

**CITY OF BLUE RIDGE, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**For The Year Ended December 31, 2014**

**CITY OF BLUE RIDGE, GEORGIA  
FINANCIAL REPORT  
For the Year Ended December 31, 2014**

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**PRINCIPAL OFFICERS**

The City operates under the direction of the Mayor and Council with the daily operations carried out by the City Administrator. Following is a list of officials:

**MAYOR**

Donna Whitener

**COUNCIL MEMBERS:**

Rhonda Thomas

Rodney Kendall

Harold Herndon

Angie Arp

Bruce Pack

**OFFICE PERSONNEL:**

City Administrator – Bill Sowers  
Finance Director- Alicia Stewart, CPA

**CITY ATTORNEY**

R. David Syfan  
Hulsey, Oliver & Mahar, LLP

**INDEPENDENT AUDITOR**

E. Rene Bidez, CPA

E. RENE BIDEZ

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CERTIFIED PUBLIC ACCOUNTANT

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MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and City Council  
City of Blue Ridge, Georgia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blue Ridge, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Blue Ridge, 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 from material misstatement.

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

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

**Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for City of Blue Ridge Retirement Plan on pages 3-7 and 33 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.

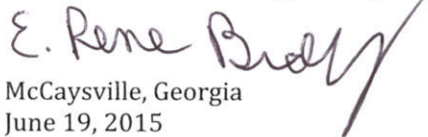
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blue Ridge, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated Section 48-8-21 and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015, on our consideration of the City of Blue Ridge, 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 Blue Ridge, Georgia's internal control over financial reporting and compliance.



McCaysville, Georgia  
June 19, 2015

**CITY OF BLUE RIDGE, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended December 31, 2014**

Within this section of the City of Blue Ridge, Georgia (City) basic financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government unless otherwise noted, component units, related organizations, and joint ventures reported separately from the primary government are not included.

**Overview of the Financial Statements**

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

***Government-wide Financial Statements***

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, judicial, public safety, public works, culture and recreation, economic development and sanitation. Business-type activities include water and sewer system utilities.

***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the difference between these two perspectives.

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

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

Proprietary fund statements and statements for discretely presented component units (reporting that is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. The City had no internal service funds or discretely presented component units.

## The City as a Whole

### Condensed Statement of Net Position

The table below presents the City's condensed Statement of Net Position as of December 31, 2013 and 2014.

	Governmental Activities			Business-type Activities		
	2013, <i>as restated</i>	2014	Change	2013, <i>as restated</i>	2014	Change
<b>Assets</b>						
Current assets	\$ 1,157,883	\$ 1,233,859	\$ 75,976	\$ 865,522	\$ 1,966,950	\$ 1,101,428
Other assets	-	-	-	220,963	-	(220,963)
Capital assets	<u>3,106,800</u>	<u>3,210,390</u>	<u>103,590</u>	<u>10,745,824</u>	<u>14,094,053</u>	<u>3,348,229</u>
Total assets	<u>4,264,683</u>	<u>4,444,249</u>	<u>179,566</u>	<u>11,832,309</u>	<u>16,061,003</u>	<u>4,228,694</u>
<b>Liabilities</b>						
Current liabilities	454,649	383,849	(70,800)	1,338,941	1,123,178	(215,763)
Long-term liabilities	<u>34,237</u>	<u>18,212</u>	<u>(16,025)</u>	<u>4,314,966</u>	<u>8,387,046</u>	<u>4,072,080</u>
Total liabilities	<u>488,886</u>	<u>402,061</u>	<u>(86,825)</u>	<u>5,653,907</u>	<u>9,510,224</u>	<u>3,856,317</u>
Deferred inflows of resources	<u>75,118</u>	<u>82,030</u>	<u>6,912</u>	-	-	-
<b>Net Position</b>						
Net investment in capital assets	3,056,807	3,188,978	132,171	5,646,042	5,503,393	(142,649)
Restricted	161,988	432,215	270,227	365,988	111,647	(254,341)
Unrestricted	<u>481,884</u>	<u>338,965</u>	<u>(142,919)</u>	<u>166,372</u>	<u>935,769</u>	<u>769,397</u>
Total net position	<u>\$ 3,700,679</u>	<u>\$ 3,960,158</u>	<u>\$ 259,479</u>	<u>\$ 6,178,402</u>	<u>\$ 6,550,809</u>	<u>\$ 372,407</u>

The largest component of the City's net position is its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and other), less any related debt outstanding that was needed to acquire or construct the assets. Approximately 81% of the governmental activities' net position is invested in capital assets at December 31, 2014; this is a 2% decrease from the prior year due to depreciation. The City's capital asset additions included a walking trail, paving, two tractor purchases with SPLOST funds and various other small equipment purchases. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net assets are not available for future spending. For business-type activities, the City has invested 84% of its net position in capital assets for 2014, as compared to 92% for 2013, a decrease of 8%. This is the result of depreciation along with the issuance of bonds which funded the current year construction in progress

addition and also reimbursed prior capital additions. Therefore, the addition of more debt than current year capital assets and depreciation resulted in a decrease to the net investment in capital assets. Capital assets in the business-type activities provide utility service and generate revenues for the water and sewer fund.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The increase in restricted net position of \$270,227 in governmental funds is due to the accumulation of SPLOST resources for future road and street improvements. Restricted net position for business-type activities is for the purpose of debt service and decreased because the reserve requirement on notes payable was released when refunded from the bond issuance. The remaining portion of net position is unrestricted, which can be used to finance government operations. Unrestricted net position shows a 4% reduction for governmental activities and a 12% increase for business-type activities due to increases the changes in the other portions of net position previously mentioned.

Condensed Statement of Activities

The following table presents the City's condensed Statement of Activities for the years ended December 31, 2013 and 2014.

	Governmental Activities			Business-type Activities		
	2013, <i>as restated</i>	2014	Change	2013, <i>as restated</i>	2014	Change
Revenues:						
Program						
Charges for services	\$ 610,154	\$ 408,261	\$ (201,893)	\$ 2,177,142	\$ 2,482,537	\$ 305,395
Operating grants & contributions	33,099	-	(33,099)	-	-	-
Capital grants & contributions	234,643	391,521	156,878	304,372	147,868	(156,504)
General						
Property taxes	541,531	395,948	(145,583)	-	-	-
Sales taxes	454,862	594,721	139,859	-	-	-
Other revenues and taxes	649,315	688,361	39,046	55,478	23,417	(32,061)
Total revenues	<u>2,523,604</u>	<u>2,478,812</u>	<u>(44,792)</u>	<u>2,536,992</u>	<u>2,653,822</u>	<u>116,830</u>
Expenses:						
General government	482,190	473,800	(8,390)	-	-	-
Judicial	120,900	129,270	8,370	-	-	-
Public safety	749,836	744,503	(5,333)	-	-	-
Public works	590,491	503,821	(86,670)	-	-	-
Culture and recreation	219,656	203,385	(16,271)	-	-	-
Economic development	193,988	162,172	(31,816)	-	-	-
Sanitation	162,882	-	(162,882)	-	-	-
Interest	2,922	2,382	(540)	-	-	-
Water and sewerage system	-	-	-	2,275,374	2,281,415	6,041
Total expenses	<u>2,522,865</u>	<u>2,219,333</u>	<u>(303,532)</u>	<u>2,275,374</u>	<u>2,281,415</u>	<u>6,041</u>
Excess (deficiency) before transfers	<u>739</u>	<u>259,479</u>	<u>258,740</u>	<u>261,618</u>	<u>372,407</u>	<u>110,789</u>
Transfers	<u>9,563</u>	<u>-</u>	<u>(9,563)</u>	<u>(9,563)</u>	<u>-</u>	<u>9,563</u>
Change in net position	10,302	259,479	249,177	252,055	372,407	120,352
Beginning net position	4,062,435	3,700,679	(361,756)	5,806,102	6,178,402	372,300
Prior period adjustment	(372,058)	-	372,058	120,245	-	(120,245)
Ending net position	<u>\$ 3,700,679</u>	<u>\$ 3,960,158</u>	<u>\$ 259,479</u>	<u>\$ 6,178,402</u>	<u>\$ 6,550,809</u>	<u>\$ 372,407</u>

Over time, increases and decreases in net position measure whether the City's financial position is improving or deteriorating. During the year ending December 31, 2014, the net position increased \$259,479 and \$372,407 for governmental and business-type activities, respectively.



Approximately 16% of the City's revenues came from property taxes, 24% from sales taxes and 28% from other revenues and taxes during 2014. The amount generated by property taxes decreased while sales taxes increased because the 2013 millage rate was lowered in expectation of additional sales tax revenue from the opening of Wal-Mart during 2014. Taxes for 2014 were also decreased with the addition of an allowance since the taxes receivable balance has grown in recent years. These sources account for 68% of governmental activity revenues as the City is heavily reliant on property, sales and franchise taxes to support governmental operations. Charges for services provided 16% of the City's revenue in 2014 versus 25% in 2013 because of the discontinuation of sanitation collections. This also resulted in a 6% decrease in overall expenditures since the City is no longer paying a contractor for sanitation services. The City's expenses cover a range of services with 34% related to public safety in 2014, an increase of 5% since police department expenditures remained consistent while overall expenditures decreased. General government expense increased 2% to account for 21% of total expenses. Public works, culture and recreation, economic development and judicial functions all remained the same at approximately 23%, 9%, 7% and 5%, respectively.

There was a 14% increase in operating revenues for business-type activities due to the implementation of rates that do not allow any minimum in the base rate along with an increase in billable water from efforts to replace faulty meters and increased customers from economic growth. Business-type expense remained consistent, decreasing only \$6,041.

### **Financial Analysis of the City's Funds**

The focus of the City's governmental funds is to provide information on near-term inflows and outflows and the balance of resources available for spending. 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.

As of the close of the year, the City's governmental funds reported a combined ending fund balance of \$463,673 with negative \$73,089 reported as unassigned fund balance, \$22,369 as nonspendable for prepaid items and \$463,950 restricted for specific purposes. General fund unassigned fund balance decreased approximately \$300,000 from the prior year because of a \$530,000 decrease in assets. This decrease was because taxes were not billed before year end resulting in a large decrease in taxes receivable along with a negative pooled cash balance since tax collections were late. The amount restricted for SPLOST capital projects increased \$197,370 from last year as assets are accumulating in the fund for future projects. The remaining amount of \$50,443 is assigned for working capital and contingencies according to the City's fund balance policy.

#### Governmental Funds

The general fund balance decreased \$38,641. Total revenues increased \$37,425 or 2% with increases in several categories including sales tax and fines netted with a decrease in charges for services since the City discontinued billing sanitation fees during 2013. General fund expenditures decreased \$25,587 or 1% again because of the discontinued contract for sanitation collection. Expenditures increased for public works because of capital outlay, increases in materials and supplies accounts and increases in wage and benefit accounts resulting from increased insurance premiums and the reclassification of an employee. Culture and recreation expenditures increase due to capital outlay for a new walking trail funded by a grant.

Intergovernmental revenue for the SPLOST fund and nonmajor governmental funds remained consistent changing only by approximately \$11,000. Fund balance increased \$188,370 due to the accumulation of resources for a future project.

The fund balance of nonmajor governmental funds increased \$53,838 due to an accumulation of unrestricted hotel/motel revenues that will be spent in future years.

#### Proprietary Fund

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Therefore, the analysis is presented above.

### **General Fund Budgetary Highlights**

Before the start of 2014, the City adopted a budget of \$2,007,550 for revenues and expenditures. The City did two budget amendments during the year making the amended budget \$2,186,050. The first budget amendment added transfers to the

Streetscape fund for rental expenditures, insurance reimbursement for a wrecked police car, an equipment purchase for general administration and a reclassification of insurance expenditures between departments. The second amendment included additional transfers to the Streetscape fund, increases in street department expenditures for capital outlay, materials, electricity and various other smaller accounts for the street and municipal court departments. These expenditure increases were offset with increases in auto tag taxes, sanitation franchise fees, beverage taxes and fines and forfeitures according to actual collections.

The actual operating revenues of the General Fund were less than budgeted amounts by \$66,684. The actual operating expenditures of the General Fund were less than budgeted amounts by \$57,910. The budget was closely monitored during the year and budget amendments done to keep expenditures in line with collected and projected revenues.

### **Capital Asset and Long-term Debt Activity**

At December 31, 2014, the City reported \$3,210,390 in capital assets for governmental activities and \$13,984,017 in capital assets for the business-type activities. For governmental activities asset additions included a walking trail, paving, two tractors and other small equipment. Major capital asset transactions during the year included additions to construction in progress for a water plant upgrade, the extension of water lines and the addition of a storage tank for business-type activities. Refer to Note 5 to the financial statements for additional information on capital assets.

At December 31, 2014, the City reported long-term debt of \$36,332 for governmental activities and \$8,501,954 for business-type activities. The debt for governmental activities includes capital leases for police cars. The debt for business-type activities includes bonds for water and sewer plant upgrades and improvements and notes payable for meter replacements. Refer to Note 6 to the financial statements for additional information on long-term debt.

### **Conditions Affecting the City**

A project to install master meters throughout the system is expected to greatly impact the water loss percentage and reduce maintenance expenses in water distribution. The project will include replacing faulty or old meters in order to capture lost water and generate additional income for the water system. These projects are funded by a GEFA loan during 2015. The City is also anticipating the completion of an upgrade at the water plant to reduce plant runtimes, cutting wages, supplies, electricity and other expenses at the water plant.

### **Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information contact Alicia Stewart, Finance Director at City of Blue Ridge, 480 West First Street, Blue Ridge Georgia, or (706)632-2091.

City of Blue Ridge, Georgia  
Statement of Net Position  
December 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 436,018	\$ 572,322	\$ 1,008,340
Pooled operating cash	92,960	768,587	861,547
Investments	183,167	-	183,167
Restricted assets			
Cash and cash equivalents	-	219,279	219,279
Receivables			
Accounts	22,227	294,111	316,338
Property taxes	87,005	-	87,005
Franchise taxes	13,120	-	13,120
Other taxes	9,947	-	9,947
Fines	158,233	-	158,233
Intergovernmental	208,813	-	208,813
Inventory	-	95,746	95,746
Prepaid items	22,369	16,905	39,274
<b>Total Current Assets</b>	<b>1,233,859</b>	<b>1,966,950</b>	<b>3,200,809</b>
<b>Noncurrent Assets</b>			
Restricted assets			
Cash and cash equivalents	-	110,066	110,066
Capital assets			
Nondepreciable	285,805	4,245,476	4,531,281
Depreciable, net	2,924,585	9,738,541	12,663,126
<b>Total Noncurrent Assets</b>	<b>3,210,390</b>	<b>14,094,083</b>	<b>17,304,473</b>
<b>Total Assets</b>	<b>4,444,249</b>	<b>16,061,033</b>	<b>20,505,282</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	73,860	62,212	136,072
Contracts payable	44,077	808,510	852,587
Accrued payroll liabilities	42,064	22,318	64,382
Internal balances	190,014	(190,014)	-
Accrued interest payable	-	87,546	87,546
Other	15,714	-	15,714
Compensated absences payable	4,476	6,399	10,875
Capital leases payable	13,644	-	13,644
Revenue obligation bonds payable	-	22,814	22,814
Notes payable	-	85,695	85,695
Payable from restricted assets			
Customer deposits	-	217,698	217,698
<b>Total Current Liabilities</b>	<b>383,849</b>	<b>1,123,178</b>	<b>1,507,027</b>
<b>Long-Term Liabilities (net of current portion)</b>			
Compensated absences payable	10,444	14,931	25,375
Capital leases payable	7,768	-	7,768
Notes payable	-	284,410	284,410
Revenue bonds payable	-	8,086,209	8,086,209
General obligation bonds payable	-	1,496	1,496
<b>Total Long-Term Liabilities</b>	<b>18,212</b>	<b>8,387,046</b>	<b>8,405,258</b>
<b>Total Liabilities</b>	<b>402,061</b>	<b>9,510,224</b>	<b>9,912,285</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	82,030	-	82,030
<b>Net Position</b>			
Net investment in capital assets	3,188,978	5,503,393	8,692,371
Restricted for			
Debt service	-	110,066	110,066
Capital projects	328,160	1,581	329,741
Program purposes			
Public safety	2,999	-	2,999
Housing and economic development	101,056	-	101,056
Unrestricted	338,965	935,769	1,274,734
<b>Total Net Position</b>	<b>\$ 3,960,158</b>	<b>\$ 6,550,809</b>	<b>\$ 10,510,967</b>

See accompanying notes to the basic financial statements

City of Blue Ridge, Georgia  
Statement of Activities  
For the Year Ended December 31, 2014

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services, Sales and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General government	\$ 473,800	\$ 59,870	\$ -	\$ -	\$ (413,930)	\$ -	\$ (413,930)
Judicial	129,270	209,282	-	-	80,012	-	80,012
Public safety	744,503	8,777	-	-	(735,726)	-	(735,726)
Public works	503,821	-	-	252,413	(251,408)	-	(251,408)
Culture and recreation	203,385	42,820	-	99,439	(61,126)	-	(61,126)
Housing and development	162,172	87,512	-	39,669	(34,991)	-	(34,991)
Interest	2,382	-	-	-	(2,382)	-	(2,382)
<b>Total Governmental Activities</b>	<b>2,219,333</b>	<b>408,261</b>	<b>-</b>	<b>391,521</b>	<b>(1,419,551)</b>	<b>-</b>	<b>(1,419,551)</b>
<b>Business-Type Activities</b>							
Water and sewerage system	2,281,415	2,482,537	-	147,868	-	348,990	348,990
<b>Total - Primary Government</b>	<b>\$ 4,500,748</b>	<b>\$ 2,890,798</b>	<b>\$ -</b>	<b>\$ 539,389</b>	<b>(1,419,551)</b>	<b>348,990</b>	<b>(1,070,561)</b>
<b>General Revenues</b>							
Property taxes levied for general government purposes					395,948	-	395,948
Sales taxes					594,721	-	594,721
Franchise taxes					103,120	-	103,120
Insurance premium taxes					69,468	-	69,468
Business and occupation taxes					44,215	-	44,215
Real estate and intangible taxes					9,907	-	9,907
Other taxes					428,586	-	428,586
Investment earnings					2,318	1,350	3,668
Miscellaneous					30,747	22,067	52,814
<b>Total General Revenues</b>					<b>1,679,030</b>	<b>23,417</b>	<b>1,702,447</b>
<b>Change in Net Position</b>					<b>259,479</b>	<b>372,407</b>	<b>631,886</b>
<b>Net Position Beginning of Year</b>					<b>4,038,252</b>	<b>6,042,643</b>	<b>10,080,895</b>
<b>Prior Period Adjustment</b>					<b>(337,573)</b>	<b>135,759</b>	<b>(201,814)</b>
<b>Net Position End of Year</b>					<b>\$ 3,960,158</b>	<b>\$ 6,550,809</b>	<b>\$ 10,510,967</b>

See accompanying notes to the basic financial statements

**City of Blue Ridge, Georgia**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2014**

	<u>General Fund</u>	<u>SPLOST</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 67,309	\$ 333,947	\$ 34,762	\$ 436,018
Pooled operating cash	-	-	92,960	92,960
Investments	183,167	-	-	183,167
Receivables (net)				
Accounts	22,227	-	-	22,227
Property taxes	87,005	-	-	87,005
Franchise taxes	13,120	-	-	13,120
Other taxes	-	-	9,947	9,947
Fines	158,233	-	-	158,233
Intergovernmental				
State	123,176	-	27,675	150,851
County	7,974	49,988	-	57,962
Interfund	28,035	-	-	28,035
Prepaid items	19,494	-	2,875	22,369
<b>Total Assets</b>	<u>\$ 709,740</u>	<u>\$ 383,935</u>	<u>\$ 168,219</u>	<u>\$ 1,261,894</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 70,644	\$ -	\$ 3,216	\$ 73,860
Contracts payable	-	-	44,077	44,077
Accrued payroll liabilities	42,064	-	-	42,064
Other	15,714	-	-	15,714
Interfund payable	190,014	360	27,675	218,049
<b>Total Liabilities</b>	<u>318,436</u>	<u>360</u>	<u>74,968</u>	<u>393,764</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	321,367	55,415	27,675	404,457
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	19,494	-	2,875	22,369
Restricted				
Capital projects	-	328,160	-	328,160
Program purposes				
Economic development	-	-	101,056	101,056
Public safety	-	-	2,999	2,999
Assigned				
Working capital/contingencies	50,443	-	-	50,443
Unassigned, reported in				
Capital projects fund	-	-	(41,354)	(41,354)
<b>Total Fund Balances</b>	<u>69,937</u>	<u>328,160</u>	<u>65,576</u>	<u>463,673</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 709,740</u>	<u>\$ 383,935</u>	<u>\$ 168,219</u>	<u>\$ 1,261,894</u>

See accompanying notes to the basic financial statements

**City of Blue Ridge, Georgia**  
**Reconciliation of the Governmental Funds' Balance Sheet**  
**to the Statement of Net Position**  
**December 31, 2014**

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<b>Total Governmental Fund Balances</b>	\$	463,673
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**Amounts reported for governmental activities in the  
statement of net position are different because:**

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Cost of capital assets	\$	5,349,910	
Less accumulated depreciation		(2,139,520)	3,210,390

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Property taxes		133,478	
Intergovernmental		47,563	
Fines		141,386	322,427

Liabilities not due and payable in the current period are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net position.

Notes payable		(21,412)	
Compensated absences		(14,920)	(36,332)

<b>Net Position Of Governmental Activities</b>	<b>\$</b>	<b>3,960,158</b>
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See accompanying notes to the basic financial statements

**City of Blue Ridge, Georgia**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended December 31, 2014**

	<u>General Fund</u>	<u>SPLOST</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Property taxes	\$ 434,064	\$ -	\$ -	\$ 434,064
Sales taxes	594,721	-	-	594,721
Other taxes	532,434	-	122,862	655,296
Licenses and permits	82,060	-	-	82,060
Intergovernmental	80,115	294,636	31,735	406,486
Charges for services	39,603	-	6,946	46,549
Fines and forfeitures	229,150	-	800	229,950
Contributions	-	-	6,216	6,216
Investment earnings	2,318	415	-	2,733
Miscellaneous	94,901	-	-	94,901
<b>Total Revenues</b>	<u>2,089,366</u>	<u>295,051</u>	<u>168,559</u>	<u>2,552,976</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	441,138	-	-	441,138
Judicial	127,992	-	-	127,992
Public safety				
Police	728,233	-	3,270	731,503
Fire	14,675	-	-	14,675
Public works	430,608	-	-	430,608
Culture and recreation	274,287	-	-	274,287
Housing and economic development	50,207	-	58,050	108,257
<b>Capital Outlay</b>				
Public works	-	106,681	-	106,681
Housing and economic development	-	-	114,268	114,268
<b>Total Expenditures</b>	<u>2,067,140</u>	<u>106,681</u>	<u>175,588</u>	<u>2,349,409</u>
<b>(Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>22,226</u>	<u>188,370</u>	<u>(7,029)</u>	<u>203,567</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	60,867	60,867
Transfers out	(60,867)	-	-	(60,867)
<b>Total Other Financing Sources</b>	<u>(60,867)</u>	<u>-</u>	<u>60,867</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(38,641)	188,370	53,838	203,567
<b>Fund Balances Beginning of Year</b>	439,679	139,790	5,385	584,854
Prior period adjustment	(331,101)	-	6,353	(324,748)
<b>Fund Balances End of Year</b>	<u>\$ 69,937</u>	<u>\$ 328,160</u>	<u>\$ 65,576</u>	<u>\$ 463,673</u>

See accompanying notes to the basic financial statements

**City of Blue Ridge, Georgia**  
**Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures**  
**and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended December 31, 2014**

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**Net Changes In Fund Balances - Total Governmental Funds** \$ 203,567

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the

Depreciation expense	\$ (183,354)	
Capital outlay	286,944	103,590

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.

Property taxes:		
Deferred at 12/31/12	\$ (171,594)	
Deferred at 12/31/13	133,478	(38,116)
Intergovernmental:		
Deferred at 12/31/12	\$ (62,943)	
Deferred at 12/31/13	47,563	(15,380)
Fines:		
Deferred at 12/31/12	\$ (162,054)	
Deferred at 12/31/13	141,386	(20,668)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities. 28,581

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. The change in the current year expenses are as follows:

Compensated absences		
Liability @ 12/31/13	\$ 12,825	
Liability @ 12/31/14	(14,920)	(2,095)

**Change In Net Position of Governmental Activities** \$ 259,479

See accompanying notes to the basic financial statements



**City of Blue Ridge, Georgia**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Budget</b>
<b>Revenues</b>				
Property taxes	\$ 450,950	\$ 476,950	\$ 434,064	\$ (42,886)
Sales taxes	620,000	620,000	594,721	(25,279)
Other taxes	457,000	530,000	532,434	2,434
Licenses and permits	81,500	81,500	82,060	560
Intergovernmental	102,000	102,000	80,115	(21,885)
Charges for services	38,100	38,100	39,603	1,503
Fines and forfeitures	162,000	224,000	229,150	5,150
Investment earnings	1,000	1,000	2,318	1,318
Miscellaneous	65,000	82,500	94,901	12,401
<b>Total Revenues</b>	<u>1,977,550</u>	<u>2,156,050</u>	<u>2,089,366</u>	<u>(66,684)</u>
<b>Expenditures</b>				
General government	431,316	444,316	441,138	3,178
Judicial	115,258	127,258	127,992	(734)
Public safety				
Police	740,117	741,117	728,233	12,884
Fire	15,000	15,000	14,675	325
Public works	330,152	426,652	430,608	(3,956)
Culture and recreation	318,210	313,210	274,287	38,923
Economic development	57,497	57,497	50,207	7,290
<b>Total Expenditures</b>	<u>2,007,550</u>	<u>2,125,050</u>	<u>2,067,140</u>	<u>57,910</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(30,000)</u>	<u>31,000</u>	<u>22,226</u>	<u>(8,774)</u>
<b>Other Financing Sources (Uses)</b>				
Capital lease inception	30,000	30,000	-	(30,000)
Transfers out	-	(61,000)	(60,867)	133
<b>Total Other Financing Sources (Uses)</b>	<u>30,000</u>	<u>(31,000)</u>	<u>(60,867)</u>	<u>(29,867)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(38,641)</u>	<u>\$ (38,641)</u>
<b>Fund Balances Beginning of Year</b>			439,679	
Prior period adjustment			<u>(331,101)</u>	
<b>Fund Balances End of Year</b>			<u>\$ 69,937</u>	

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia  
Statement of Net Position  
Proprietary Fund  
December 31, 2014

		<u>Water &amp; Sewer Fund</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$	572,322
Pooled operating cash		768,587
Receivables (net)		
Accounts		294,111
Interfund		190,014
Inventory		95,746
Prepaid items		16,905
Restricted assets		
Cash and cash equivalents		219,279
<b>Total Current Assets</b>		<b>2,156,964</b>
<b>Noncurrent Assets</b>		
Restricted assets		
Cash and cash equivalents		110,066
Capital assets		
Nondepreciable		4,245,476
Depreciable, net		9,738,541
<b>Total Noncurrent Assets</b>		<b>14,094,083</b>
<b>Total Assets</b>		<b>16,251,047</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable		62,212
Contracts payable		808,510
Accrued payroll liabilities		22,318
Accrued interest		87,546
Compensated absences payable		6,399
Notes payable		85,695
Revenue bonds payable		22,814
Payable from Restricted Assets:		
Customer deposits		217,698
<b>Total Current Liabilities</b>		<b>1,313,192</b>
<b>Long-Term Liabilities</b>		
Compensated absences payable		14,931
Notes payable (net of current portion)		284,410
Revenue bonds payable (net of current portion)		8,086,209
General obligation bonds		1,496
<b>Total Long-Term Liabilities</b>		<b>8,387,046</b>
<b>Total Liabilities</b>		<b>9,700,238</b>
<b>Net Position</b>		
Net investment in capital assets		5,503,393
Reserved for construction		1,581
Restricted for debt service		110,066
Unrestricted		935,769
<b>Total Net Position</b>	<b>\$</b>	<b>6,550,809</b>

**City of Blue Ridge, Georgia**  
**Statement of Revenues,**  
**Expenses and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the year ended December 31, 2014**

	<b>Water &amp; Sewer Fund</b>
<b>Operating Revenues</b>	
Charges for services	
Water revenues	\$ 1,846,469
Sewer revenues	570,738
Service charges	15,077
Tap fees	10,476
Connection fees	11,925
Penalties	27,852
Miscellaneous	22,067
<b>Total Operating Revenues</b>	2,504,604
<b>Operating Expenses</b>	
Water department	
Personnel services	651,434
Contractual services	145,474
Supplies	381,383
Sewer department	
Personnel services	162,021
Contractual services	101,472
Supplies	223,585
<b>Total Operating Expenses</b>	1,665,369
<b>Operating Income before Depreciation</b>	839,235
Depreciation	374,013
<b>Operating Income</b>	465,222
<b>Non-Operating Revenues (Expenses)</b>	
Intergovernmental revenue	147,868
Interest income	1,350
Debt issuance costs	(98,000)
Interest on revenue bonds	(40,254)
Interest on leases and notes payable	(103,779)
<b>Total Non-Operating (Expenses)</b>	(92,815)
<b>Change in Net Position</b>	372,407
<b>Net Position Beginning of Year</b>	6,042,643
<b>Prior period adjustment</b>	135,759
<b>Net Position End of Year</b>	\$ 6,550,809

See accompanying notes to the basic financial statements

**City of Blue Ridge, Georgia**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended December 31, 2014**

	<b>Water &amp; Sewer Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 2,479,934
Cash payments for personal services	(801,106)
Cash payments for goods and services	(700,149)
Other cash receipts	22,067
	1,000,746
<b>Net Cash Provided by (Used in) Operating Activities</b>	
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from issuance of bonds	7,224,820
Principal paid on revenue bonds	(21,811)
Interest paid on revenue bonds	(40,254)
Principal paid on leases and notes	(3,806,653)
Interest paid on leases and notes	(116,349)
Payments for financing costs	(98,000)
Proceeds from grants	239,868
Payments for capital acquisitions and construction	(3,318,776)
	62,845
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	
<b>Cash Flows from Investing Activities</b>	
Investments earnings	1,350
	1,350
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,064,941
<b>Cash and Cash Equivalents Beginning of Year</b>	605,313
<b>Cash and Cash Equivalents End of Year</b>	\$ 1,670,254
Reconciliation of total cash and cash equivalents:	
Cash and cash equivalents	\$ 572,322
Pooled operating cash	768,587
Current restricted assets-cash and cash equivalents	219,279
Noncurrent restricted assets- cash and cash equivalents	110,066
Total cash and cash equivalents	\$ 1,670,254

See accompanying notes to the basic financial statements

(continued)

**City of Blue Ridge, Georgia**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended December 31, 2014**

	<u>Water &amp; Sewer Fund</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating Income</b>	\$ 465,222
<b>Adjustments</b>	
<b>Depreciation</b>	374,013
<b>(Increase) Decrease in Assets</b>	
Accounts receivable	(3,107)
Inventories	(5,631)
Interfund receivables	150,256
Prepaid expenses	(8,852)
<b>Increase (Decrease) in Liabilities</b>	
Accounts payable	15,992
Accrued payroll liabilities	7,267
Deposits payable	504
Compensated absences	5,082
	1,000,746
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,000,746</b>

See accompanying notes to the basic financial statements

**CITY OF BLUE RIDGE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

1. Summary of Accounting Policies

The City of Blue Ridge, Georgia complies with Generally Accepted Accounting Principles (GAAP). The city's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Government-wide and Fund Financial Statements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34 which establishes new financial reporting requirements for state and local governments throughout the United States. Its implementation creates new information and restructures much of the information that governments have presented in the past. The GASB's intent is to make annual reports more comprehensive and easier to understand.

GASB 34 took effect for entities the size of the City of Blue Ridge during the fiscal year ending December 31, 2004. One of the changes required by GASB 34 is the presentation of current and accumulated depreciation by activity. Another important change is the requirement to present the original adopted budget as well as the final amended budget in the budgetary comparison statements.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is accountable.

The statement of activities demonstrates the degree to which 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 properly included among program revenues are reported instead as general revenues. The City does not allocate indirect expenses to functions in the statement of activities.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City.

These statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets, as well as current year infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, fines, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. A sixty (60) day availability period is used for revenue recognition for all governmental fund revenues.

The City reports the following major governmental funds:

*General Fund* – is the principal fund of the City and is used to account for all activities of the City not otherwise accounted for by a specified fund.

*Special Local Option Sales Tax (SPLOST) Fund* – to account for the collection and disbursement of the renewal of the 1% Special Local Option Sales Tax (SPLOST) needed to fund road projects and acquisition and construction of capital projects.

The City reports the following major proprietary funds:

*Water and Sewer Fund* – to provide for the operation, maintenance, and improvement of the City’s water and sewer system.

Additionally the City reports the following fund types:

*Special Revenue Funds* account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Hotel/Motel and Confiscated Assets funds are special revenue funds.

*Capital Projects Funds* account for financial resources to be used for the acquisition of major capital projects which are not financed by the General Fund. The SPLOST fund and nonmajor Streetscape fund are capital projects funds.

*Proprietary Funds* are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

*Enterprise Funds* account for activities that are usually self-sustaining, principally through user charges for services rendered. The Water and Sewer Fund is an enterprise fund.

D. The Reporting Entity

The financial statements of the City consist only of the funds of the City. The City has no component units since the City does not exercise significant influence or accountability over another governmental entity. Significant influence or accountability is based primarily on operational or financial relationships with the City.

E. Budgets

The budgetary data reflected in the financial statements are established and adopted by the City Council and Mayor at the department level. Any change to the original budget for a department must be approved by the Council.

An annual budget is required to be adopted for the general fund and each special revenue fund according to Georgia law. A project-length budget is required for capital projects funds. Annual budgets were adopted for the General Fund, special revenue funds, capital projects funds, and the Water and Sewer Fund. Budgets

are adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies.

F. Receivables

Property taxes reflected in revenue consist of taxes levied the prior calendar year, normally by the end of that calendar year, plus collections of any prior year taxes. Those current and prior year property taxes which are collected within sixty days of the fiscal year end are susceptible to accrual and therefore are accrued and reflected in revenue. All other property taxes receivable are deferred in the governmental fund financial statements. An allowance is made for uncollectible taxes consisting of 100% of delinquent balances for any taxes over seven years and the lesser of the delinquent balance or 2% of the levy for all other years. The allowance for property taxes at December 31, 2014 is \$47,034.

Fines receivable is estimated as 15% of the outstanding balance of non-probation cases and 100% of probation cases. No allowance is made for fines receivable since warrants are taken out on uncollected cases and probation cases are rarely written off.

Accounts receivable in the Water and Sewer Fund are stated at gross amounts receivable less an allowance for estimated uncollectible accounts. The allowance is computed as a percentage of the receivable balance at year end based primarily on the age of the indebtedness. The allowance for uncollectible accounts receivable in the Water and Sewer Fund is computed as 5% of the current receivable balance and 100% of the delinquent balances over 90 days. The total allowance for 2014 is \$164,624. The increase in the amount of receivables considered uncollectible is included in the financial statements in net revenue. Unbilled water and sewer charges are accrued as receivables and revenue at December 31, 2014.

G. Inventories

Inventories in the Water and Sewer Fund are stated at cost. The City uses the first-in, first-out (FIFO) method of accounting for inventory.

H. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's policy has set the capitalization threshold for reporting capital assets at \$5,000 and \$25,000 for infrastructure assets. Infrastructure assets acquired prior to the implementation of GASB 34 have not been capitalized. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City patched and resurfaced several roads during the current year that are considered general maintenance.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Deprecation on capital assets is calculated on the straight-line basis over the following estimated useful lives.

	<u>Useful Life</u>
Building and Improvements	10 – 50 years
Equipment	5 – 20 years
Vehicles	5 – 10 years
Infrastructure	50 years
City Park and Improvements	20 - 40 years
Utility Plant and Pipelines	40 - 50 years

I. Employee Benefits

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.



- J. Long-Term Obligations  
In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as debt service expenditures in governmental funds or a non-operating expense in proprietary funds.
- K. Encumbrances  
Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is at present considered unnecessary to assure effective budgetary control or to facilitate effective cash planning and control.
- L. Prepays  
Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items at both reporting levels using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.
- M. Cash and Cash Equivalents  
Cash and Cash Equivalents for balance sheet purposes consist of demand deposits and certificates of deposits with original maturities of three months or less.
- N. Operating and Non-operating Income  
The City defines non-operating income as interest, rents and other investment type revenue. All other revenues that are primarily customer related are considered operating revenue. Non-operating expenses include interest. All other expenses are considered operating expenses.
- O. Fund Balance Policy and Restricted and Unrestricted Resources  
The fund balance of governmental funds can be classified into five different categories which are nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance are resources that are not in spendable form or are legally or contractually required to be maintained intact, such as inventory or prepaid assets. Some constraints on the use of resources are externally enforceable, imposed by law or enabling legislation and are classified as restricted. An example includes hotel/motel tax resources. Portions of fund balance can be committed if constraints are formally imposed by the government's highest level of decision-making authority by no later than the end of the reporting period. The Mayor and Council are required to formally commit fund balance by resolution. Assigned fund balance is a resource earmarked for particular purposes and can be designated by the Mayor or City Administrator with written authorization. The remaining fund balance not classified in any of the previous categories is labeled unassigned.

The City shall strive to establish a fund balance reserve in all operating funds for working capital. The purpose of working capital is to cover the cost of expenditures caused by unforeseen emergencies, cover shortfalls caused by revenue declines, and to eliminate any short-term borrowing for cash flow purposes. This reserve shall accumulate and then be maintained at an amount that represents no less than three (3) months of operating and debt expenditures (approximately 25% of budgeted expenditures.) Non-operating funds do not need a reserve for working capital.

Net position on the government-wide and proprietary fund statements represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and debt, plus any outstanding balances of borrowings not yet expended, but restricted for the acquisition, construction or improvement of those net assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulation of other governments. All other net position balances are reported as unrestricted.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed. When an expenditure is incurred for purposes for which amounts in committed, assigned, or unassigned fund balance could be used, it is the government's

policy to first use committed and then assigned fund balance if available. Unassigned fund balance would be used for remaining expenditures from unrestricted fund balance.

P. Investments

The City generally limits their investments to certificates of deposit through local financial institutions. However, upon approval by Mayor and Council, any investment authorized by Georgia code would be acceptable.

Q. Unearned Revenue and Deferred Outflows/Inflows of Resources

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as unearned revenue (i.e., they are measurable but not available) rather than as revenue.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, if applicable. This element 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.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes, fines and other receivables not collected within sixty days of year-end have been recorded as deferred revenue at the fund reporting level. Imposed nonexchange tax revenue received in advance is also classified as a deferred inflow at the fund and government-wide reporting levels.

2. Cash on Deposit and Investment Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be recovered. State statutes require all deposits to be collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia or bonds of public or development authorities, counties, or municipalities of the State of Georgia. It is the City's policy that any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S. Obligations. Deposits exceeding FDIC limits secured thru the local government investment pool, "Georgia Fund 1," created by O.C.G.A. 36-83-8 or a collateral pool are acceptable securities. The amount of the total bank balance is classified into three categories of credit risk: (1) FDIC insured or collateralized with securities held by the City or its agent in its name; (2) collateralized with securities held by the pledging institution's trust department in the City's name; (3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

At December 31, 2014 the bank balance of all deposits was \$2,345,236 and the carrying amount was \$2,382,399. All deposits were covered by FDIC insurance with deposits exceeding FDIC limits secured thru the Georgia Collateral Pool according to Georgia law. Administered by the Georgia Bankers Association Services, Inc. (GBASI) and coordinated by the Office of State Treasurer, the Pool came into effect on January 1, 1999. Through monthly reporting, GBASI ensures the banks participating in the pool meet Georgia state law regarding collateral levels of 110%. As of December 31, 2014, the amount covered by depository insurance was \$313,825 and the amount with securities held by United Community Bank or by its trust department or agent, but not in the City's name was \$2,031,409. The collateral to deposit ratio is 110%.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. It is currently the City's policy to not invest in instruments with a variable interest rate.

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to invest in non-negotiable certificates of deposit and money market accounts that are covered by FDIC insurance or pledged collateral.

3. Restricted Assets and Restricted Net Position

Assets totaling \$110,066 in the Water and Sewerage System Fund are restricted for debt service related to Rural Development bonds. Restricted cash also includes \$1,581 in the bond construction account and \$217,698 for customer deposits. Total restricted assets equal \$329,345.

Restricted net position for governmental activities includes \$328,160 from the SPLOST fund restricted for capital projects, \$2,999 from the Confiscated Assets fund for public safety and \$101,056 from the Hotel/Motel for housing

and economic development. Restricted net position for business-type activities includes \$110,066 for debt service and \$1,581 for capital projects.

4. Deficit Fund Balances

The recognition of receivables and deferred revenue will provide for the deficit fund balance of \$38,479 of the Streetscape capital projects fund to be reduced when grant revenue is received.

5. Capital Assets – Governmental Activities

Changes in capital assets by major classes for 2014 are as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2014</u>
Nondepreciable capital assets				
Land	\$ 76,065	\$ -	\$ -	\$ 76,065
Construction in progress	<u>147,871</u>	<u>61,869</u>	<u>-</u>	<u>209,740</u>
Total nondepreciable capital assets	<u>223,936</u>	<u>61,869</u>	<u>-</u>	<u>285,805</u>
Depreciable capital assets				
Buildings	1,266,007	7,525	-	1,273,532
Machinery and equipment	1,285,085	91,675	22,399	1,354,361
City park & improvements	482,989	100,875	-	583,864
Infrastructure	<u>1,827,348</u>	<u>25,000</u>	<u>-</u>	<u>1,852,348</u>
Total depreciable assets	<u>4,861,429</u>	<u>225,075</u>	<u>22,399</u>	<u>5,064,105</u>
Total capital assets	<u>5,085,365</u>	<u>286,944</u>	<u>22,399</u>	<u>5,349,910</u>
Accumulated depreciation				
Buildings	310,470	40,117	-	350,587
Machinery and equipment	1,086,577	81,178	22,399	1,145,356
City park & improvements	414,746	19,237	-	433,983
Infrastructure	<u>166,772</u>	<u>42,822</u>	<u>-</u>	<u>209,594</u>
Total accumulated depreciation	<u>1,978,565</u>	<u>183,354</u>	<u>22,399</u>	<u>2,139,520</u>
	<u>\$ 3,106,800</u>	<u>\$ 103,590</u>	<u>\$ -</u>	<u>\$ 3,210,390</u>

Governmental activities depreciation expense is as follows:

General government	\$ 46,622
Public safety	17,477
Public works	82,458
Culture and recreation	29,976
Economic development	<u>6,821</u>
	<u>\$ 183,354</u>

<u>Business-type Activities:</u>	Balance <u>12/31/2013</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/2014</u>
Nondepreciable capital assets					
Land	\$ 22,383	\$ (21,000)	\$ -	\$ -	\$ 1,383
Intangible assets	-	21,000	12,496	-	33,496
Construction in progress	1,194,971	-	3,394,777	379,151	4,210,597
Total nondepreciable capital assets	<u>1,217,354</u>	<u>-</u>	<u>3,407,273</u>	<u>379,151</u>	<u>4,245,476</u>
Depreciable capital assets					
Infrastructure and pipelines	8,500,848	-	565,988	-	9,066,836
Buildings and improvements	5,349,632	-	-	-	5,349,632
Machinery and equipment	489,437	-	18,096	-	507,533
Total depreciable assets	<u>14,339,917</u>	<u>-</u>	<u>584,084</u>	<u>-</u>	<u>14,924,001</u>
Total capital assets	<u>15,557,271</u>	<u>-</u>	<u>3,991,357</u>	<u>379,151</u>	<u>19,169,477</u>
Accumulated depreciation					
Infrastructure and pipelines	2,047,115	-	210,327	-	2,257,442
Buildings and improvements	2,355,448	-	129,699	-	2,485,147
Machinery and equipment	408,884	-	33,987	-	442,871
Total accumulated depreciation	<u>4,811,447</u>	<u>-</u>	<u>374,013</u>	<u>-</u>	<u>5,185,460</u>
	<u>\$ 10,745,824</u>	<u>\$ -</u>	<u>\$ 3,617,344</u>	<u>\$ 379,151</u>	<u>\$ 13,984,017</u>

6. Long-term Debt

The City has obtained capital leases for governmental activities. The expense resulting from depreciation of assets recorded under capital leases is included with depreciation expense shown above. Capital leases are as follows:

A lease payable to Georgia Municipal Association in the amount of \$30,620 for the purchase of a police car matures July 2016 and carries an interest rate of 3.08%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,535	\$ 471	\$ 8,006
2016	7,768	238	8,006
	<u>\$ 15,303</u>	<u>\$ 709</u>	<u>\$ 16,012</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 31,429
Accumulated depreciation	<u>(9,429)</u>
Book value	<u>\$ 22,000</u>

A lease payable to Ford Motor Credit in the amount of \$23,776 for the purchase of a police car matures July 2015 and carries an interest rate of 6.10%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,109	\$ 372	\$ 6,481

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 26,821
Accumulated depreciation	<u>(10,728)</u>
Book value	<u>\$ 16,093</u>

The City has obtained the following bond payable for business-type activities:

Bonds payable at December 31, 2014 is comprised of Water and Sewerage revenue bonds issued November 5, 1997 for \$1,150,250. Monthly payments totaling \$62,136 per year through July 1, 2037 including interest at 4.5% are payable to Rural Development for the construction of the sewer plant. Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 22,814	\$ 39,322	\$ 62,136
2016	23,862	38,274	62,136
2017	24,958	37,178	62,136
2018	26,104	36,032	62,136
2019-2023	149,651	161,029	310,680
2024-2028	187,333	123,347	310,680
2029-2033	234,502	76,178	310,680
2034-2037	<u>214,979</u>	<u>19,142</u>	<u>234,121</u>
	<u>\$ 884,203</u>	<u>\$ 530,502</u>	<u>\$ 1,414,705</u>

The City has obtained the following notes payable for business-type activities:

Unsecured note payable to GMAC for \$39,000, maturing January 2020 at an interest rate of 5% to finance a water line extension. Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,000	\$ 808	\$ 2,808
2016	2,000	693	2,693
2017	2,000	573	2,573
2018	2,000	447	2,447
2019-2020	<u>3,500</u>	<u>489</u>	<u>3,989</u>
	<u>\$ 11,500</u>	<u>\$ 3,010</u>	<u>\$ 14,510</u>

Note payable to Old National Bank (PNC Equipment Finance) in the amount of \$788,880, maturing March 2018 at an interest rate of 4.55% for lines and system additions is secured by equipment. Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 83,695	\$ 15,375	\$ 99,070
2016	87,546	11,524	99,070
2017	91,575	7,495	99,070
2018	<u>95,789</u>	<u>3,281</u>	<u>99,070</u>
	<u>\$ 358,605</u>	<u>\$ 37,675</u>	<u>\$ 396,280</u>

During 2014 the City issued Water and Sewerage Revenue Bonds, Series 2014A and 2014B in the amount of \$9,000,000 and \$3,926,000 respectively. Proceeds from this issue prepaid GEFA loans in the amount of \$3,089,921 with interest rates ranging from 3.81% to 4.1%. Proceeds also paid off an interim bond in the amount of \$527,265

with an interest rate of 3.75%. The cash flows required for the debt that was refunded totaled \$3,620,661. The issue is a private placement issue and bears interest at a rate of 3.25%. The current amount drawn is \$7,174,820 on the 2014A Bonds and \$50,000 on the 2014B Bonds.

General obligation bonds of \$1,496 have not been presented for redemption. These bonds are payable when requested.

Changes in long-term Debt:

	Beginning Balance 12/31/13		Additions	Reductions	Ending Balance 12/31/14 Due Within One Year	
<b>Governmental activities</b>						
Capital lease payable	\$ 49,993	\$ -	\$ 28,581	\$ 21,412	\$ 13,644	
Compensated absences	12,825	14,920	12,825	14,920	4,476	
	<u>\$ 62,818</u>	<u>\$ 14,920</u>	<u>\$ 41,406</u>	<u>\$ 36,332</u>	<u>\$ 18,120</u>	
<b>Business-type activities</b>						
Revenue bonds	906,015	7,224,819	21,811	8,109,023	22,814	
Capital lease payable	15,513	-	15,513	-	-	
Notes payable	4,176,758	-	3,806,653	370,105	85,695	
General obligation bond	1,496	-	-	1,496	-	
Compensated absences	16,248	21,330	16,248	21,330	6,399	
	<u>\$ 5,116,030</u>	<u>\$ 7,246,149</u>	<u>\$ 3,860,225</u>	<u>\$ 8,501,954</u>	<u>\$ 114,908</u>	

Interest costs of \$238,197 were incurred in 2014, with \$91,783 capitalized as construction in progress.

Compensated absences are typically liquidated by the general fund.

7. Budget Controls

Budgetary controls are established by the Mayor and council through the adoption of annual budgets, with the legal level of control being department level. During fiscal year 2014 judicial and public works expenditures exceeded appropriated amounts as shown in the General Fund budgetary comparison statement due to the accrual of wages at year end. Expenditures exceeded appropriations for housing and economic development because of the accrual of retainage for a contract payable. Future budgets will allow for wage and contract accruals.

8. Property Taxes

The City of Blue Ridge's property tax calendar for the 2013 levy applicable to the 2014 fiscal year is as follows:

Lien date	January 1, 2013
Levy date	December 5, 2013
Due date	April 1, 2014
Delinquent date	April 2, 2014

Interest at nine per cent annually is added on the delinquent date and fifa's can be filed for uncollected taxes. The total current levy at December 31, 2013 was \$423,659.

9. Pension Plan

Plan Description The City has a non-contributory defined benefit plan covering all full time employees. The City of Blue Ridge Retirement Plan (the Plan), is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer type plan. GMEBS policy direction and oversight for the fund is provided by a 15 member board comprised of elected and appointed officials from the fund's membership. GMEBS handles all administrative and investment functions relative to the plan. The City established the plan effective August 1, 1998 and the authority to establish, amend or discontinue the plan remains with the City. The plan provided pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire at 65 years of age with 5 years of service or 55 years of age with 25 years of service.

Early retirement is possible at age 55 with 10 years of service. Benefits are calculated at 1.25% to 2.0% of the average monthly earnings for the period of the five highest years prior to retirement.

The Georgia Municipal Employees Benefit System issued a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit Services, 201 Pryor St. SW, Atlanta, Georgia 30303

Funding Policy and Annual Contributions The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfounded actuarial accrued liability is 30 years from 1998 and current changes in the unfounded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

The Plan is subject to the minimum funding standards of the Public Retirement System Standards Law (Georgia Code Section 47-20-10). According to the latest actuarial valuation, July 1, 2014, the estimated minimum annual contribution under these funding standards is \$62,426.

Based on results of the July 1, 2014 actuarial valuation, the City's annual pension cost of \$80,546 was equal to the recommended and actual contribution. The City's recommended contribution was calculated at an actuarially determined rate of 7.43% of covered payroll. Covered payroll for the plan period was \$1,065,883.

Funded Status GASB No. 27 requires disclosure of the City's annual pension cost, percentage of annual pension cost contributed and net pension obligation for the most recent three years.

Three-Year Trend Information

Fiscal Year Ending	Employer Annual Pension Cost (APC)	Percentage of APC Contributed	Net (EQY) Pension Obligation
2014	\$80,546	100.0%	\$-
2013	84,137	100.0%	-
2012	74,099	100.0%	-

Significant Actuarial Assumptions A variety of significant actuarial assumptions are summarized below:

Rate of return on investment	7.75% per year
Projected salary increases for:	
Inflation	3.5% per year
Merit or seniority	.005% per year
Annual rates of increase in:	
Salaries	3.5%
Future Social Security Wage Base	3.5%
Cost of living adjustment	Not applicable
Post retirement benefit increase	Not applicable
Actuarial Methods:	
Normal Costs and Actuarial Accrued Liability	Projected Unit Credit

Actuarial value of assets roll forward prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investments gains (losses) during 10 prior years.

As of July 1, 2013, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	9
Number of terminated employees entitled to benefits, but not yet receiving them	2
Number of Active Plan Participants	
Vested	14
Not vested	<u>13</u>
Total	38

Funding Schedule for Most Recent Valuation Date

	(1)	(2)	(3)	(4)	(5)	UAAL as a % of Covered Payroll (3)/(5)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (2) – (1)	Funded Ratio (1)/(2)	Covered Payroll	
7/1/2014	\$1,096,953	\$1,245,723	\$148,770	88.06%	\$ 933,482	15.94%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2014.

10. Commitments and Contingencies

In the opinion of the City Attorney, there are no suits pending on unasserted claims that would result in material liabilities of the City. The City has various agreements and contracts entered into in the normal course of business. Such agreements do not give rise to assets or liabilities considered material.

11. Risk Management

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Worker’s Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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 being required to pay and claim of loss. The City is also to allow 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 governments’ contracts and in accordance with the workers’ compensation laws of Georgia. The funds are to pay all cost taxed against member in the member governments’ contracts and in accordance with the workers’ compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

12. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in the Northwest Georgia area, is a member of the Northwest Georgia Regional Commission (NWGRC) and is required to pay annual dues thereto. During its year ended December 31, 2014 the City paid \$1,264 in such dues. Membership in the NWGRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the NWGRC. Membership includes the chief elected official of 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 NWGRC. Separate financial statements may be obtained from Northwest Georgia Regional Commission, 1 Jackson Hill Drive, Rome Georgia 30162.

13. Related Organizations

The Housing Authority of the City of Blue Ridge, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City of Blue Ridge, Georgia. The City of Blue Ridge is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Blue Ridge, Georgia is a related organization.



14. Hotel/Motel Tax

The City of Blue Ridge levies a 5% Hotel/Motel tax in accordance with OCGA 48-13-51. Amounts levied in excess of 3% (40% of the taxes levied) are expended for the purpose of promoting tourism in accordance with OCGA 48-13-50 (a)(3).

Hotel Tax Collections	\$122,862
Hotel Tax Expenditures	\$ 58,050
Percentage Expended	47%

15. Interfund Balances

Payables and receivables between the general fund, SPLOST and water and sewerage system funds result from day to day expenditures being paid from a central source and these balances are periodically reconciled. Payables from nonmajor funds to the general fund are the product of grant receivables and will be reimbursed when the grant funds are received. Following is the interfund balances at December 31, 2014.

<u>Payable to</u>	<u>Payable from</u>			
	<u>General fund</u>	<u>SPLOST</u>	<u>Nonmajor</u>	<u>Total</u>
General fund	\$ -	\$ 360	\$ 27,675	\$ 28,035
Water & sewerage system fund	190,014	-	-	190,014
Total	<u>\$ 190,014</u>	<u>\$ 360</u>	<u>\$ 27,675</u>	<u>\$ 218,049</u>

The separate nonmajor Streetscape capital project fund accounts for a grant from GDOT for Phase III to renovate our depot. Funds were transferred in from the General Fund for rent and other non-reimbursable expenditures. Following is the interfund balances at December 31, 2014.

<u>Transfers out</u>	<u>Transfers in</u>
	<u>Nonmajor</u>
General fund	\$ 60,867

16. Prior Period Adjustment

In fiscal year 2014 a prior period adjustment was made to defer the entire tax levy for calendar year 2013 to be recorded as revenue for fiscal year 2014. The Council adopts a millage rate each year in conjunction with the next year's budget as outlined by the City Charter. It was determined that is the intent of the Charter and City Council for the tax levy be applied to the budget with which it is adopted. Prior period adjustments were also made to accrue compensated absences, unbilled water and sewer receivables and hotel/motel taxes receivable for 2013 because they were deemed material to the prior year statements. A prior period adjustment was made for sewer inventory previously omitted from inventory. Following is the effect of the prior period adjustment to the government-wide and fund financial statements.

	<u>Government-wide Statements</u>		<u>Fund Financial Statements</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Change in net position/fund balances at December 31, 2013	\$ (24,183)	\$ 236,541	\$ 42,169	\$ 236,541
Deferred taxes	(331,101)	-	(331,101)	-
Compensated absences	(12,825)	(16,248)	-	(16,248)
Unbilled water receivables	-	136,108	-	136,108
Hotel/motel taxes receivable	6,353	-	6,353	-
Inventory	-	15,899	-	15,899
Change in net position/fund balance at December 31, 2013, as restated	(361,756)	372,300	(282,579)	372,300
Net position/fund balances beginning of year December 31, 2013	<u>4,062,435</u>	<u>5,806,102</u>	<u>542,685</u>	<u>5,806,102</u>
Net position/fund balances beginning of year December 31, 2014, as restated	<u>\$ 3,700,679</u>	<u>\$ 6,178,402</u>	<u>\$ 260,106</u>	<u>\$ 6,178,402</u>

17. Subsequent Events

Leases payable to Georgia Municipal Association in the amount of \$93,265 and \$12,896 for the purchase of four police vehicles and equipment maturing February 2018 and carrying an interest rate of 3.01% and 3.39% respectively were completed during fiscal year 2015.

A loan from Georgia Environmental Facility Agency (GEFA) to finance meter equipment for the purpose of water loss and leak detection was completed during fiscal year 2015 in the amount of \$195,000 with 40% principal forgiveness. It bears an interest rate of 1.03% and maturity will be set 20 years from the amortization commencement date.

The City was awarded restitution in 2015 for the full repayment of an advance disbursement made in 2008 in the amount of \$68,632 from SPLOST funds for a paving project that was never completed. The City began receiving payments of \$416.57 a month in June 2015.

18. Construction and Significant Commitments

During 2015, the City expects to complete construction on projects to upgrade the water plant, water line extensions and the addition of a storage tank. The construction is funded in by bonds issued during 2014 by USDA for \$12,926,000 along with a grant of \$3,663,000.

**CITY OF BLUE RIDGE, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BLUE RIDGE, GEORGIA  
SCHEDULE OF FUNDING PROGRESS FOR THE  
CITY OF BLUE RIDGE RETIREMENT PLAN  
For the Year Ended December 31, 2014**

FUNDED STATUS

The table below sets forth required supplementary information to be disclosed in the schedule of funding progress. The items presented are based on the actuarial valuation date:

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) – (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	UAAL as a % of Covered Payroll (3)/(5)
7/1/2014	\$1,096,953	\$1,245,723	\$148,770	88.06%	\$ 933,482	15.94%
7/1/2013	976,140	1,185,077	208,937	82.37%	1,065,883	19.60%
7/1/2012	882,587	1,126,095	243,508	78.38%	1,053,447	23.12%
7/1/2011	786,807	997,092	210,285	78.91%	995,363	21.13%
7/1/2010	683,871	976,280	292,409	70.05%	922,108	31.71%
10/1/2009	615,227	885,287	270,060	69.49%	795,184	33.96%

*Effect of plan changes on the actuarial accrued liability*

The effect on the actuarial accrued liability of any current-year changes in actuarial assumptions or benefit provisions is:

The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation.

*Effect of plan changes on recommended contributions*

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is:

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

See actuarial assumptions used, disclosed in Note 9 to the financial statements.

**CITY OF BLUE RIDGE, GEORGIA**  
**SUPPLEMENTARY INFORMATION**

**City of Blue Ridge, Georgia**  
**Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2013**

	<b>Special Revenue Funds</b>		<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Hotel/Motel</b>	<b>Confiscated Assets</b>	<b>Streetscape</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 3,027	\$ 31,735	\$ 34,762
Pooled operating cash	92,960	-	-	92,960
Receivables (net)				
Other taxes	9,947	-	-	9,947
Intergovernmental	-	-	27,675	27,675
Prepaid items	-	-	2,875	2,875
<b>Total Assets</b>	<b>\$ 102,907</b>	<b>\$ 3,027</b>	<b>\$ 62,285</b>	<b>\$ 168,219</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,851	\$ 28	\$ 1,337	\$ 3,216
Contracts payable	-	-	44,077	44,077
Interfund payable	-	-	27,675	27,675
<b>Total Liabilities</b>	<b>1,851</b>	<b>28</b>	<b>73,089</b>	<b>74,968</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	-	-	27,675	27,675
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	-	-	2,875	2,875
Restricted				
Program purposes				
Economic development	101,056	-	-	101,056
Public safety	-	2,999	-	2,999
Unassigned, reported in				
Capital projects fund	-	-	(41,354)	(41,354)
<b>Total Fund Balances</b>	<b>101,056</b>	<b>2,999</b>	<b>(38,479)</b>	<b>65,576</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 102,907</b>	<b>\$ 3,027</b>	<b>\$ 62,285</b>	<b>\$ 168,219</b>

**City of Blue Ridge, Georgia**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended December 31, 2013**

	<b>Special Revenue Funds</b>		<b>Capital Projects</b>	<b>Total Nonmajor</b>
	<b>Hotel/Motel</b>	<b>Confiscated Assets</b>	<b>Fund</b> <b>Streetscape</b>	<b>Governmental</b> <b>Funds</b>
<b>Revenues</b>				
Hotel/motel taxes	\$ 122,862	\$ -	\$ -	122,862
Intergovernmental	-	-	31,735	31,735
Charges for services	6,946	-	-	6,946
Fines and forfeitures	-	800	-	800
Contributions	2,300	3,916	-	6,216
<b>Total Revenues</b>	<b>132,108</b>	<b>4,716</b>	<b>31,735</b>	<b>168,559</b>
<b>Expenditures</b>				
<b>Current</b>				
Police	-	3,270	-	3,270
Housing and economic development	58,050	-	-	58,050
<b>Capital Outlay</b>				
Housing and economic development	-	-	114,268	114,268
<b>Total Expenditures</b>	<b>58,050</b>	<b>3,270</b>	<b>114,268</b>	<b>175,588</b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b>74,058</b>	<b>1,446</b>	<b>(82,533)</b>	<b>(7,029)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	60,867	60,867
<b>Net Change in Fund Balances</b>	<b>74,058</b>	<b>1,446</b>	<b>(21,666)</b>	<b>53,838</b>
<b>Fund Balances Beginning of Year</b>	<b>20,645</b>	<b>1,553</b>	<b>(16,813)</b>	<b>5,385</b>
Prior period adjustment	6,353	-	-	6,353
<b>Fund Balances (Deficits) End of Year</b>	<b>\$ 101,056</b>	<b>\$ 2,999</b>	<b>\$ (38,479)</b>	<b>\$ 65,576</b>

**City of Blue Ridge, Georgia**  
**Hotel/Motel Tax Fund**  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances- Budget and Actual*  
*For the year ended December 31, 2014*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
<b>Revenues</b>				
Hotel/motel taxes	\$ 100,000	\$ 100,000	\$ 122,862	\$ 22,862
Charges for services	4,500	4,500	6,946	2,446
Contributions	-	-	2,300	2,300
<b>Total Revenues</b>	<u>104,500</u>	<u>104,500</u>	<u>132,108</u>	<u>27,608</u>
<b>Expenditures</b>				
<b>Current</b>				
Housing and economic development	<u>104,500</u>	<u>104,500</u>	<u>58,050</u>	<u>46,450</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	74,058	<u>\$ 74,058</u>
<b>Fund Balances Beginning of Year</b>			20,645	
Prior period adjustment			<u>6,353</u>	
<b>Fund Balances End of Year</b>			<u>\$ 101,056</u>	



**City of Blue Ridge, Georgia**  
**Confiscated Assets Fund**  
*Schedule of Revenues, Expenditures and*  
**Changes in Fund Balances- Budget and Actual**  
**For the year ended December 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
<b>Revenues</b>				
Confiscations	\$ 5,500	\$ 5,500	\$ 800	\$ (4,700)
Contributions	-	-	3,916	3,916
<b>Total Revenues</b>	<u>5,500</u>	<u>5,500</u>	<u>4,716</u>	<u>(784)</u>
<b>Expenditures</b>				
<b>Current</b>				
Public safety	<u>5,500</u>	<u>5,500</u>	<u>3,270</u>	<u>2,230</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	1,446	<u>\$ 1,446</u>
<b>Fund Balances Beginning of Year</b>			<u>1,553</u>	
<b>Fund Balances End of Year</b>			<u>\$ 2,999</u>	

**City of Blue Ridge, Georgia**  
**Streetscape Capital Project Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances- Budget and Actual**  
**For the year ended December 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 50,000	\$ 31,735	\$ (18,265)
<b>Expenditures</b>				
<b>Current</b>				
Housing and economic development	-	110,000	114,268	(4,268)
<b>Excess of Revenues Over Expenditures</b>	-	(60,000)	(82,533)	(22,533)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	60,000	60,867	867
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	(21,666)	<u>\$ (21,666)</u>
<b>Fund Balances Beginning of Year</b>			<u>(16,813)</u>	
<b>Fund Balances End of Year</b>			<u>\$ (38,479)</u>	

**City of Blue Ridge, Georgia**  
**SPLOST Capital Project Fund**  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances- Budget and Actual*  
*For the year ended December 31, 2014*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
<b>Revenues</b>				
Intergovernmental	\$ 320,000	\$ 320,000	\$ 294,636	\$ (25,364)
Investment earnings	-	-	415	415
<b>Total Revenues</b>	<u>320,000</u>	<u>320,000</u>	<u>295,051</u>	<u>(24,949)</u>
<b>Expenditures</b>				
<b>Current</b>				
Public works	<u>320,000</u>	<u>320,000</u>	<u>106,681</u>	<u>213,319</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	188,370	<u>\$ 188,370</u>
<b>Fund Balances Beginning of Year</b>			<u>139,790</u>	
<b>Fund Balances End of Year</b>			<u>\$ 328,160</u>	

**CITY OF BLUE RIDGE, GEORGIA**  
**INTERNAL CONTROL AND COMPLIANCE SECTION**

E. RENE BIDEZ

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CERTIFIED PUBLIC ACCOUNTANT

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

To the Mayor and City Council  
City of Blue Ridge, 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, each major fund, and the aggregate remaining fund information of the City of Blue Ridge, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Blue Ridge, Georgia's basic financial statements and have issued our report thereon dated June 19, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Blue Ridge, 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 Blue Ridge, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Blue Ridge, 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 in the accompanying schedule of findings and questioned costs, 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 did not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. See findings 2014-01, 2014-02, 2014-03, 2014-04, and 2014-05.

**Compliance and Other Matters**

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

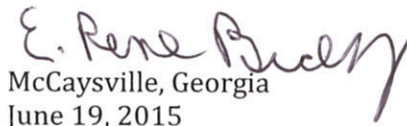
opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Blue Ridge, Georgia's Response to Findings**

City of Blue Ridge, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Blue Ridge, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



McCaysville, Georgia  
June 19, 2015

## E. RENE BIDEZ

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### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133***

To the Mayor and City Council  
City of Blue Ridge, Georgia

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Blue Ridge, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Blue Ridge, Georgia's major federal programs for the year ended December 31, 2014. City of Blue Ridge, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Blue Ridge, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Blue Ridge, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Blue Ridge, Georgia's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the City of Blue Ridge, Georgia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

#### **Report on Internal Control over Compliance**

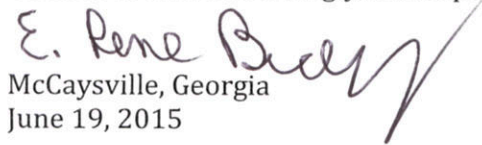
Management of the City of Blue Ridge, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Blue Ridge, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the

purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Blue Ridge, Georgia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
E. Rene Bradley  
McCaysville, Georgia  
June 19, 2015



**City of Blue Ridge, Georgia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2014**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant/Loan Identification Number	Program or Award Amount	Federal Expenditures
<b><u>U.S. Department of Transportation</u></b>				
Federal Highway Administration Highway Planning & Construction	20.205	PI 0009042	\$ 250,000	\$ 39,699
Federal Highway Administration Recreational Trails Program	20.219	NRT-11(6)	\$ 100,000	<u>99,439</u>
Total U.S. Department of Transportation				<u>139,138</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Georgia Department of Community Affairs Community Development Block Grant	14.218	CDBG 11p-x-055-2-5352	\$ 492,200	147,868
<b><u>U.S. Department of Agriculture</u></b>				
Water & Waste Disposal Systems for Rural Communities Water and Sewer Revenue Bond, Series 2014 A	10.760		\$ 9,000,000	7,174,820
Series 2014 B			\$ 3,926,000	<u>50,000</u>
Total U.S. Department of Agriculture				<u>7,224,820</u>
				<u><u>\$ 7,511,826</u></u>

**NOTE A: Basis of Presentation**

The above schedule of expenditures of federal awards (the Schedule) includes the federal loan activity of the City of Blue Ridge, Georgia, under programs of the federal government for the fiscal year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government and Non Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Blue Ridge, Georgia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Blue Ridge, Georgia.

**NOTE B: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**CITY OF BLUE RIDGE, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2014**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	_____ <input checked="" type="checkbox"/> yes	_____ none reported
Noncompliance material to the financial statements noted?		
	_____ yes	_____ <input checked="" type="checkbox"/> no

*Federal Awards*

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	_____ yes	_____ <input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133?		
	_____ yes	_____ <input checked="" type="checkbox"/> no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	_____ yes _____ <input checked="" type="checkbox"/> no

**Section II - Financial Statement Findings**

***2014-01 Lack of Segregation of Duties***

**Criteria:** Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring segregation of duties involving cash receipts, cash disbursements, payroll, general ledger preparation and reconciliation, and bank reconciliation.

**Condition/Context:** During the course of the audit, we noted many critical duties are combined and given to the available employees. Presently, there are a few employees whose duties overlap as it relates to cash receipt collection, opening of mail, preparation of deposits, preparation and signature of cash disbursements, bank reconciliations, performance of payroll responsibilities, as well as maintaining the cash receipt and disbursement journals.

**Effect:** Without segregation of duties within these functions, there is increased potential that someone could intentionally or unintentionally misappropriate assets of the City.

**Cause:** The City has enough employees to properly segregate duties, and measures can be taken to further segregate duties to mitigate any risk of collusion or misappropriate actions on any employee's part. Restructuring of job descriptions and employee responsibilities in the financial offices of the City has caused duties of employees to overlap.

**CITY OF BLUE RIDGE, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2014**

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Recommendation: To the extent possible, duties should be segregated to maintain the best control system possible. We feel segregation of duties could be achieved with current personnel by redefining job descriptions and responsibilities. In the situation where it is not feasible for the City to redefine or allocate job responsibilities, continued Mayor and Council involvement in the City's finances is encouraged to strengthen internal controls. When these suggestions are implemented, the City's system of internal control will be enhanced, so that the risk of employee misappropriation of assets is reduced.

Response: The City agrees with this finding and will work toward segregating duties to the extent possible. Until that goal is accomplished, the risk will be mitigated by Mayor and Council oversight as it pertains to the daily operations of the City.

**2014-02 Lack of Contract for Revenue Transactions**

Criteria: Contracts for long-term agreements are necessary to ensure proper receipt of revenue payable to the City. Franchise agreements in particular are required to be maintained between the City and the appropriate utility company. Any updates to areas annexed by the City should be provided to the utility companies to ensure that all customers in the city limits are covered under the agreement.

Condition/Context: The City currently has no effective contract with Tri State EMC for the receipt of franchise tax revenue. The Mayor and Council approved the franchise fee rate and other terms for payment during a meeting in 2014. However, no actual document was executed. Additionally, the service area for Tri State EMC for the city limits has not been updated for several years. This could be the cause of lost revenue for the City.

Effect: Failure to update the service area records with the utility could potentially create a material amount of lost revenue for the City. The records have not been updated in approximately 20 years per City staff, as confirmed by Tri State EMC. Also, failure to have written documentation of franchise agreements could cause disagreements in the future for collection of revenue or responsibility for payment of revenue. The only signed contract in existence was executed in 1948 and expired in 1968.

Cause: Failure to document annexation changes and execute a current agreement in writing is the cause of the internal control deficiency.

Recommendation: It is our recommendation that City staff work with utility companies providing service within the corporate limits of Blue Ridge to ensure that all customers within the City are included in their calculation of franchise tax each year. In addition, we recommend that a contract be generated for all franchise agreements and signed by both parties.

Response: The City agrees with this finding and will take steps necessary to review all franchise agreements to ensure they are properly documented. Additionally, the City will implement a plan to update the current records of customers in the corporate limits with the utility companies and also a continuing compliance plan for future years.

**2014-03 Material Misstatements in Reporting**

Criteria: The City is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Entries for all transactions should be complete at year end as reported.

Condition/Context: Although the year-end financial statements are prepared on the appropriate accrual/modified accrual basis, the City restated or omitted several material entries that caused the balances in General Fund, Water Fund and Hotel/Motel Tax Fund to be materially misstated in the prior year as well as current year.

**CITY OF BLUE RIDGE, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2014**

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Effect: Failure to properly record information on the financial statements and ensure that all items have been included in such statements causes financial statements to be materially misstated and misleading for management, elected officials and any other intended users of such information.

Cause: Prior period adjustments were necessary in some statements for the General Fund, Water Fund and Hotel Motel Tax Fund, as well as the government wide statements. The entry for property tax revenue in the General Fund was a restatement to reflect the intent of the Mayor and Council to apply property taxes to the subsequent budget year. Other entries related to hotel/motel tax receivable and revenue in the Hotel/Motel Tax Fund and accrued compensated absences, inventory and unbilled water receivable in the Water Fund. These entries also affected the presentation of the government wide statements of net position and activities.

Recommendation: We recommend that the financial statements at year end be scrutinized closely for any misstatements before closing the year.

Response: Management agrees with this finding and will ensure that all entries are made and statements properly presented in future periods.

**2014-04 Controls over Citation Books**

Criteria: Citation books issued to police officers should be documented appropriately when issued and when submitted upon completion. Additionally, citation books should be distributed to officers in numerical sequential order.

Condition/Context: Upon review of internal controls in the Police Department over citation books and issued citations, we noted that there was no log or similar record of citation books issued or returned completed. The citation books were issued by appropriate personnel; however, there was no documentation as to which officer the book was assigned. In addition, there was no logical sequence in which the books were issued. Custody of unused citation books was not maintained in a secure location with limited or restricted access.

Effect: Completeness of records was compromised due to the inability to effectively track the issuance and use of books in an orderly fashion. Upon testing the court docket and related citations, we did not find any exceptions to accuracy and existence of records. However, it was not possible to ascertain the existence of books issued that were not included on the docket.

Cause: Lack of controls over issuance of books caused a risk of incomplete records, and increased the potential for misstatement of revenue related to the police department.

Recommendation: It is our recommendation that a log be maintained whereas the appointed custodial officer notes the citation numbers contained in the book to be issued, date issued and signature of receiving officer. Upon completing a citation book, the officer returns the book to the appropriate official who logs the return of the book and the date of return. This process should be completed for every book issued, and should be completed before subsequent books can be issued. Additionally, the citations should be maintained in a secure location with restricted access and stored in numerical sequential order. Periodically, the records of the court docket should be compared to the log of citation books issued to ensure that the docket is complete.

Response: Upon discussion with personnel during fieldwork, the process of implementing our above recommendation was begun. The remaining citation books held by the police department are not in numerical sequential order. Therefore, that component of the recommendation will not be implemented until citation books currently held for issuance have been utilized.

**CITY OF BLUE RIDGE, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2014**

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***2014-05 Purchasing Policy***

Criteria: It is important for the City staff to have a written comprehensive purchasing policy approved by Council.

Condition/Context: Currently, the City has a purchasing policy that is vague and contradictory in areas that pertain to purchases that exempt Council approval. There is also discrepancy among staff and officials as to the dollar threshold that requires approval from Council.

Effect: Due to the incomplete procedures regarding purchases, there is a risk of unauthorized transactions. Also, the contradictory language of the exemptions from Council approval provide opportunity for misunderstanding and misapplication of the policy.

Cause: Policies have not been updated to reflect actual operations and purchasing needs of the City.

Recommendation: It is our recommendation that a comprehensive purchasing policy be established, including, but not limited to, the following components: definition of thresholds for which items need proper authorization; definition of appropriate staff members for authorization of purchases; definition of allowable and unallowable purchases and disbursements; outline of processes for initiation, execution and payment of purchases; policies regarding petty cash; and policies regarding retention of records.

Response: Currently, the Mayor and Council, with the input of City staff, are discussing appropriate policies and procedures related to purchasing. It is the intention of the City to adopt a comprehensive purchasing policy in the near future.

**Section III - Federal Award Findings and Questioned Costs**

None reported.

**City of Blue Ridge, Georgia**  
*Schedule for Projects Constructed with  
Special Purpose Local Option Sales Tax  
For the year ended December 31, 2014*

<b>Project</b>	<b>Referendum Authorized Amount</b>	<b>Original Estimated Cost</b>	<b>Prior Years' Expenditures</b>	<b>Current Year Expenditures</b>	<b>Cumulative Total</b>	<b>Estimated Percentage of Completion</b>
<b>2011 SPLOST</b>						
Maintenance, repair, and construction of roads, streets, bridges and sidewalks	\$ 1,575,000	\$ 1,575,000	\$ 502,301	\$ 106,681	\$ 608,982	39%

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