of the City draws from general revenues or is self-financing through user fees, special revenues, grants, or other sources.

In the Statement of Net Position and the Statement of Activities, we divide the City of Blairsville into three types of activities:

- ***Governmental activities*** – Most of the City's basic services are reported under this category which includes: judicial, public safety, public works, and general administration. Taxes such as real property, sales, insurance premium and intangible finance most of these services.

- ***Business-type or enterprise activities*** – The City charges fees to customers to assist in recovering the cost for providing certain services. The City's water and sewerage system and airport are reported in this category.

- ***Discretely Presented Component Units*** – A component unit is a legally separate organization for which the elected officials of the City can be financially accountable. The City of Blairsville Downtown Development Authority, although legally separate, functions for all practical purposes as a department of the City of Blairsville and has been included as an integral part of the government.

The City's government-wide financial statements are presented on pages 14-16.

Fund Financial Statements (Reporting the City's Major Funds).
The focus of fund financial statements is directed at specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to track specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the City's non-major funds can be found beginning on page 60. The City's funds are divided into two broad categories: governmental and proprietary. They use different prescribed accounting methodologies.

- ***Governmental Funds*** – These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on the short-term view of the City's general government operations and the basic services it provides. Governmental funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash.

  Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. An analysis of the balance sheet and the statement of revenues, expenditures, and changes in fund balances that reconciles the two statements are provided following each statement.

  The City of Blairsville maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, SPLOST III Capital Projects Fund, and SPLOST IV Capital Projects Fund, which are considered major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 60-61of this report.

  The City of Blairsville adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been included for the General Fund to show the final result of actual revenues and expenditures as compared to the initial projections.

  The City's basic governmental fund financial statements are presented on pages 17-21 of this report.

- ***Proprietary Funds*** – When the City charges customers for the services it provides, whether to outside customers or internally to departments of the City, these services are generally reported in proprietary funds. The City maintains one type of proprietary funds: Enterprise Funds. These proprietary funds are prepared using the same accrual basis of accounting as the government-wide financial statements.

  Enterprise fund statements report the same functions presented in the business-type activities columns of the government-wide financial statements. The City of Blairsville uses enterprise funds to account for its water and sewerage and airport functions.

  The City's proprietary fund financial statements are presented on pages 22-25 of this report.

Notes to the financial statements.
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-55 of this report.

Required Supplementary Information.
In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's defined benefit pension plan. The required supplementary information can be found on pages 56-59 of this report.

Other Supplementary Information.
Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together by fund type and presented in single columns in the basic financial statements but are not reported individually, as with major funds, on the government-wide financial statements.

This report includes two schedules (pages 18 and 20) which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on fund financial statements.
- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statements but as deferred inflows of resources on the fund statements.
- Unless due and payable, long-term liabilities, such as lease obligations, compensated absences, bonds and notes payable, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the governmental fund financial statements.

- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements but are reported as expenditures on the governmental fund financial statements.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for this fiscal year is summarized as follows based on the information included in the government-wide financial statements (see pages 14-16):

City of Blairsville
Net Position
Fiscal Years 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current	$ 1,816,228	$ 1,529,178	$ 2,590,073	$ 1,969,699	$ 4,406,301	$ 3,498,877
Noncurrent	3,575,132	3,618,747	28,285,560	28,885,273	31,860,692	32,504,020
Total assets	5,391,360	5,147,925	30,875,633	30,854,972	36,266,993	36,002,897
Deferred outflows of resources	43,113	85,684	51,946	104,051	95,059	189,735
Liabilities:						
Current	113,936	96,620	849,296	561,806	963,232	658,426
Noncurrent	136,376	174,045	6,438,311	7,408,342	6,574,687	7,582,387
Total liabilities	250,312	270,665	7,287,607	7,970,148	7,537,919	8,240,813
Deferred inflows of resources	140,582	21,903	13,260	26,597	153,842	48,500
Net position:						
Net investment in capital assets	1,659,935	1,713,250	21,769,877	22,192,599	23,429,812	23,905,849
Restricted	954,264	875,597	248,973	236,498	1,203,237	1,112,095
Unrestricted	2,429,380	2,352,194	1,607,862	533,181	4,037,242	2,885,375
Total net position	$ 5,043,579	$ 4,941,041	$ 23,626,712	$ 22,962,278	$ 28,670,291	$ 27,903,319

Net position may serve over time as a useful indicator of a government's financial position. Assets for the City of Blairsville exceeded liabilities by $28,670,291 at the close of 2017. Approximately 82% of the City of Blairsville's net position is reflected in its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt outstanding that was needed to construct or acquire them. This is a decrease from 86% at December 31, 2016. The City uses capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position comprises 4% of total net position. This amount represents resources that are subject to external restrictions or enabling legislation on how they may be used. Unrestricted net position makes up the remaining 14%.

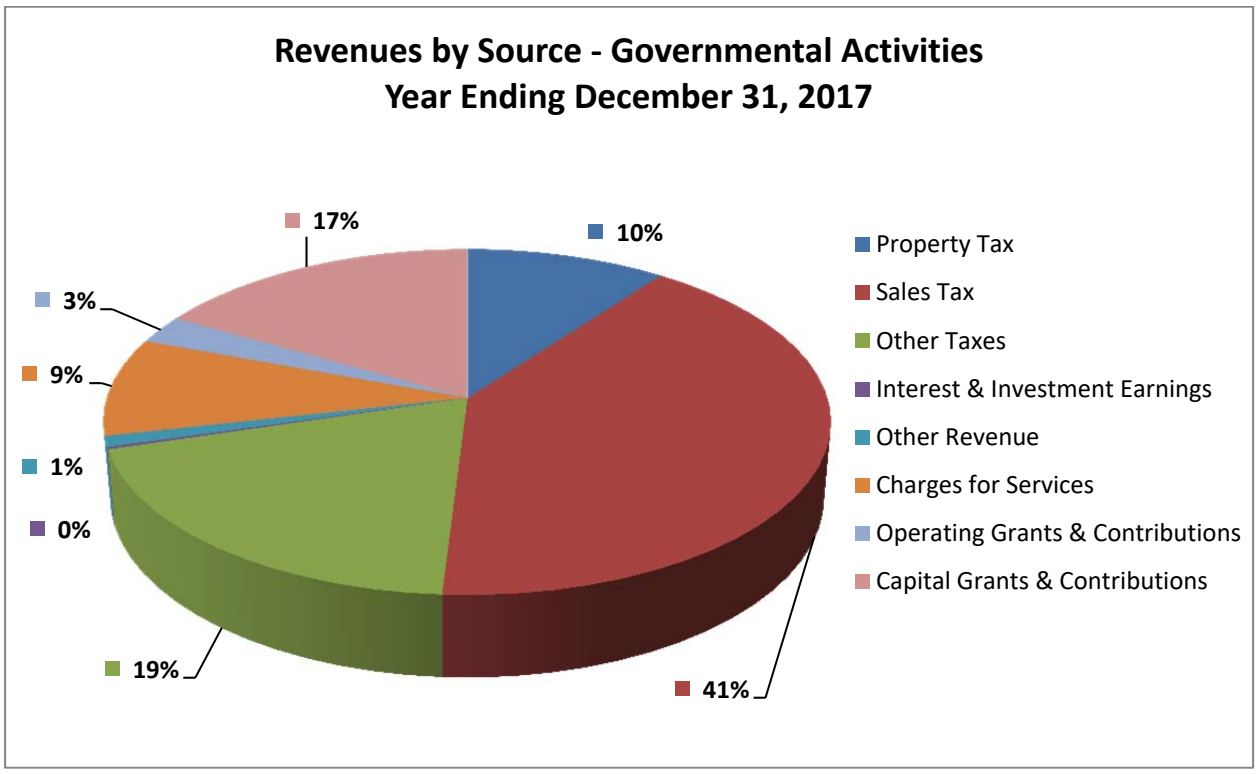
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Blairsville's net position changed during the year.

City of Blairsville
Changes in Net Position
Fiscal Years 2017 and 2016

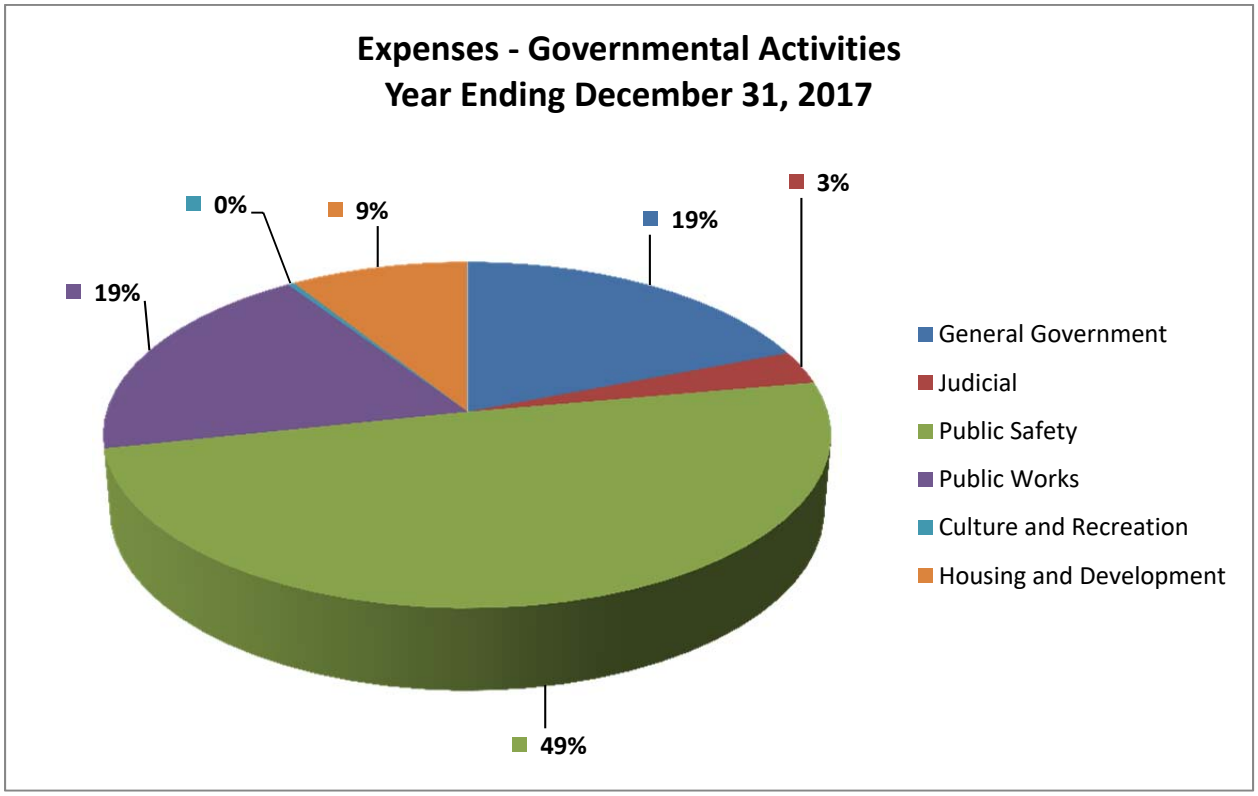
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	$ 187,660	$ 231,722	$ 3,056,904	$ 2,592,358	$ 3,244,564	$ 2,824,080
Operating grants and contributions	54,104	50,280	0	0	54,104	50,280
Capital grants and contributions	339,039	1,209,217	385,458	761,835	724,497	1,971,052
General revenues:						
Property tax	207,580	208,761	0	0	207,580	208,761
Sales tax	831,360	1,036,815	0	0	831,360	1,036,815
Other taxes	393,708	156,944	0	0	393,708	156,944
Interest & investment earnings	4,457	3,684	2,344	453	6,801	4,137
Other revenue	20,350	6,376	0	6,326	20,350	12,702
Total revenues	2,038,258	2,903,799	3,444,706	3,360,972	5,482,964	6,264,771
Expenses						
General Government	296,157	343,847	0	0	296,157	343,847
Judicial	47,617	54,078	0	0	47,617	54,078
Public Safety	766,117	715,100	0	0	766,117	715,100
Public Works	294,725	312,483	0	0	294,725	312,483
Culture and Recreation	5,000	5,000	0	0	5,000	5,000
Housing and Development	139,818	282,259	0	0	139,818	282,259
Water and Sewerage	0	0	2,555,132	2,340,309	2,555,132	2,340,309
Airport	0	0	631,948	599,774	631,948	599,774
Total expenses	1,549,434	1,712,767	3,187,080	2,940,083	4,736,514	4,652,850
Increase (decrease) in net position before transfers	488,824	1,191,032	257,626	420,889	746,450	1,611,921
Transfers	(270,931)	(122,949)	270,931	122,949	0	0
Increase (decrease) in net position	217,893	1,068,083	528,557	543,838	746,450	1,611,921
Net position - beginning (original)	4,941,041	3,872,958	22,962,278	22,418,440	27,903,319	26,291,398
Prior period adjustments	(115,355)	0	135,877	0	20,522	0
Net position - beginning (adjusted)	4,825,686	3,872,958	23,098,155	22,418,440	27,923,841	26,291,398
Net position - ending	$ 5,043,579	$ 4,941,041	$ 23,626,712	$ 22,962,278	$ 28,670,291	$ 27,903,319

Governmental Activities –

The following chart illustrates revenues of the governmental activities for the fiscal year:



The following chart illustrates the expenses of the governmental activities for the fiscal year:



The revenue chart indicates that sales tax, followed by other taxes, and capital grants and contributions were the three largest sources of revenue for governmental activities for fiscal year 2017. Total revenues of the governmental activities decreased by more than $865,000. The largest cause of the decrease was capital grants and contributions, which decreased more than $870,000.

The expense chart indicates that the three most significant governmental activities expenses for the City of Blairsville during fiscal year 2017 were public safety services, followed by public works and general government. Overall, governmental activities expenses decreased by more than $160,000 from the prior fiscal year. Housing and development expenses decreased by more than $140,000 from fiscal year 2016.

Business-Type Activities –

Business-type activities increased the City of Blairsville's net position by $528,557, or 2%. Excluding transfers, the increase is $257,626. The increase is due to Water and Sewerage Fund net income before transfers of $115,066 and Airport Fund intergovernmental revenues of $385,458 offsetting an operating loss of $242,898.

Financial Analysis of the City's Funds

The City of Blairsville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The main focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of unrestricted resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

1) As the City completed this year, its governmental funds reported a combined ending fund balance of $3,533,569. Of this amount, $2,480,942 (70%) constitutes unassigned fund balance, which is available for appropriation for the general purposes of the funds in accordance with the City of Blairsville policy on fund balance.

The General Fund is the chief operating fund of the City. At the end of the current year, fund balance of the General Fund was $2,503,198. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 99% of total fund balance in the General Fund. Unassigned fund balance represents approximately 199% of total General Fund expenditures, while total fund balance represents approximately 201% of that same amount. The City ended the year realizing an increase in the overall fund balance in the General Fund by $155,907, or 6.6%. The City increased unassigned fund balance in the General Fund by $164,218, or 7.1%. This increase was very similar to the prior year. Expenditures of the SPLOST III and SPLOST IV Capital Projects Funds continued on projects in accordance with the respective referendums.

General Fund Budget Highlights
The original budget for the General Fund was amended by various appropriations approved after the beginning of the year. Budgeted revenues and other financing sources in total increased $66,959 and expenditures and other financing uses in total increased $66,959 from original to final budgets. The City experienced a small decrease in revenues and expenditures from the prior fiscal year. The City ended the fiscal year with a similar increase in the fund balance as the prior year.

Proprietary Funds. The City of Blairsville's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the City's two proprietary funds totaled as follows:

- Water and Sewerage $ 10,767,727
- Airport $ 12,858,985

The Water and Sewerage Fund increased net position by $150,571. The increase is due to mostly to operating income exceeding interest expense. The Airport Fund increased net position by $377,986. The increase is due to intergovernmental revenues with transfers in offsetting the operating loss.

Capital Assets and Debt Administration

Capital Assets. The City of Blairsville has invested $29,947,045 in capital assets (net of accumulated depreciation) compared to $30,598,523 in the previous year. This represents a decrease of 2.1%. Approximately 94% of this investment is related to business-type activities and includes infrastructure, land, buildings, and equipment. Capital assets held by the City at year-end are summarized as follows:

City of Blairsville
Capital Assets (net of accumulated depreciation)
Fiscal Years 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	$0	$0	$1,685,633	$1,685,633	$1,685,633	$1,685,633
Airspace easements	0	0	1,035,758	1,035,758	1,035,758	1,035,758
Construction in progress	0	0	102,480	668,374	102,480	668,374
Buildings and improvements	999,196	999,196	14,795,630	13,977,104	15,794,826	14,976,300
Infrastructure	743,679	743,679	19,971,091	19,958,651	20,714,770	20,702,330
Machinery, equipment, and intangibles	702,783	725,152	1,717,352	1,646,715	2,420,135	2,371,867
Total	2,445,658	2,468,027	39,307,944	38,972,235	41,753,602	41,440,262
Accumulated depreciation	(776,023)	(754,777)	(11,030,534)	(10,086,962)	(11,806,557)	(10,841,739)
Net Capital Assets	$1,669,635	$1,713,250	$28,277,410	$28,885,273	$29,947,045	$30,598,523

Major capital asset purchases during the current year for governmental activities included the following:

- Purchase of vehicles for the Police Department

Major capital asset purchases during the current year for business-type activities included the following:

- Continued improvements to the water and sewerage system
- Completed construction of a new terminal building at the airport
- Purchase of fuel truck for the airport

Additional information on the City of Blairsville's capital assets can be found in Note 7 on pages 40-41 of this report.

Long-Term Debt. On December 31, 2017, the City of Blairsville had a total long-term debt balance outstanding for governmental activities in the amount of $136,376, as compared to $139,040 the previous year. The City's outstanding debt for governmental activities has decreased by $2,664. On December 31, 2017, the City of Blairsville had a total long-term debt balance outstanding for business-type activities in the amount of $6,698,822, as compared to $6,915,784 the previous year. The City's outstanding debt for business-type activities has decreased by $216,962 during the course of the year due to regular scheduled payments.

Additional information on the City's long-term debt can be found in Note 8 on pages 41-44 of this report.

Economic Condition and Outlook

The City of Blairsville is determined to maintain an increase in our fund balance each year while continuing to provide exceptional services to our citizens. Moving forward the City will continue to face challenges as a result of past slow economic growth, but we are encouraged at the very positive direction of the current economy along with our strong fiscal city policies. Housing starts and retail sales related to residential and commercial construction are all increasing. Hotel stays and cabin rentals are strong. Most shops and restaurants continue to show an increase in business. Our average unemployment rate is the lowest in many years and continues to be among the lowest in our region.

We remain cautiously optimistic that the growth in revenues and business in the City of Blairsville will continue. These and many key factors were considered in preparation of the budget for 2018. Our strong financial position helps insure that the City of Blairsville is ready to meet any future challenges:

- Strong recovery in citywide retail sales
- Continued reliance on Special Purpose Local Option Sales Tax for capital improvements to continue improving our quality of life and limit requirements for more property tax dollars
- Rising cost of healthcare and other insurance benefits must always be considered as to how it will impact budgets
- With continued growth there will eventually be a need for additional personnel, development, and training

Contacting the City

This financial report is designed to provide the City of Blairsville citizens, taxpayers, customers, and creditors with a general overview of the City of Blairsville's finances and to demonstrate the City's high level of accountability for the revenue it receives and the services it provides. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Blairsville, Georgia
P.O. Box 307
Blairsville, GA 30514
706-745-2000
http://www.blairsville-ga.gov

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BASIC FINANCIAL STATEMENTS

CITY OF BLAIRSVILLE, GEORGIA
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government			Blairsville DDA Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,599,619	$ 1,626,309	$ 3,225,928	$ 36,331
Certificates of deposit	10,000	0	10,000	0
Restricted cash and cash equivalents	0	290,490	290,490	0
Restricted certificates of deposit	0	115,668	115,668	0
Accounts receivable (net)	0	304,664	304,664	0
Taxes receivable	118,881	0	118,881	0
Due from other governments	55,939	14,917	70,856	0
Other receivables (net)	9,533	0	9,533	0
Notes receivable	0	4,850	4,850	0
Prepaid items	22,256	37,395	59,651	0
Inventory	0	195,780	195,780	0
Total current assets	1,816,228	2,590,073	4,406,301	36,331
Noncurrent assets				
Advance to component unit	1,905,497	0	1,905,497	0
Capital assets				
Non-depreciable	0	2,823,871	2,823,871	2,160,787
Depreciable (net)	1,669,635	25,453,539	27,123,174	0
Notes receivable	0	8,150	8,150	0
Total noncurrent assets	3,575,132	28,285,560	31,860,692	2,160,787
Total assets	5,391,360	30,875,633	36,266,993	2,197,118
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	24,207	30,007	54,214	0
Pension experience differences	18,906	21,872	40,778	0
Pension investment return differences	0	67	67	0
Total deferred outflows of resources	43,113	51,946	95,059	0
LIABILITIES				
Current liabilities				
Accounts payable	28,008	32,528	60,536	0
Retainages payable	0	7,342	7,342	0
Due to other governments	0	0	0	275,000
Compensated absences payable	51,278	47,445	98,723	0
Unearned revenue	34,650	391,730	426,380	0
Notes payable	0	124,669	124,669	0
Liabilities payable from restricted assets				
Customer deposits payable	0	148,523	148,523	0
Accrued interest payable	0	8,662	8,662	0
Bonds payable	0	88,397	88,397	0
Total current liabilities	113,936	849,296	963,232	275,000
Noncurrent liabilities				
Advance from primary government	0	0	0	1,905,497
Net pension liability	136,376	165,954	302,330	0
Notes payable	0	1,555,455	1,555,455	0
Bonds payable	0	4,716,902	4,716,902	0
Total noncurrent liabilities	136,376	6,438,311	6,574,687	1,905,497
Total liabilities	250,312	7,287,607	7,537,919	2,180,497

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government			Blairsville DDA Component Unit
	Governmental Activities	Business-type Activities	Total	
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	$ 125,498	$ 0	$ 125,498	$ 0
Pension assumption changes	8,095	10,211	18,306	0
Pension experience differences	2,259	2,821	5,080	0
Pension investment return differences	4,730	228	4,958	0
Total deferred inflows of resources	140,582	13,260	153,842	0
NET POSITION				
Net investment in capital assets	1,659,935	21,769,877	23,429,812	255,290
Restricted for:				
Law enforcement	669	0	669	0
Development	0	0	0	5,416
Capital outlay	953,595	0	953,595	0
Debt service	0	248,973	248,973	0
Unrestricted	2,429,380	1,607,862	4,037,242	(244,085)
Total net position	$ 5,043,579	$ 23,626,712	$ 28,670,291	$ 16,621

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Blairsville DDA Component Unit
Primary government								
Governmental activities								
General government	$ 296,157	$ 42,042	$ 0	$ 0	$ (254,115)	$ 0	$ (254,115)	
Judicial	47,617	44,646	0	0	(2,971)	0	(2,971)	
Public safety	766,117	100,972	49,589	0	(615,556)	0	(615,556)	
Public works	294,725	0	4,515	339,039	48,829	0	48,829	
Culture and recreation	5,000	0	0	0	(5,000)	0	(5,000)	
Housing and development	139,818	0	0	0	(139,818)	0	(139,818)	
Total governmental activities	1,549,434	187,660	54,104	339,039	(968,631)	0	(968,631)	
Business-type activities								
Water and Sewerage	2,555,132	2,667,854	0	0	0	112,722	112,722	
Airport	631,948	389,050	0	385,458	0	142,560	142,560	
Total business-type activities	3,187,080	3,056,904	0	385,458	0	255,282	255,282	
Total primary government	$ 4,736,514	$ 3,244,564	$ 54,104	$ 724,497	$ (968,631)	$ 255,282	$ (713,349)	
Blairsville DDA Component Unit	$ 21,238	$ 2,687	$ 28,608	$ 0				$ 10,057
General revenues								
Taxes								
Property					$ 207,580	$ 0	$ 207,580	$ 0
Sales					831,360	0	831,360	0
Franchise					26,798	0	26,798	0
Alcoholic beverage					108,506	0	108,506	0
Insurance premium					43,864	0	43,864	0
Business occupation					91,860	0	91,860	0
Other					122,680	0	122,680	0
Interest and investment earnings					4,457	2,344	6,801	63
Miscellaneous					2,297	0	2,297	0
Gain on sale of assets					18,053	0	18,053	0
Transfers					(270,931)	270,931	0	0
Total general revenues and transfers					1,186,524	273,275	1,459,799	63
Change in net position					217,893	528,557	746,450	10,120
Net position - beginning (original)					4,941,041	22,962,278	27,903,319	6,501
Prior period adjustments					(115,355)	135,877	20,522	0
Net position - beginning (adjusted)					4,825,686	23,098,155	27,923,841	6,501
Net position - ending					$ 5,043,579	$ 23,626,712	$ 28,670,291	$ 16,621

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	General	SPLOST III	SPLOST IV	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	$ 616,270	$ 399,905	$ 507,452	$ 75,992	$ 1,599,619
Certificates of deposit	10,000	0	0	0	10,000
Taxes receivable	112,506	0	0	6,375	118,881
Due from other governments	0	0	55,939	0	55,939
Other receivables (net)	9,533	0	0	0	9,533
Prepaid items	22,256	0	0	0	22,256
Due from component unit	1,905,497	0	0	0	1,905,497
Total assets	$ 2,676,062	$ 399,905	$ 563,391	$ 82,367	$ 3,721,725
LIABILITIES					
Accounts payable	$ 12,716	$ 0	$ 9,701	$ 5,591	$ 28,008
Unearned revenue	34,650	0	0	0	34,650
Total liabilities	47,366	0	9,701	5,591	62,658
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for subsequent year	125,498	0	0	0	125,498
FUND BALANCES					
Nonspendable prepaid items	22,256	0	0	0	22,256
Restricted for:					
Law enforcement	0	0	0	669	669
Capital outlay	0	399,905	553,690	0	953,595
Assigned to tourism	0	0	0	76,107	76,107
Unassigned	2,480,942	0	0	0	2,480,942
Total fund balances	2,503,198	399,905	553,690	76,776	3,533,569
Total liabilities, deferred inflows of resources, and fund balances	$ 2,676,062	$ 399,905	$ 563,391	$ 82,367	$ 3,721,725

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2017

Total fund balance - total governmental funds			$ 3,533,569
Amounts reported for governmental activities in the statement of net position are different because:			
Some assets are not financial resources and, therefore, are not reported in the funds. These are:			
Capital assets	$ 2,445,658		
Accumulated depreciation	(776,023)		1,669,635
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. These are:			
Deferred outflows of resources:			
Pension contributions subsequent to measurement date	$ 24,207		
Pension experience differences	18,906		
Deferred inflows of resources:			
Pension assumption changes	(8,095)		
Pension experience differences	(2,259)		
Pension investment return differences	(4,730)		28,029
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are:			
Compensated absences payable	$ (51,278)		
Net pension liability	(136,376)		(187,654)
Net position of the governmental activities			$ 5,043,579

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2017

	General	SPLOST III	SPLOST IV	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	$ 1,317,916	$ 0	$ 0	$ 114,733	$ 1,432,649
Licenses and permits	40,760	0	0	0	40,760
Fines and forfeitures	98,251	0	0	0	98,251
Charges for services	46,960	0	0	0	46,960
Intergovernmental	28,734	0	324,692	0	353,426
Interest	4,457	803	954	0	6,214
Contributions	38,460	0	0	0	38,460
Other	3,294	0	0	0	3,294
Total revenues	1,578,832	803	325,646	114,733	2,020,014
EXPENDITURES					
Current					
General government	266,983	0	0	0	266,983
Judicial	47,617	0	0	0	47,617
Public safety	717,917	0	0	0	717,917
Public works	170,406	0	0	0	170,406
Culture and recreation	5,000	0	0	0	5,000
Housing and development	36,221	0	0	102,790	139,011
Capital outlay	0	1,053	108,468	0	109,521
Total expenditures	1,244,144	1,053	108,468	102,790	1,456,455
Excess (deficiency) of revenues over (under) expenditures	334,688	(250)	217,178	11,943	563,559
Other financing sources (uses)					
Transfers out	(180,084)	(3,854)	(86,993)	0	(270,931)
Proceeds from sales of assets	1,303	0	16,750	0	18,053
Total other financing sources (uses)	(178,781)	(3,854)	(70,243)	0	(252,878)
Net change in fund balances	155,907	(4,104)	146,935	11,943	310,681
Fund balances, January 1 (original)	2,337,711	404,009	406,755	64,833	3,213,308
Prior period adjustments	9,580	0	0	0	9,580
Fund balances, January 1 (adjusted)	2,347,291	404,009	406,755	64,833	3,222,888
Fund balances, December 31	$ 2,503,198	$ 399,905	$ 553,690	$ 76,776	$ 3,533,569

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

Net change in fund balances - total governmental funds		$ 310,681
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 78,142	
Depreciation	(121,757)	(43,615)
In the statement of activities, the gain/loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increases financial resources.		
Cost of assets disposed	$ (100,511)	
Related accumulated depreciation	100,511	0
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenues.		189
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension contributions	$ 34,976	
Cost of benefits earned net of employee contributions	(68,065)	(33,089)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These include the following:		
Net increase in compensated absences		(16,273)
Change in net position of governmental activities		$ 217,893

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2017

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 1,244,885	$ 1,241,409	$ 1,317,916	$ 76,507
Licenses and permits	36,600	40,760	40,760	0
Fines and forfeitures	105,700	101,662	98,251	(3,411)
Charges for services	40,475	46,960	46,960	0
Intergovernmental	4,600	38,314	28,734	(9,580)
Interest	5,300	4,457	4,457	0
Contributions	12,000	38,460	38,460	0
Other	100	3,294	3,294	0
Total revenues	1,449,660	1,515,316	1,578,832	63,516
EXPENDITURES				
Current				
General government				
General administration	287,095	294,458	264,048	30,410
Elections	2,100	2,935	2,935	0
Judicial				
Municipal court	48,875	50,645	47,617	3,028
Public safety				
Police	724,762	727,706	717,917	9,789
Public works				
Streets	309,468	219,571	170,406	49,165
Culture and recreation				
Library	5,000	5,000	5,000	0
Housing and development				
Downtown development	36,110	36,220	36,221	(1)
Total expenditures	1,413,410	1,336,535	1,244,144	92,391
Excess (deficiency) of revenues over (under) expenditures	36,250	178,781	334,688	155,907
Other financing sources (uses)				
Transfers out	(36,250)	(180,084)	(180,084)	0
Proceeds from sales of capital assets	0	1,303	1,303	0
Total other financing sources (uses)	(36,250)	(178,781)	(178,781)	0
Net change in fund balances	0	0	155,907	155,907
Fund balances, January 1 (original)	0	0	2,337,711	2,337,711
Prior period adjustments	0	0	9,580	9,580
Fund balances, January 1 (adjusted)	0	0	2,347,291	2,347,291
Fund balances, December 31	$ 0	$ 0	$ 2,503,198	$ 2,503,198

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-Type Activities		
	Water and Sewerage	Airport	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,625,302	$ 1,007	$ 1,626,309
Restricted cash and cash equivalents			
Customer deposits	148,523	0	148,523
Debt service	141,967	0	141,967
Restricted certificates of deposit			
Debt service	115,668	0	115,668
Accounts receivable (net)	304,664	0	304,664
Due from other governments	0	14,917	14,917
Notes receivable	4,850	0	4,850
Prepaid items	28,957	8,438	37,395
Inventory	160,647	35,133	195,780
Total current assets	2,530,578	59,495	2,590,073
Noncurrent assets			
Capital assets			
Nondepreciable	114,905	2,708,966	2,823,871
Depreciable (net)	14,932,083	10,521,456	25,453,539
Notes receivable	8,150	0	8,150
Total noncurrent assets	15,055,138	13,230,422	28,285,560
Total assets	17,585,716	13,289,917	30,875,633
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	27,030	2,977	30,007
Pension experience differences	19,644	2,228	21,872
Pension investment return differences	67	0	67
Total deferred outflows of resources	46,741	5,205	51,946
LIABILITIES			
Current liabilities			
Accounts payable	16,937	15,591	32,528
Retainages payable	0	7,342	7,342
Compensated absences payable	43,623	3,822	47,445
Unearned revenue	0	391,730	391,730
Notes payable	124,669	0	124,669
Liabilities payable from restricted assets			
Customer deposits payable	148,523	0	148,523
Accrued interest payable	8,662	0	8,662
Bonds payable	88,397	0	88,397
Total current liabilities	430,811	418,485	849,296
Noncurrent liabilities			
Net pension liability	149,816	16,138	165,954
Notes payable	1,555,455	0	1,555,455
Bonds payable	4,716,902	0	4,716,902
Total noncurrent liabilities	6,422,173	16,138	6,438,311
Total liabilities	6,852,984	434,623	7,287,607
DEFERRED INFLOWS OF RESOURCES			
Pension assumption changes	9,204	1,007	10,211
Pension experience differences	2,542	279	2,821
Pension investment return differences	0	228	228
Total deferred inflows of resources	11,746	1,514	13,260

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-Type Activities		
	Water and Sewerage	Airport	Totals
NET POSITION			
Net investment in capital assets	$ 8,561,565	$ 13,208,312	$ 21,769,877
Restricted for debt service	248,973	0	248,973
Unrestricted	1,957,189	(349,327)	1,607,862
Total net position	$ 10,767,727	$ 12,858,985	$ 23,626,712

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2017

	Business-Type Activities		
	Water and Sewerage	Airport	Totals
OPERATING REVENUES			
Water charges	$ 1,106,090	$ 0	$ 1,106,090
Sewer charges	1,126,199	0	1,126,199
Water and sewer tap fees	244,633	0	244,633
Airport charges	0	386,719	386,719
Miscellaneous	190,932	2,331	193,263
Total operating revenues	2,667,854	389,050	3,056,904
OPERATING EXPENSES			
Personal services	989,605	103,017	1,092,622
Costs of sales and services	684,622	245,525	930,147
Depreciation	660,166	283,406	943,572
Total operating expenses	2,334,393	631,948	2,966,341
Operating income	333,461	(242,898)	90,563
Non-operating revenues (expenses)			
Interest revenue	2,344	0	2,344
Interest expense	(220,739)	0	(220,739)
Total non-operating revenues (expenses)	(218,395)	0	(218,395)
Net income before capital contributions and transfers	115,066	(242,898)	(127,832)
Capital contributions			
Intergovernmental revenue	0	385,458	385,458
Net income before transfers	115,066	142,560	257,626
Transfers			
Transfers in	35,505	235,426	270,931
Change in net position	150,571	377,986	528,557
Net position, January 1 (original)	10,617,156	12,345,122	22,962,278
Prior period adjustments	0	135,877	135,877
Net position, January 1 (adjusted)	10,617,156	12,480,999	23,098,155
Net position, December 31	$ 10,767,727	$ 12,858,985	$ 23,626,712

See accompanying notes to the financial statements.

CITY OF BLAIRSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2017

	Business-Type Activities		
	Water and Sewerage	Airport	Totals
Cash flows from operating activities:			
Receipts from customers and users	$ 2,428,214	$ 341,384	$ 2,769,598
Payments to suppliers	(682,213)	(281,507)	(963,720)
Payments to employees	(959,698)	(103,867)	(1,063,565)
Other receipts	190,932	2,331	193,263
Net cash provided (used) by operating activities	977,235	(41,659)	935,576
Cash flows from non-capital financing activities:			
Receipts from other funds	0	180,084	180,084
Cash flows from capital and related financing activities:			
Receipts from other governments	0	370,541	370,541
Receipts from other funds	35,505	55,342	90,847
Principal payments - notes receivable	2,654	0	2,654
Acquisition of capital assets	(70,890)	(242,709)	(313,599)
Payment of capital related payables	0	(320,692)	(320,692)
Principal payments - notes payable	(122,230)	0	(122,230)
Principal payments - bonds payable	(85,021)	0	(85,021)
Interest paid	(221,056)	0	(221,056)
Net cash provided (used) by capital and related financing activities	(461,038)	(137,518)	(598,556)
Cash flows from investing activities:			
Interest received	2,344	0	2,344
Net increase in cash and cash equivalents	518,541	907	519,448
Cash and cash equivalents, October 1	1,397,251	100	1,397,351
Cash and cash equivalents, September 30	$ 1,915,792	$ 1,007	$ 1,916,799
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 333,461	$ (242,898)	$ 90,563
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	660,166	283,406	943,572
(Increase) decrease in accounts receivable	(70,509)	0	(70,509)
(Increase) decrease in prepaid items	534	(4,747)	(4,213)
(Increase) decrease in inventory	7,984	(30,075)	(22,091)
(Increase) decrease in pension deferred outflows of resources	46,904	5,201	52,105
Increase (decrease) in accounts payable	(6,109)	(1,160)	(7,269)
Increase (decrease) in compensated absences payable	(2,219)	(4,602)	(6,821)
Increase (decrease) in unearned revenue	(75)	(45,335)	(45,410)
Increase (decrease) in customer deposits payable	21,876	0	21,876
Increase (decrease) in net pension liability	(2,587)	(303)	(2,890)
Increase (decrease) in pension deferred inflows of resources	(12,191)	(1,146)	(13,337)
Total adjustments	643,774	201,239	845,013
Net cash provided (used) by operating activities	$ 977,235	$ (41,659)	$ 935,576
Cash and cash equivalents reconciliation			
Cash and cash equivalents	$ 1,625,302	$ 1,007	$ 1,626,309
Restricted cash and cash equivalents	290,490	0	290,490
	$ 1,915,792	$ 1,007	$ 1,916,799

Noncash investing and capital and related financing activites:
Acquisition of capital assets through payables totaled $22,110 for the year ended December 31, 2017.

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

The financial statements of the 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 governmental 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. 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.

The accompanying financial statements present the City and its component unit, entity for which the City is considered to be financially accountable. The component unit column on the government-wide financial statements is used to emphasize that the entity is legally separate from the City.

Discretely Presented Component Unit

The City of Blairsville Downtown Development Authority (the “DDA”) is reported as a discretely presented component unit in the accompanying financial statements. The purpose of the DDA 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 DDA. Information included herein has been compiled from the records of the DDA. Separate financial statements for the City of Blairsville Downtown Development Authority are not prepared.

1. Summary of Significant Accounting Policies (continued)

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 and its component units. (For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally 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 discretely presented component units. The Statement of Net Position will include noncurrent assets and noncurrent liabilities. In addition, the government-wide Statement of Activities reflects depreciation expense on the City's capital assets.

The Statement of Activities demonstrates 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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1. Summary of Significant Accounting Policies (continued)

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, fines and forfeitures, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions,” the corresponding assets (receivables) in nonexchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation, continued

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **SPLOST III Fund** accounts for the receipt and disbursement of special purpose local option sales tax (SPLOST) funds.

The **SPLOST IV Fund** accounts for the receipt and disbursement of special purpose local option sales tax (SPLOST) funds.

The City reports the following major proprietary funds:

The **Water and Sewerage Fund** accounts for the activity of the City's utility system.

The **Airport Fund** accounts for revenues from user charges and the costs of providing airport hangar space, fuel and oil, and related services.

The City also reports the following fund types:

The **Special Revenue Funds** are used to account for specific revenues, such as confiscations and forfeitures and hotel/motel tax revenues, which are legally restricted or committed to expenditures for specific, restricted purposes.

The **Capital Project Funds** are used to account for the collection and expenditures of certain restricted revenues, such as sales tax receipts and impact fee.

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation, continued

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia.

Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents. Investments a1re reported at fair value as determined by quoted market prices.

1. Summary of Significant Accounting Policies (continued)

E. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Customer accounts receivable include billed but uncollected amounts and unbilled receivables based upon a pro rata amount of subsequent monthly billings. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. Prepaid Items

Prepaid items are accounted for using the consumption method. Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items in both government-wide and fund financial statements.

G. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an asset at the time the individual item is purchased and are adjusted when accounted for at interval periods during the year or at year-end.

1. Summary of Significant Accounting Policies (continued)

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Infrastructure (e.g., roads, bridges, sidewalks, and similar items) prior to January 1, 2004 have not been reported.

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' lives are not capitalized.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Useful Life in Years
Buildings and improvements	10-50
Machinery and equipment	6-10
Infrastructure	25-50

1. Summary of Significant Accounting Policies (continued)

I. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of January 1, 2013. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City reports deferred outflows of resources related to their defined benefit pension plan.

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City's unavailable revenues arise only under a modified accrual basis of accounting. Accordingly, they are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, which will be recognized as an inflow of resources in the period in which the amounts become available. The City also reports deferred inflows of resources related to their defined benefit pension plan.

J. 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 160 hours. The City's liability has been calculated using the vesting method; leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future for such payments, are included.

1. Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as expenses when incurred.

Proprietary fund type loans payable are reported as liabilities at their outstanding value. Loan issuance costs are reported as expenses when incurred. In the fund financial statements, governmental fund types report the face amount of debt issued and related premiums or discounts as other financing sources and bond issuance costs as expenditures.

L. Fund Equity and Net Position

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

1. Summary of Significant Accounting Policies (continued)

L. Fund Equity and Net Position, continued

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a formal vote (resolution) of the City Council. Only the City Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council retains the authority to assign amounts for specific purposes by a formal vote (resolution). Only the City Council may modify or rescind the assignment.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) 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. All other net position is reported as unrestricted.

1. Summary of Significant Accounting Policies (continued)

M. Management 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

N. Interfund Transactions

Interfund services provided and used in the fund financial statements are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

O. Budgets

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds. All appropriations lapse at fiscal year-end. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not employed by the City.

2. Legal Compliance - Budgets

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 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.

3. Deposits

Credit risk: The City's policy is to adhere to the State statues as it relates to credit risk for investments. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

3. Deposits (continued)

Custodial Credit Risk – Deposits: 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, and City policy, 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.

Interest rate risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

4. Receivables

Receivables at December 31, 2017 for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	SPLOST IV	Nonmajor Governmental	Totals
Receivables:				
Taxes	$ 112,506	$ 0	$ 6,375	$ 118,881
Due from other governments	0	55,939	0	55,939
Other	18,912	0	0	18,912
Due from component unit	1,905,497	0	0	1,905,497
Less allowance for uncollectible	(9,379)	0	0	(9,379)
Net totals	$ 2,027,536	$ 55,939	$ 6,375	$ 2,089,850

	Water and Sewerage	Airport	Totals
Receivables:			
Accounts	$ 307,736	$ 0	$ 307,736
Due from other governments	0	14,917	14,917
Notes	13,000	0	13,000
Less allowance for uncollectible	(3,072)	0	(3,072)
Net totals	$ 317,664	$ 14,917	$ 332,581

5. Property Taxes

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for the 2017 tax digest year, based upon the assessments as of January 1, 2017, were levied on August 1, 2017, billed on October 1, 2017, and due on December 20, 2017. The City has not established a lien date for unpaid property taxes. The 2017 tax digest year is to fund the 2018 budget. Therefore, the tax proceeds for this year have been reported as deferred inflows of resources.

6. Interfund Transfers

Interfund activity consisted of the following for the year ended December 31, 2017:

Transfer Out Fund	Transfer In Fund	Amount
General	Airport	$ 180,084
SPLOST III	Water and Sewerage	3,854
SPLOST IV	Water and Sewerage	31,651
	Airport	55,342
		$ 270,931

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

7. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Depreciable assets				
Buildings and improvements	$ 999,196	$ 0	$ 0	$ 999,196
Infrastructure	743,679	0	0	743,679
Machinery and equipment	725,152	78,142	(100,511)	702,783
Total depreciable assets	2,468,027	78,142	(100,511)	2,445,658
Accumulated depreciation				
Buildings and improvements	(191,891)	(29,040)	0	(220,931)
Infrastructure	(30,990)	(37,184)	0	(68,174)
Machinery and equipment	(531,896)	(55,533)	100,511	(486,918)
Total accumulated depreciation	(754,777)	(121,757)	100,511	(776,023)
Total depreciable assets, net	1,713,250	(43,615)	0	1,669,635
Governmental activities capital assets, net	$ 1,713,250	$ (43,615)	$ 0	$ 1,669,635
Business-type activities				
Non-depreciable assets				
Land	$ 1,685,633	$ 0	$ 0	$ 1,685,633
Airspace easements	1,035,758	0	0	1,035,758
Construction in progress	668,374	225,511	(791,405)	102,480
Total non-depreciable assets	3,389,765	225,511	(791,405)	2,823,871
Depreciable assets				
Buildings and improvements	13,977,104	818,526	0	14,795,630
Infrastructure	19,958,651	12,440	0	19,971,091
Machinery, equipment, and intangibles	1,646,715	70,637	0	1,717,352
Total depreciable assets	35,582,470	901,603	0	36,484,073
Accumulated depreciation				
Buildings and improvements	(2,808,205)	(336,797)	0	(3,145,002)
Infrastructure	(6,170,717)	(515,392)	0	(6,686,109)
Machinery, equipment, and intangibles	(1,108,040)	(91,383)	0	(1,199,423)
Total accumulated depreciation	(10,086,962)	(943,572)	0	(11,030,534)
Total depreciable assets, net	25,495,508	(41,969)	0	25,453,539
Business-type activities capital assets, net	$ 28,885,273	$ 183,542	$ (791,405)	$ 28,277,410

7. Capital Assets (continued)

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

Governmental activities	
General Government	$ 9,179
Public Safety	52,055
Public Works	60,523
Total depreciation expense for governmental activities	$ 121,757
Business-type activities	
Water and Sewerage	$ 660,166
Airport	283,406
Total depreciation expense for business-type activities	$ 943,572

Capital asset activity for the City of Blairsville Downtown Development Authority Component Unit for the year ended December 31, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable assets				
Land	$ 2,160,787	$ 0	$ 0	$ 2,160,787

8. Long-Term Debt

Business-Type Activities

Bonds Payable

Series 1996B Revenues Bonds: The Series 1996B revenue bonds were originally issued for $1,335,300 with an interest rate of 4.50%. The bonds are payable in monthly installments of $6,009 through 2037. The proceeds from the bonds were used for additions, extensions, and improvements to the water and sewerage system.

8. Long-Term Debt (continued)

Business-Type Activities, continued

Bonds Payable, continued

Series 2010A and 2010B Revenues Bonds: The Series 2010A and 2010B revenue bonds were originally issued for $3,398,000 and $802,000, respectively. The interest rates on the Series 2010A and 2010B bonds are 4.25% and 2.50%, respectively. The bonds are payable in monthly installments of $17,395 through 2051. The proceeds from the bonds were used for additions, extensions, and improvements to the waste water treatment facility.

Revenue bonds currently outstanding mature as follows:

Year Ending December 31,	Principal	Interest	Total
2018	$ 88,397	$ 192,451	$ 280,848
2019	92,054	188,794	280,848
2020	95,866	184,982	280,848
2021	99,840	181,008	280,848
2022	103,984	176,864	280,848
2023-2027	588,542	815,698	1,404,240
2028-2032	722,188	682,052	1,404,240
2033-2037	877,388	517,179	1,394,567
2038-2042	684,723	358,977	1,043,700
2043-2047	833,967	209,733	1,043,700
2048-2051	618,350	40,689	659,039
Totals	$ 4,805,299	$ 3,548,427	$ 8,353,726

8. Long-Term Debt (continued)

Business-Type Activities, continued

Notes Payable

Notes Payable - GEFA: The City has incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewerage system projects. These notes, including their original balances, are as follows at December 31, 2017:

Interest Rate	Term	Due Date	Original Balance
3.00%	10 years	2021	$ 322,800
3.92%	20 years	2027	600,000
0.50%	20 years	2036	1,269,750
			$ 2,192,550

The City's notes payable debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	$ 124,669	$ 22,791	$ 147,460
2019	127,198	20,262	147,460
2020	129,808	17,652	147,460
2021	129,384	14,958	144,342
2022	97,263	12,792	110,055
2023-2027	505,960	37,097	543,057
2028-2032	323,453	10,187	333,640
2033-2036	242,389	2,279	244,668
Totals	$ 1,680,124	$ 138,018	$ 1,818,142

8. Long-Term Debt (continued)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ending December 31, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	$ 35,005	$ 51,278	$ (35,005)	$ 51,278	$ 51,278
Net pension liability	139,040	0	(2,664)	136,376	0
Total governmental activities	$ 174,045	$ 51,278	$ (37,669)	$ 187,654	$ 51,278
Business-type activities					
Compensated absences	$ 54,266	$ 47,445	$ (54,266)	$ 47,445	$ 47,445
Net pension liability	168,844	0	(2,890)	165,954	0
Notes payable	1,802,354	0	(122,230)	1,680,124	124,669
Bonds payable	4,890,320	0	(85,021)	4,805,299	88,397
Total business-type activities	$ 6,915,784	$ 47,445	$ (264,407)	$ 6,698,822	$ 260,511

Bond issue costs and discounts/premiums are amortized over the life of the related debt. For governmental funds, compensated absences and net pension liability are liquidated by the General Fund. For business-type activities, compensated absences and net pension liability are liquidated by the Water and Sewerage Fund and the Airport Fund. The total interest incurred and charged to expense for the year ending December 31, 2017 was $220,739 for the business-type activities.

9. Net Investment in Capital Assets

The net investment in capital assets reported on the government-wide statement of net position is calculated as follows for the year ended December 31, 2017:

	Governmental Activities	Business-Type Activities	DDA Component Unit
Cost of capital assets	$ 2,445,658	$ 39,307,944	$ 2,160,787
Accumulated depreciation	(776,023)	(11,030,534)	0
Book value	1,669,635	28,277,410	2,160,787
Capital-related accounts payable	(9,700)	(14,768)	0
Retainages payable	0	(7,342)	0
Advance from primary government	0	0	(1,905,497)
Notes payable	0	(1,680,124)	0
Bonds payable	0	(4,805,299)	0
Net investment in capital assets	$ 1,659,935	$ 21,769,877	$ 255,290

10. Pension Plans

Defined Benefit Pension Plan

Plan Description. The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Blairsville Retirement 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. Participants are not allowed to contribute to the Plan. The City does not own any securities on its own. 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 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.

10. Pension Plans (continued)

Defined Benefit Pension Plan, continued

At July 1, 2017, the date of the most recent actuarial valuation, there were participants consisting of the following:

Active participants	33
Vested terminated participants	5
Retired participants and beneficiaries	8
Total number of participants	46

Benefits Provided. 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 the date of employment for all full-time employees who work at least thirty hours a week. Elected officials are covered by the Plan. 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 age 55 provided he has a minimum of 10 years total credited service. Retirement between the ages of 55 and 65 will result in a reduced monthly benefit. To receive full benefits, an employee bust be employed until age 65. The benefit is calculated on the last five years' highest averaged earnings.

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 the 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 the plan members during the year, with an additional amount to finance any unfunded accrued liability. The City's actuarially determined contribution rate for the year ended December 31, 2017 was $74,754, or 5.91% of covered payroll. Employees do not contribute to the plan.

10. Pension Plans (continued)

Defined Benefit Pension Plan, continued

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2017, the City reported a net pension liability of $302,330. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. For the year ended December 31, 2017, the City recognized pension expense of $143,720.

The components of the net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at March 31, 2016	$ 2,069,125	$ 1,761,241	$ 307,884
Changes for the year:			
Service cost	37,201	0	37,201
Interest	158,769	0	158,769
Differences between expected and actual experience	27,911	0	27,911
Contributions—employer	0	84,562	(84,562)
Net investment income	0	224,999	(224,999)
Benefit payments, including refunds of employee contributions	(40,978)	(40,978)	0
Administrative expense	0	(12,140)	12,140
Other	67,986	0	67,986
Net changes	250,889	256,443	(5,554)
Balances at March 31, 2017	$ 2,320,014	$ 2,017,684	$ 302,330

Plan fiduciary net position as a percentage of the total pension liability	86.97%
Covered payroll	$ 1,137,848
Employer's net pension liability as a percentage of covered payroll	26.57%

10. Pension Plans (continued)

Defined Benefit Pension Plan, continued

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to the measurement date	$ 54,214	$ 0
Changes of assumptions	0	(18,306)
Differences between expected and actual experience	40,778	(5,080)
Net difference between projected and actual earnings on pension plan investments	67	(4,958)
Totals	$ 95,059	$ (28,344)

The $54,214 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ending December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31	
2018	$ 5,337
2019	5,337
2020	11,251
2021	(14,075)
2022	4,651
Totals	$ 12,501

10. Pension Plans (continued)

Defined Benefit Pension Plan, continued

Actuarial Assumptions. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Healthy mortality rates 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. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

The mortality and economic actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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.

10. Pension Plans (continued)

Defined Benefit Pension Plan, continued

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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Cash	0%	
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

	Discount Rate	Net Pension Liabilty
1% decrease	6.75%	$ 581,337
Current discount rate	7.75%	302,330
1% increase	8.75%	67,209

10. Pension Plans (continued)

Defined Benefit Pension Plan, continued

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Georgia Municipal Employees Benefit System financial report.

Other Plans

In addition to the plan above, various City employees are also covered under the Peace Officers' Annuity and Benefit Fund of Georgia and the Georgia Firefighters' Pension Fund. Further information regarding these plans can be obtained from the plans' annual reports. These plans are immaterial to the financial statements.

11. Deferred Compensation Plan

The City of Blairsville offers its employees a deferred compensation plan (the City of Blairsville Savings and Retirement Plan) created in accordance with Internal Revenue Code Section 457. The Mayor and Council established this defined contribution plan and Ameritus 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 2017, 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, 2017, employee and matching contributions of the City were $51,226 and $40,677, respectively.

12. Hotel/Motel Lodging Tax

The City has levied a 5% lodging tax in accordance with OCGA 48-13-51. The City is required to spend an amount equal to at least 40% for the purpose of promoting tourism, conventions, and trade shows or for facilities used for these purposes. A summary of the transactions for the year ended December 31, 2017 follows:

Lodging tax receipts	$ 114,733	
Disbursements for tourism	$ 45,684	40.00% of tax receipts

13. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues thereto. During the year ended December 31, 2017, the City paid $609 in such dues. Membership in a regional commission (RC) is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RCs in Georgia. The RC Board membership includes the chief elected official in each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. A copy of the GMRC financial statements can be obtained from GMRC, 1310 West Ridge Road, Gainesville, GA 30501.

14. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; 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 Group Workers' Compensation Self-Insurance Fund (GMA), public entity risk pools currently operating as common risk management and insurance programs for member local governments.

14. Risk Management (continued)

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 year. The City is unaware of any claims that eh City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2017. No provisions have been made in the financial statements for the year ending December 31, 2017 for any estimate of potential unpaid claims.

As a participant in GMA's risk pool, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims.

However, the enabling statute creating the fund permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency, as management believes the likelihood for assessment is remote.

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

14. Risk Management (continued)

There have been no significant reductions of insurance coverage from coverage in the prior year and settled claims have not exceeded the coverages in the past three years.

15. Commitments and Contingencies

Contractual Commitments

As of December 31, 2017, contractual commitments on uncompleted contracts were $41,492.

Litigation

Legal counsel has advised that 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, 2017.

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, management of the City believes such disallowances, if any, will not be significant.

16. Changes in Beginning Balances

Governmental Activities

A prior period adjustment has been made to record deferred inflows of resources for property taxes levied for subsequent year at December 31, 2016. This adjustment decreased beginning net position by $124,935.

General Fund

A prior period adjustment has been made to correct the recording of unearned revenue at December 31, 2016. This adjustment increased beginning fund balance by $9,580.

The net effect of these adjustments was to decrease beginning net position in the Governmental Activities by $115,355.

Business-Type Activities

Airport Enterprise Fund

A prior period adjustment has been made to correct the recording of unearned revenue at December 31, 2016. This adjustment increased beginning net position by $135,877.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BLAIRSVILLE, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN FISCAL YEARS
December 31, 2017
(Unaudited)

	Fiscal Year End		
	2017	**2016**	**2015**
Total pension liability			
Service cost	$ 37,201	$ 44,770	$ 39,758
Interest	158,769	147,143	135,798
Differences between expected and actual experience	27,911	(7,617)	35,037
Changes of assumptions	0	0	(36,614)
Benefit payments, including refunds of employee contributions	(40,978)	(27,587)	(27,587)
Changes of benefit terms	67,986	0	0
Net change in total pension liability	250,889	156,709	146,392
Total pension liability - beginning	2,069,125	1,912,416	1,766,024
Total pension liability - ending (a)	$ 2,320,014	$ 2,069,125	$ 1,912,416
Plan fiduciary net position			
Contributions - employer	$ 84,562	$ 85,743	$ 88,319
Net investment income	224,999	6,113	148,080
Benefit payments, including refunds of employee contributions	(40,978)	(27,587)	(27,587)
Administrative expense	(12,140)	(7,267)	(6,698)
Net change in plan fiduciary net position	256,443	57,002	202,114
Plan fiduciary net position - beginning	1,761,241	1,704,239	1,502,125
Plan fiduciary net position - ending (b)	$ 2,017,684	$ 1,761,241	$ 1,704,239
Net pension liability (asset) - ending : (a) - (b)	$ 302,330	$ 307,884	$ 208,177
Plan's fiduciary net position as a percentage of the total pension liability	86.97%	85.12%	89.11%
Covered payroll	$ 1,137,848	$ 1,138,112	$ 1,118,389
Net pension liability as a percentage of covered payroll	26.57%	27.05%	18.61%

Note: Fiscal year 2015 was the first year of implementation. Therefore, only three years are reported.

See accompanying notes to the
required supplementary information.

CITY OF BLAIRSVILLE, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
December 31, 2017
(Unaudited)

	Fiscal Year End		
	2017	**2016**	**2015**
Actuarially determined contribution	$ 74,754	$ 85,364	$ 85,870
Contributions in relation to the actuarially determined contribution	(74,754)	(87,214)	(85,870)
Contribution deficiency (excess)	$ 0	$ (1,850)	$ 0
Covered payroll	$ 1,264,455	$ 1,137,848	$ 1,138,112
Contributions as a percentage of covered payroll	5.91%	7.50%	7.54%

Note: Fiscal year 2015 was the first year of implementation. Therefore, only three years are reported.

See accompanying notes to the
required supplementary information.

1. Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2017, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the year ending December 31, 2018.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method = Projected unit credit

Amortization method = Closed level dollar for remaining unfunded liability

Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 14 years

Asset valuation method = Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Net investment rate of return = 7.75%

Projected salary increases = 3.25% plus service based merit increases

Cost of living adjustments = 0.00%

Retirement age for inactive vested participants = 65

Mortality = Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and on year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

3. Changes in Benefits

Effective December 6, 2016, elected officials became eligible to participate in the Plan.

4. Changes of Assumptions

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

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COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF BLAIRSVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Special Revenue		
	Hotel/Motel Tax	Confiscated Assets	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 75,323	$ 669	$ 75,992
Taxes receivable	6,375	0	6,375
Total assets	$ 81,698	$ 669	$ 82,367
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 5,591	$ 0	$ 5,591
Total liabilities	5,591	0	5,591
Fund balances			
Restricted for law enforcement	0	669	669
Assigned to tourism	76,107	0	76,107
Total fund balances	76,107	669	76,776
Total liabilities and fund balances	$ 81,698	$ 669	$ 82,367

CITY OF BLAIRSVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2017

	Special Revenue		
	Hotel/Motel Tax	Confiscated Assets	Total Nonmajor Governmental Funds
REVENUES			
Taxes	$ 114,733	$ 0	$ 114,733
Total revenues	114,733	0	114,733
EXPENDITURES			
Current			
Housing and development	102,790	0	102,790
Total expenditures	102,790	0	102,790
Net change in fund balances	11,943	0	11,943
Fund balances, January 1	64,164	669	64,833
Fund balances, December 31	$ 76,107	$ 669	$ 76,776

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally or donor restricted or committed to expenditure for particular purposes.

Hotel/Motel Tax Fund – This fund is used to account for monies collected from the 5% lodging tax. Revenues collected are restricted by State law for the promotion of tourism, conventions, and trade shows.

Confiscated Assets Fund – This fund is used to account for cash or property received from drug confiscations restricted for law enforcement.

CITY OF BLAIRSVILLE, GEORGIA
HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	Budget	Actual	Variance
REVENUES			
Taxes	$ 103,000	$ 114,733	$ 11,733
Total revenues	103,000	114,733	11,733
EXPENDITURES			
Current			
Housing and development	103,000	102,790	210
Total expenditures	103,000	102,790	210
Net change in fund balances	0	11,943	11,943
Fund balances, January 1	0	64,164	64,164
Fund balances, December 31	$ 0	$ 76,107	$ 76,107

CITY OF BLAIRSVILLE, GEORGIA
CONFISCATED ASSETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	Budget	Actual	Variance
REVENUES	$ 0	$ 0	$ 0
EXPENDITURES	0	0	0
Net change in fund balances	0	0	0
Fund balances, January 1	0	669	669
Fund balances, December 31	$ 0	$ 669	$ 669

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OTHER REPORTING 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blairsville, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Blairsville, Georgia's basic financial statements and have issued our report thereon dated April 27, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiency in internal control to be a material weakness:

2017-001

Condition: The 2016 financial statements were restated for errors and incorrectly reported amounts in the Governmental Activities, General Fund, and Airport Fund.

Criteria: Generally accepted accounting principles require that accruals be properly calculated and recorded.

Effect: Failure to properly apply generally accepted accounting principles led to financial statements that were materially misstated.

Recommendation: Management should review their year-end procedures for recording assets and liabilities.

2017-001, continued

Management Response: Management concurs with this finding. Finance personnel will review all year-end accruals to ensure they are properly calculated and recorded. This action was taken immediately upon receipt of the comment from our auditors.

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. We consider the following deficiencies in internal control to be significant deficiencies:

2017-002

Condition: City personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, future changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that the finance personnel are not trained to perform the daily accounting functions, but that the City has elected as a cost benefit to outsource this expertise to their auditors. As required, we have indicated this as a significant deficiency in our letter on Internal Control and Compliance.

Criteria: Effective internal control requires that the City accept responsibility and understanding of the audited financial report.

Effect: Failure to understand the financial statements may lead to material misstatements.

Recommendation: City personnel should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements.

Management Response: Management concurs with this finding. Finance staff will continue classes to obtain/renew certifications. Additional educational classes are recommended on GASB 34, the preparation of the government-wide financial statements, and the reconciling items for full accrual statements.

2017-003

Condition: During audit procedures on journal entries, we noted that journal entries originated by the Accountant did not have evidence of approval. All journal entries reviewed during audit procedures appeared appropriate.

Criteria: Proper segregation of duties requires that the duties of authorizing and recording adjustments to the general ledger be performed by different employees.

Effect: Failure to properly segregate the duties of authorizing and recording adjustments to the general ledger exposes the City to a greater risk of loss due to fraud.

Recommendation: In order to provide adequate segregation of duties, someone other than the person recording the adjustments should review and document approval of the adjustments.

Management Response: Management concurs with this finding. The City will segregate duties of the journal entry process. This action was taken immediately upon receipt of the comment from our auditors.

2017-004

Condition: While performing audit procedures at the Municipal Court, we noted the Court does not have an approval process for voided transactions.

Criteria: Proper internal controls require that all voided transactions are properly approved.

Effect: Failure to maintain proper supporting documentation with evidence of approval for voided transactions subjects the assets of the City to greater risk of misappropriation.

Recommendation: Supporting documentation with evidence of approval should be retained at the Court's office.

Management Response: Management concurs with this finding. City management will review the policies and procedures to determine the most efficient and effective solution to properly segregate duties.

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 grants 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*.

City of Blairsville, Georgia's Responses to Findings

The City of Blairsville, Georgia's responses to the findings identified in our audit are described previously. The City of Blairsville, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
April 27, 2018

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STATE REPORTING SECTION

This section contains additional reports required by the State of Georgia.

CITY OF BLAIRSVILLE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2017

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST III (2009)					
Water and sewer facilities and equipment	$ 1,575,000	$ 1,575,000	$ 502,685	$ 3,854	$ 506,539
City Hall renovation and expansion	325,000	325,000	297,971	0	297,971
Streets, street improvements and public facilities	100,000	100,000	96,571	1,053	97,624
Total	$ 2,000,000	$ 2,000,000	$ 897,227	$ 4,907	$ 902,134
SPLOST IV (2015)					
Administrative buildings and equipment	$ 200,000	$ 200,000	$ 1,689	$ 55,342	$ 57,031
Public safety equipment and vehicles	200,000	200,000	37,317	28,975	66,292
Public works vehicles, equipment, roads and sidewalks	500,000	500,000	48,460	62,743	111,203
Water and sewer system improvements	600,000	600,000	53,742	31,651	85,393
Total	$ 1,500,000	$ 1,500,000	$ 141,208	178,711	$ 319,919
		Expenditures financed through other revenues		16,750	
		Total expenditures and transfers out of the SPLOST IV Capital Projects Fund		$ 195,461	

Note: Prior years SPLOST III expenditures have been adjusted to correct errors.

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.