

CITY OF BLUE RIDGE, GEORGIA
ANNUAL FINANCIAL REPORT
For The Year Ended December 31, 2016

**CITY OF BLUE RIDGE, GEORGIA
FINANCIAL REPORT
For the Year Ended December 31, 2016**

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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 Mayor.
Following is a list of officials:

MAYOR
Donna Whitener

COUNCIL MEMBERS:

Rhonda Thomas
Rodney Kendall
Harold Herndon
Angie Arp
Bruce Pack

OFFICE PERSONNEL:

Finance Director- Alicia Stewart, CPA

CITY ATTORNEY

R. David Syfan
Hulsey, Oliver & Mahar, LLP

INDEPENDENT AUDITOR
Welch, Walker and Associates, CPA's



CERTIFIED PUBLIC ACCOUNTANTS

540 N. MAIN STREET
JASPER, GA 30143
PH (706) 253-3700 FAX (706) 253-5973

489 HIGHLAND CROSSING
SUITE 208
EAST ELLIJAY, GA 30540
PH (706) 515-2000 FAX (706)515-2011

INDEPENDENT AUDITOR'S REPORT

To the Honorable 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, 2016, 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, 2016, 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, the schedule of changes in net pension liability and related ratios, and the schedule of contributions on pages 3-7, 41 and 42 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of projects constructed with special purpose local option sales tax is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated Section 48-8-121 and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2017, 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.

Welch, Walker & Associates, P.C., CPAs

East Ellijay, Georgia
June 16, 2017

CITY OF BLUE RIDGE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended December 31, 2016

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, 2016. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government unless otherwise noted. Component units, related organizations, and joint ventures reported separately from the primary government are not included.

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, and housing and development. 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, 2015 and 2016.

| | <u>Governmental Activities</u> | | | <u>Business-type Activities</u> | | |
|----------------------------------|--------------------------------|---------------------|-------------------|---------------------------------|----------------------|---------------------|
| | <u>2015</u> | <u>2016</u> | <u>Change</u> | <u>2015</u> | <u>2016</u> | <u>Change</u> |
| Assets | | | | | | |
| Current assets | \$ 2,222,452 | \$ 2,871,652 | \$ 649,200 | \$ 5,295,822 | \$ 3,942,761 | \$ (1,353,061) |
| Other assets | - | - | - | 227,296 | 343,880 | 116,584 |
| Capital assets | <u>3,344,840</u> | <u>3,488,898</u> | <u>144,058</u> | <u>20,602,562</u> | <u>22,035,023</u> | <u>1,432,461</u> |
| Total assets | <u>5,567,292</u> | <u>6,360,550</u> | <u>793,258</u> | <u>26,125,680</u> | <u>26,321,664</u> | <u>195,984</u> |
| Deferred outflows of resources | <u>36,976</u> | <u>159,087</u> | <u>122,111</u> | <u>28,276</u> | <u>116,467</u> | <u>88,191</u> |
| Liabilities | | | | | | |
| Current liabilities | 187,214 | 149,034 | (38,180) | 3,572,908 | 1,437,947 | (2,134,961) |
| Long-term liabilities | <u>243,261</u> | <u>377,213</u> | <u>133,952</u> | <u>14,188,812</u> | <u>14,216,974</u> | <u>28,162</u> |
| Total liabilities | <u>430,475</u> | <u>526,247</u> | <u>95,772</u> | <u>17,761,720</u> | <u>15,654,921</u> | <u>(2,106,799)</u> |
| Deferred inflows of resources | <u>324,776</u> | <u>488,535</u> | <u>163,759</u> | <u>15,818</u> | <u>12,868</u> | <u>(2,950)</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 3,258,489 | 3,410,241 | 151,752 | 6,454,179 | 7,884,528 | 1,430,349 |
| Restricted | 656,458 | 852,225 | 195,767 | 618,925 | 806,747 | 187,822 |
| Unrestricted | <u>934,070</u> | <u>1,242,389</u> | <u>308,319</u> | <u>1,303,314</u> | <u>2,079,067</u> | <u>775,753</u> |
| Total net position | <u>\$ 4,849,017</u> | <u>\$ 5,504,855</u> | <u>\$ 655,838</u> | <u>\$ 8,376,418</u> | <u>\$ 10,770,342</u> | <u>\$ 2,393,924</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 62% of the governmental activities' net position is invested in capital assets at December 31, 2016. This is a 5% decrease from the prior year due to the overall increase of net position, even though the net investment increased 5% from capital additions. 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 73% of its net position in capital assets for 2016, a decrease of 4%. Even though there was an increase in the net investment, the percentage decrease is again the

result of an overall increase in net position. Capital assets in the business-type activities provide utility services 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 \$195,767 in governmental funds is due to the continued 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 capital projects and increased over \$187,000 as funds are accumulated for debt service according to debt covenants. The remaining portion of net position is unrestricted, which can be used to finance government operations. Unrestricted net position shows a 33% increase for governmental activities due a net income in the governmental funds as the result of 2016 property taxes billed and receivable at year end. There is a 60% increase for business-type activities as a result of capital grants, rather than debt, which funded capital additions.

Condensed Statement of Activities

The following table presents the City's condensed Statement of Activities for the years ended December 31, 2015 and 2016.

| | <u>Governmental Activities</u> | | | <u>Business-type Activities</u> | | |
|----------------------------------|--------------------------------|---------------------|-------------------|---------------------------------|----------------------|---------------------|
| | <u>2015</u> | <u>2016</u> | <u>Change</u> | <u>2015</u> | <u>2016</u> | <u>Change</u> |
| Revenues: | | | | | | |
| Program | | | | | | |
| Charges for services | \$ 436,738 | \$ 368,690 | \$ (68,048) | \$ 2,608,232 | \$ 2,986,409 | \$ 378,177 |
| Operating grants & contributions | 3,565 | 18,113 | 14,548 | - | - | - |
| Capital grants & contributions | 467,420 | 388,311 | (79,109) | 1,748,721 | 2,104,344 | 355,623 |
| General | | | | | | |
| Property taxes | 598,319 | 819,631 | 221,312 | - | - | - |
| Sales taxes | 649,423 | 671,113 | 21,690 | - | - | - |
| Other revenues and taxes | 1,120,993 | 819,536 | (301,457) | 40,805 | 67,009 | 26,204 |
| Total revenues | <u>3,276,458</u> | <u>3,085,394</u> | <u>(191,064)</u> | <u>4,397,758</u> | <u>5,157,762</u> | <u>760,004</u> |
| Expenses: | | | | | | |
| General government | 549,200 | 540,486 | (8,714) | - | - | - |
| Judicial | 129,477 | 124,422 | (5,055) | - | - | - |
| Public safety | 771,090 | 806,436 | 35,346 | - | - | - |
| Public works | 440,732 | 451,074 | 10,342 | - | - | - |
| Culture and recreation | 221,147 | 316,915 | 95,768 | - | - | - |
| Economic development | 156,443 | 186,149 | 29,706 | - | - | - |
| Interest | 1,078 | 4,074 | 2,996 | - | - | - |
| Water system | - | - | - | 1,771,459 | 1,870,594 | 99,135 |
| Sewerage system | - | - | - | 667,748 | 893,244 | 225,496 |
| Total expenses | <u>2,269,167</u> | <u>2,429,556</u> | <u>160,389</u> | <u>2,439,207</u> | <u>2,763,838</u> | <u>324,631</u> |
| Change in net position | 1,007,291 | 655,838 | (351,453) | 1,958,551 | 2,393,924 | 435,373 |
| Beginning net position | <u>3,841,726</u> | <u>4,849,017</u> | <u>1,007,291</u> | <u>6,417,867</u> | <u>8,376,418</u> | <u>1,958,551</u> |
| Ending net position | <u>\$ 4,849,017</u> | <u>\$ 5,504,855</u> | <u>\$ 655,838</u> | <u>\$ 8,376,418</u> | <u>\$ 10,770,342</u> | <u>\$ 2,393,924</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, 2016, the net position of governmental funds increased 13% from the prior year. The net position of business-type activities increased 28%.

Approximately 27% of the City's revenues came from property taxes, 22% from sales taxes and 27% from other revenues and taxes during 2016. Other revenues include alcohol and liquor taxes, franchise taxes, insurance premium taxes and business and occupation taxes. All these sources account for 76% of governmental activity revenues as the City is heavily reliant on property, sales and other taxes to support governmental operations. Charges for services provided and capital grants and contributions provided 12% and 13%, respectively, of the City's revenue in 2016.

Overall expenses for governmental activities saw a 7% increase due mainly to an increase in culture and recreation expenditures for landscaping and park renovations during 2016 in the downtown park. The City's expenses cover a range of services, with public safety increasing 5% as a result of capital outlay for a tag scanner. Public safety accounts for the largest percentage of total expense at 33%. General government expense made up 22% of the total, a decrease of 2% from last year. Public works expense was consistent with only a 2% increase to remain at 19% of total expense. Judicial and housing and economic development functions remained consistent at 5% and 8%, respectively.

There was a 14% increase in charges for services due to a sewer rate increase of \$1 per 1,000 gallons along with increased billings from meter replacements that produce more accurate bills. Capital grants and contributions were the result of GEFA debt forgiveness and a USDA grant to finish out projects funded by the 2014 water bonds, as in the prior year. Business-type expense increased 13% due to an updated allocation of interfund services and an increase in interest expense as interest only payments were made on the 2014 water bonds.

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 \$1,685,795 with \$91,319 reported as unassigned fund balance, \$34,822 as nonspendable for prepaid items and inventory, \$852,225 restricted for specific purposes, \$400,130 committed and \$307,299. The amount restricted for capital projects and program purposes increased \$195,767 from last year as assets continued to accumulate in the SPLOST fund for street projects planned in the downtown area, completed during the first part of 2017. Other restricted fund balances consisted of restricted hotel/motel funds for advertising of \$4,125 and confiscated asset funds of \$4,626 for public safety. Unassigned fund balance in the General fund increased \$91,319 as all funds were committed or assigned for working capital and contingencies in the prior year. It is the City's policy to strive to maintain three months operating expenditures as reserve. The remaining amount of \$123,503 is assigned in the hotel/motel special revenue fund for tourism or economic development purposes to be determined by the Council.

Governmental Funds

The general fund balance increased \$111,337, while total revenues increased over \$62,000 or 3% with increases in property and sales taxes and licenses and permits due largely to economic growth. General fund expenditures increased \$148,033 or 6% as a result of capital outlay for the downtown playground and expenditures for landscaping in the same area.

Intergovernmental revenue for the SPLOST fund remained consistent changing only by approximately \$34,538 or 12% from economic growth. Fund balance increased \$210,293 due to the accumulation of resources for the paving of East Main Street completed during the first part of 2017. The revenue for nonmajor governmental funds decreased \$113,516 because of Streetscape grant revenue received to close out the Phase III project during 2015. Fund balance for nonmajor governmental funds decreased \$17,138 as the result of a net loss in the hotel motel fund. A new agreement was signed with the Fannin Chamber of Commerce to payout all restricted hotel motel tax funds in excess of those needed to support the City-owned Farmer's Market so restricted funds from the prior year were paid and deducted from fund balance.

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 2016, the City adopted a budget of \$2,133,225 for revenues and expenditures. The City did two budget amendments during the year making the amended budget \$2,331,239. The first budget amendment included the use of contingencies for legal expense for zoning issues and the additional of a capital lease and the corresponding capital outlay. An amendment was also made to separate the shop department from the street department for information and allocation purposes.

The final budget amendment increased various expenditures in multiple departments by increasing sales and beverage tax revenue along with adding FEMA and USDA grants and revenue from the sale of capital assets for equipment that was traded. Expenditure increases included legal and insurance in general administrative, capital outlay and landscaping in the parks for downtown playground improvements, capital outlay for insulation at the Depot and water and sewer expenditures in parks and downtown for water leaks. These expenditure increases were also offset with decreases in gasoline in the police department, wages and insurance in the street department, a transfer in from hotel motel for playground equipment and use of remaining contingency funds.

The actual operating revenues of the General Fund were more than budgeted amounts by \$650. The actual operating expenditures of the General Fund were less than budgeted amounts by \$47,365. 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, 2016, the City reported \$3,488,898 in capital assets for governmental activities and \$22,035,023 in capital assets for the business-type activities. The governmental activities capital asset additions included insulation at the Depot, a license plate recognition system, skidsteer, donation of an antique fire truck and calliope, softball field fencing, playground equipment for the downtown park and engineering for multiple City projects to improve roads, sidewalks, drainage and restrooms in the downtown area. Capital additions for the business-type activities included the purchase of various equipment, such as a wastewater camera, digester aerator for the sewer plant, skidsteer, truck and water loss detection equipment. Construction in progress additions included the water plant upgrade, administration and legal for a water project on Orchard Boulevard, and engineering for waterline and service line replacements on East Main along with engineering for Trackside and Aska road pump station renovations. Refer to Note 4 to the financial statements for additional information on capital assets.

At December 31, 2016, the City reported long-term debt of \$414,264 for governmental activities and \$14,416,337 for business-type activities. The debt for governmental activities includes capital leases for police cars and equipment, half of a note payable for a skidsteer, compensated absences and a net pension liability. The debt for business-type activities includes bonds for water and sewer plant upgrades and improvements, notes payable for meter replacements and half of a note payable for a skidsteer, a capital lease for a truck, compensated absences and a net pension liability. Refer to Note 5 to the financial statements for additional information on long-term debt.

Conditions Affecting the City

The City is anticipating the completion of a paving project on East Main Street in downtown Blue Ridge. The City has been accumulating revenue in the SPLOST fund for several years and will expend the majority of the Fund's resources during 2017.

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, 2016

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 1,232,054 | \$ 417,650 | \$ 1,649,704 |
| Pooled operating cash | 667,333 | 1,815,320 | 2,482,653 |
| Investments | 183,796 | - | 183,796 |
| Restricted assets | | | |
| Cash and cash equivalents | - | 1,082,720 | 1,082,720 |
| Receivables | | | |
| Accounts | 87,078 | 399,262 | 486,340 |
| Property taxes | 296,703 | - | 296,703 |
| Franchise taxes | 15,487 | - | 15,487 |
| Other taxes | 10,313 | - | 10,313 |
| Fines | 193,131 | - | 193,131 |
| Intergovernmental | 148,424 | 41,533 | 189,957 |
| Forfeited property held for resale | 2,511 | - | 2,511 |
| Inventory | 19,708 | 171,754 | 191,462 |
| Prepaid items | 15,114 | 14,522 | 29,636 |
| Total Current Assets | 2,871,652 | 3,942,761 | 6,814,413 |
| Noncurrent Assets | | | |
| Restricted assets | | | |
| Cash and cash equivalents | - | 343,880 | 343,880 |
| Capital assets | | | |
| Nondepreciable | 265,907 | 9,991,437 | 10,257,344 |
| Depreciable, net | 3,222,991 | 12,043,586 | 15,266,577 |
| Total Noncurrent Assets | 3,488,898 | 22,378,903 | 25,867,801 |
| Total Assets | 6,360,550 | 26,321,664 | 32,682,214 |
| Deferred Outflows of Resources | | | |
| Pension related | 159,087 | 116,467 | 275,554 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | 64,051 | 94,786 | 158,837 |
| Contracts payable | - | 323,530 | 323,530 |
| Accrued payroll liabilities | 39,606 | 20,857 | 60,463 |
| Accrued interest payable | 1,433 | 6,114 | 7,547 |
| Other | 6,893 | - | 6,893 |
| Compensated absences payable | 3,912 | 7,592 | 11,504 |
| Capital leases payable | 31,317 | 3,789 | 35,106 |
| Revenue obligation bonds payable | - | 87,767 | 87,767 |
| Notes payable | 1,822 | 100,215 | 102,037 |
| Payable from restricted assets | | | |
| Accrued interest payable | - | 173,444 | 173,444 |
| Unearned revenue | - | 354,876 | 354,876 |
| Customer deposits | - | 264,977 | 264,977 |
| Total Current Liabilities | 149,034 | 1,437,947 | 1,586,981 |
| Long-Term Liabilities (net of current portion) | | | |
| Compensated absences payable | 9,288 | 17,716 | 27,004 |
| Net pension liability | 322,407 | 240,534 | 562,941 |
| Capital leases payable | 37,790 | 16,590 | 54,380 |
| Notes payable | 7,728 | 270,493 | 278,221 |
| Revenue bonds payable | - | 13,670,145 | 13,670,145 |
| General obligation bonds payable | - | 1,496 | 1,496 |
| Total Long-Term Liabilities | 377,213 | 14,216,974 | 14,594,187 |
| Total Liabilities | 526,247 | 15,654,921 | 16,181,168 |
| Deferred Inflows of Resources | | | |
| Unavailable revenues | 471,934 | - | 471,934 |
| Pension related | 16,601 | 12,868 | 29,469 |
| Total Deferred Inflows of Resources | 488,535 | 12,868 | 501,403 |
| Net Position | | | |
| Net investment in capital assets | 3,410,241 | 7,884,528 | 11,294,769 |
| Restricted for | | | |
| Debt service | - | 517,323 | 517,323 |
| Capital projects | 843,474 | 289,424 | 1,132,898 |
| Program purposes | | | |
| Public safety | 4,626 | - | 4,626 |
| Housing and economic development | 4,125 | - | 4,125 |
| Unrestricted | 1,242,389 | 2,079,067 | 3,321,456 |
| Total Net Position | \$ 5,504,855 | \$ 10,770,342 | \$ 16,275,197 |

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Activities
For the Year Ended December 31, 2016

| 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 | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Primary Government | | | | | | | |
| Governmental Activities | | | | | | | |
| General government | \$ 540,486 | \$ 86,220 | \$ - | \$ - | \$ (454,266) | \$ - | \$ (454,266) |
| Judicial | 124,422 | 180,073 | - | - | 55,651 | - | 55,651 |
| Public safety | 806,436 | 3,110 | 100 | - | (803,226) | - | (803,226) |
| Public works | 451,074 | 1,946 | 5,187 | 348,311 | (95,630) | - | (95,630) |
| Culture and recreation | 316,915 | 32,931 | 12,826 | 40,000 | (231,158) | - | (231,158) |
| Housing and development | 186,149 | 64,410 | - | - | (121,739) | - | (121,739) |
| Interest | 4,074 | - | - | - | (4,074) | - | (4,074) |
| Total Governmental Activities | 2,429,556 | 368,690 | 18,113 | 388,311 | (1,654,442) | - | (1,654,442) |
| Business-Type Activities | | | | | | | |
| Water system | 1,870,594 | 2,121,021 | - | 2,094,844 | - | 2,345,271 | 2,345,271 |
| Sewer system | 893,244 | 865,388 | - | 9,500 | - | (18,356) | (18,356) |
| Total Business-Type Activities | 2,763,838 | 2,986,409 | - | 2,104,344 | - | 2,326,915 | 2,326,915 |
| Total - Primary Government | \$ 5,193,394 | \$ 3,355,099 | \$ 18,113 | \$ 2,492,655 | (1,654,442) | 2,326,915 | 672,473 |
| General Revenues | | | | | | | |
| Property taxes levied for general government purposes | | | | | 819,631 | - | 819,631 |
| Sales taxes | | | | | 671,113 | - | 671,113 |
| Franchise taxes | | | | | 100,630 | - | 100,630 |
| Insurance premium taxes | | | | | 80,389 | - | 80,389 |
| Business and occupation taxes | | | | | 46,355 | - | 46,355 |
| Real estate and intangible taxes | | | | | 5,549 | - | 5,549 |
| Other taxes | | | | | 553,872 | - | 553,872 |
| Unrestricted intergovernmental | | | | | 3,467 | - | 3,467 |
| Gain on sale of capital assets | | | | | 15,000 | - | 15,000 |
| Investment earnings | | | | | 4,391 | 1,895 | 6,286 |
| Miscellaneous | | | | | 9,883 | 65,114 | 74,997 |
| Total General Revenues | | | | | 2,310,280 | 67,009 | 2,377,289 |
| Change in Net Position | | | | | 655,838 | 2,393,924 | 3,049,762 |
| Net Position Beginning of Year | | | | | 4,849,017 | 8,376,418 | 13,225,435 |
| Net Position End of Year | | | | | \$ 5,504,855 | \$ 10,770,342 | \$ 16,275,197 |

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Balance Sheet
Governmental Funds
December 31, 2016

| | General Fund | SPLOST | Nonmajor Governmental Funds | Total |
|---|---------------------|-------------------|--|---------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 423,115 | \$ 794,374 | \$ 14,565 | \$ 1,232,054 |
| Pooled operating cash | 501,916 | - | 165,417 | 667,333 |
| Investments | 183,796 | - | - | 183,796 |
| Receivables (net) | | | | |
| Accounts | 31,500 | 55,578 | - | 87,078 |
| Property taxes | 296,703 | - | - | 296,703 |
| Franchise taxes | 15,487 | - | - | 15,487 |
| Other taxes | - | - | 10,313 | 10,313 |
| Fines | 193,131 | - | - | 193,131 |
| Intergovernmental | | | | |
| Federal | 22,000 | - | - | 22,000 |
| State | 65,598 | - | - | 65,598 |
| County | 5,003 | 55,823 | - | 60,826 |
| Interfund | 3,498 | - | - | 3,498 |
| Forfeited property held for resale | - | - | 2,511 | 2,511 |
| Inventory | 19,708 | - | - | 19,708 |
| Prepaid items | 15,114 | - | - | 15,114 |
| Total Assets | \$ 1,776,569 | \$ 905,775 | \$ 192,806 | \$ 2,875,150 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 59,874 | \$ 3,625 | \$ 552 | \$ 64,051 |
| Accrued payroll liabilities | 39,606 | - | - | 39,606 |
| Other | 6,893 | - | - | 6,893 |
| Interfund payable | - | 3,498 | - | 3,498 |
| Total Liabilities | 106,373 | 7,123 | 552 | 114,048 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | 960,129 | 55,178 | 60,000 | 1,075,307 |
| Fund Balances | | | | |
| Nonspendable | | | | |
| Prepaid items | 15,114 | - | - | 15,114 |
| Inventory | 19,708 | - | - | 19,708 |
| Restricted | | | | |
| Capital projects | - | 843,474 | - | 843,474 |
| Program purposes | | | | |
| Public safety | - | - | 4,626 | 4,626 |
| Economic development | - | - | 4,125 | 4,125 |
| Committed | | | | |
| Working capital/contingencies | 400,130 | - | - | 400,130 |
| Assigned | | | | |
| Working capital/contingencies | 183,796 | - | - | 183,796 |
| Economic development | - | - | 123,503 | 123,503 |
| Unassigned, reported in | | | | |
| General fund | 91,319 | - | - | 91,319 |
| Total Fund Balances | 710,067 | 843,474 | 132,254 | 1,685,795 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 1,776,569 | \$ 905,775 | \$ 192,806 | \$ 2,875,150 |

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, 2016

| | | |
|---|--------------------|-----------------------------|
| Total Governmental Fund Balances | \$ | 1,685,795 |
| 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 | \$ 5,896,928 | |
| Less accumulated depreciation | <u>(2,408,030)</u> | 3,488,898 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Property taxes | 364,537 | |
| Intergovernmental | 55,178 | |
| Fines | 183,658 | |
| Deferred outflows of resources- pension related | <u>159,087</u> | 762,460 |
| 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. | | |
| Leases payable | (69,107) | |
| Notes payable | (9,550) | |
| Compensated absences | (13,200) | |
| Accrued interest | (1,433) | |
| Net pension obligation | (322,407) | |
| Deferred inflow of resources- pension related | <u>(16,601)</u> | <u>(432,298)</u> |
| Net Position Of Governmental Activities | \$ | <u><u>5,504,855</u></u> |

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, 2016

| | <u>General Fund</u> | <u>SPLOST</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|--|---------------------|-------------------|--|---------------------|
| Revenues | | | | |
| Property taxes | \$ 608,790 | \$ - | \$ - | \$ 608,790 |
| Sales taxes | 671,113 | - | - | 671,113 |
| Other taxes | 617,560 | - | 169,235 | 786,795 |
| Licenses and permits | 109,465 | - | - | 109,465 |
| Intergovernmental | 28,811 | 326,731 | - | 355,542 |
| Charges for services | 23,476 | - | - | 23,476 |
| Fines and forfeitures | 168,447 | - | 1,652 | 170,099 |
| Contributions | 100 | - | - | 100 |
| Investment earnings | 4,363 | 1,423 | 28 | 5,814 |
| Restitution | - | 4,400 | - | 4,400 |
| Miscellaneous | 56,750 | - | - | 56,750 |
| Total Revenues | <u>2,288,875</u> | <u>332,554</u> | <u>170,915</u> | <u>2,792,344</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 495,253 | - | - | 495,253 |
| Judicial | 123,859 | - | - | 123,859 |
| Public safety | | | | |
| Police | 764,852 | - | 245 | 765,097 |
| Fire | 18,646 | - | - | 18,646 |
| Public works | 370,850 | - | - | 370,850 |
| Culture and recreation | 409,373 | - | - | 409,373 |
| Housing and economic development | 107,339 | - | 87,541 | 194,880 |
| Capital Outlay | | | | |
| Public works | - | 122,261 | - | 122,261 |
| Housing and economic development | - | - | 1,107 | 1,107 |
| Debt Service | | | | |
| Principal retirement | 38,864 | - | - | 38,864 |
| Interest and fiscal charges | 2,641 | - | - | 2,641 |
| Total Expenditures | <u>2,331,677</u> | <u>122,261</u> | <u>88,893</u> | <u>2,542,831</u> |
| (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | <u>(42,802)</u> | <u>210,293</u> | <u>82,022</u> | <u>249,513</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of capital assets | 15,000 | - | - | 15,000 |
| Capital lease inception | 21,620 | - | - | 21,620 |
| Proceeds from issuance of loan | 9,550 | - | - | 9,550 |
| Insurance recovery | 8,809 | - | - | 8,809 |
| Transfers in | 101,226 | - | 2,066 | 103,292 |
| Transfers out | (2,066) | - | (101,226) | (103,292) |
| Total Other Financing Sources | <u>154,139</u> | <u>-</u> | <u>(99,160)</u> | <u>54,979</u> |
| Net Change in Fund Balances | 111,337 | 210,293 | (17,138) | 304,492 |
| Fund Balances Beginning of Year | <u>598,730</u> | <u>633,181</u> | <u>149,392</u> | <u>1,381,303</u> |
| Fund Balances End of Year | <u>\$ 710,067</u> | <u>\$ 843,474</u> | <u>\$ 132,254</u> | <u>\$ 1,685,795</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, 2016

| | | |
|---|-----------------|---------------------------|
| Net Changes In Fund Balances - Total Governmental Funds | \$ | 304,492 |
| 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 current period. | | |
| Depreciation expense | \$ (201,826) | |
| Capital outlay | <u>306,449</u> | 104,623 |
| Contributions of capital assets are report in the government-wide statement of activities but not reported at the fund financial reporting level. | | |
| | | 40,000 |
| Capital leases and notes are reported as other financing at the fund level but are reported as a liability on the government-wide statement of activities. | | |
| | | (31,170) |
| The cost of capital assets that are sold are reported in the government-wide statement of activities but not reported at the fund financial reporting level. | | |
| | | (565) |
| 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 12/31/15 | \$ (153,696) | |
| Deferred at 12/31/16 | <u>364,537</u> | 210,841 |
| Intergovernmental: | | |
| Deferred at 12/31/15 | \$ (59,578) | |
| Deferred at 12/31/16 | <u>55,178</u> | (4,400) |
| Fines: | | |
| Deferred at 12/31/15 | \$ (173,684) | |
| Deferred at 12/31/16 | <u>183,658</u> | 9,974 |
| 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. | | |
| | | 38,864 |
| Pension expense represents the change in net pension liability from the beginning of the year to the end of the year on the statement of activities, but is measured by the amount actually paid in the governmental funds. This is the amount by which pension contributions paid in the current period exceeded the change in net pension liability and pension related deferrals | | |
| | | (15,308) |
| 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: | | |
| Accrued interest | | |
| Liability @ 12/31/15 | \$ - | |
| Liability @ 12/31/16 | <u>(1,433)</u> | (1,433) |
| Compensated absences | | |
| Liability @ 12/31/15 | \$ 13,120 | |
| Liability @ 12/31/16 | <u>(13,200)</u> | (80) |
| Change In Net Position of Governmental Activities | \$ | <u>655,838</u> |

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, 2016

| | Original Budget | Final Budget | Actual | Variance With Budget |
|---|----------------------------|-------------------------|-------------------|---------------------------------|
| Revenues | | | | |
| Property taxes | \$ 548,125 | \$ 548,125 | \$ 608,790 | \$ 60,665 |
| Sales taxes | 630,000 | 670,000 | 671,113 | 1,113 |
| Other taxes | 535,000 | 600,000 | 617,560 | 17,560 |
| Licenses and permits | 83,750 | 108,750 | 109,465 | 715 |
| Intergovernmental | 2,000 | 27,000 | 28,811 | 1,811 |
| Charges for services | 50,850 | 50,850 | 23,476 | (27,374) |
| Fines and forfeitures | 230,000 | 230,000 | 168,447 | (61,553) |
| Contributions | - | - | 100 | 100 |
| Investment earnings | 1,500 | 1,500 | 4,363 | 2,863 |
| Miscellaneous | 52,000 | 52,000 | 56,750 | 4,750 |
| Total Revenues | 2,133,225 | 2,288,225 | 2,288,875 | 650 |
| Expenditures | | | | |
| Current | | | | |
| General government | 418,684 | 496,184 | 495,253 | 931 |
| Judicial | 139,609 | 139,609 | 123,859 | 15,750 |
| Public safety | | | | |
| Police | 774,373 | 781,493 | 764,852 | 16,641 |
| Fire | 28,600 | 28,600 | 18,646 | 9,954 |
| Public works | 388,585 | 373,585 | 370,850 | 2,735 |
| Culture and recreation | 211,666 | 409,666 | 409,373 | 293 |
| Economic development | 66,085 | 108,085 | 107,339 | 746 |
| Debt Service | | | | |
| Principal retirement | 33,179 | 39,179 | 38,864 | 315 |
| Interest and fiscal charges | 2,641 | 2,641 | 2,641 | - |
| Total Expenditures | 2,063,422 | 2,379,042 | 2,331,677 | 47,365 |
| Excess of Revenues Over Expenditures | 69,803 | (90,817) | (42,802) | 48,015 |
| Other Financing Sources (Uses) | | | | |
| Sale of capital assets | - | 15,000 | 15,000 | - |
| Capital lease inception | - | 21,620 | 21,620 | - |
| Proceeds from issuance of loan | - | - | 9,550 | 9,550 |
| Insurance reimbursement | - | - | 8,809 | 8,809 |
| Transfers in | - | 102,000 | 101,226 | (774) |
| Transfers out | - | - | (2,066) | (2,066) |
| Appropriation of fund balance | (69,803) | (47,803) | - | 47,803 |
| Total Other Financing Sources (Uses) | (69,803) | 90,817 | 154,139 | 63,322 |
| Net Change in Fund Balances | \$ - | \$ - | 111,337 | \$ 111,337 |
| Fund Balances Beginning of Year | | | 598,730 | |
| Fund Balances End of Year | | | \$ 710,067 | |

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Fund Net Position
Proprietary Fund
December 31, 2016

| | Water & Sewer Fund |
|--|-------------------------------|
| Assets | |
| Current Assets | |
| Cash and cash equivalents | \$ 417,650 |
| Pooled operating cash | 1,815,320 |
| Receivables (net) | |
| Accounts | 399,262 |
| Intergovernmental | 41,533 |
| Inventory | 171,754 |
| Prepaid items | 14,522 |
| Restricted assets | |
| Cash and cash equivalents | 1,082,720 |
| Total Current Assets | 3,942,761 |
| Noncurrent Assets | |
| Restricted assets | |
| Cash and cash equivalents | 343,880 |
| Capital assets | |
| Nondepreciable | 9,991,437 |
| Depreciable, net | 12,043,586 |
| Total Noncurrent Assets | 22,378,903 |
| Total Assets | 26,321,664 |
| Deferred Outflows of Resources | |
| Pension related | 116,467 |
| Total Assets and Deferred Outflows of Resources | 26,438,131 |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | 94,786 |
| Contracts payable | 323,530 |
| Accrued payroll liabilities | 20,857 |
| Accrued interest | 6,114 |
| Compensated absences payable | 7,592 |
| Capital lease payable | 3,789 |
| Notes payable | 100,215 |
| Revenue bonds payable | 87,767 |
| Payable from Restricted Assets: | |
| Unearned revenue | 354,876 |
| Accrued interest | 173,444 |
| Customer deposits | 264,977 |
| Total Current Liabilities | 1,437,947 |
| Long-Term Liabilities | |
| Compensated absences payable (net of current portion) | 17,716 |
| Net pension liability | 240,534 |
| Capital lease payable (net of current portion) | 16,590 |
| Notes payable (net of current portion) | 270,493 |
| Revenue bonds payable (net of current portion) | 13,670,145 |
| General obligation bonds | 1,496 |
| Total Long-Term Liabilities | 14,216,974 |
| Total Liabilities | 15,654,921 |
| Deferred Inflows of Resources | |
| Pension related | 12,868 |
| Total Liabilities and Deferred Inflows of Resources | 15,667,789 |
| Net Position | |
| Net investment in capital assets | 7,884,528 |
| Restricted for construction | 289,424 |
| Restricted for debt service | 517,323 |
| Unrestricted | 2,079,067 |
| Total Net Position | \$ 10,770,342 |

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Revenues,
Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2016

| | Water & Sewer Fund |
|---|-------------------------------|
| Operating Revenues | |
| Charges for services | |
| Water revenues | \$ 2,019,805 |
| Sewer revenues | 817,296 |
| Service charges | 21,938 |
| Tap fees | 86,268 |
| Connection fees | 11,868 |
| Penalties | 29,234 |
| Miscellaneous | 65,114 |
| | <u>3,051,523</u> |
| Total Operating Revenues | |
| Operating Expenses | |
| Water department | |
| Personnel services | 582,679 |
| Contractual services | 227,916 |
| Supplies | 528,176 |
| Interfund charges | 98,580 |
| Sewer department | |
| Personnel services | 128,191 |
| Contractual services | 171,495 |
| Supplies | 256,031 |
| Interfund charges | 141,390 |
| | <u>2,134,458</u> |
| Total Operating Expenses | |
| Operating Income before Depreciation | <u>917,065</u> |
| Depreciation | 464,215 |
| | <u>452,850</u> |
| Operating Income | |
| Non-Operating Revenues (Expenses) | |
| Intergovernmental revenue | 2,060,344 |
| Surcharge revenue | 44,000 |
| Interest income | 1,895 |
| Interest on revenue bonds | (150,344) |
| Interest on leases and notes payable | (14,821) |
| | <u>1,941,074</u> |
| Total Non-Operating Revenues | |
| Change in Net Position | 2,393,924 |
| Net Position Beginning of Year | <u>8,376,418</u> |
| Net Position End of Year | <u><u>\$ 10,770,342</u></u> |

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, 2016

| | Water & Sewer Fund |
|--|-------------------------------|
| Cash Flows from Operating Activities | |
| Cash received from customers | \$ 2,964,967 |
| Cash payments for personal services | (697,950) |
| Cash payments for goods and services | (1,205,291) |
| Cash payments for interfund services used | (239,970) |
| Other cash receipts | 65,114 |
| | 886,870 |
| Net Cash Provided by (Used in) Operating Activities | 886,870 |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from surcharge fees | 44,000 |
| Principal paid on revenue bonds | (29,477) |
| Interest paid on revenue bonds | (147,365) |
| Principal paid on leases and notes | (97,279) |
| Interest paid on leases and notes | (15,159) |
| Proceeds from leases and notes | 182,259 |
| Proceeds from grants | 5,625 |
| Payments for capital acquisitions and construction | (2,190,360) |
| | (2,247,756) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | (2,247,756) |
| Cash Flows from Investing Activities | |
| Investments earnings | 1,895 |
| | 1,895 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,358,991) |
| Cash and Cash Equivalents Beginning of Year | 5,018,561 |
| Cash and Cash Equivalents End of Year | \$ 3,659,570 |
| Reconciliation of total cash and cash equivalents: | |
| Cash and cash equivalents | \$ 417,650 |
| Pooled operating cash | 1,815,320 |
| Current restricted assets-cash and cash equivalents | 1,082,720 |
| Noncurrent restricted assets- cash and cash equivalents | 343,880 |
| Total cash and cash equivalents | \$ 3,659,570 |

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, 2016

| | <u>Water & Sewer Fund</u> |
|---|-------------------------------|
| Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities | |
| Operating Income | \$ 452,850 |
| Adjustments | |
| Depreciation | 464,215 |
| (Increase) Decrease in Assets | |
| Accounts receivable | (41,333) |
| Inventories | (43,568) |
| Prepaid expenses | 3,920 |
| Deferred outflows of resources- pension related | (88,191) |
| Increase (Decrease) in Liabilities | |
| Accounts payable | 17,975 |
| Accrued payroll liabilities | (1,301) |
| Deposits payable | 19,891 |
| Compensated absences | 3,165 |
| Net pension liability | 102,197 |
| Deferred inflow of resources- pension related | (2,950) |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ 886,870</u> |
| Noncash Capital and Related Financing Activities | |
| Georgia Environmental Finance Authority loan forgiveness for Drinking Water State Revolving Loan Funds | \$ 62,941 |

CITY OF BLUE RIDGE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

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 Multiple Grant 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, 2016 is \$71,308.

Fines receivable is estimated as 20% 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 active accounts and 100% of the finalized and inactive accounts. The total allowance for 2016 is \$175,979. 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, 2016.

G. Inventories

Inventories in the General Fund and 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, 2016, 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 capital grant revenue, 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 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.

The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the City of Blue Ridge, (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2016 the bank balance of all deposits was \$6,292,128 and the carrying amount was \$5,742,753. 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, 2016, the amount covered by depository insurance was \$500,807 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 \$5,788,320. The collateral to deposit ratio is 111%.

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 \$517,323 in the Water and Sewerage System Fund are restricted for debt service related to Rural Development bonds. Restricted cash also includes \$644,300 in the USDA supervised account for construction and \$264,977 for customer deposits. Total restricted assets equal \$1,426,600.

Restricted net position for governmental activities includes \$843,474 from the SPLOST fund restricted for capital projects, \$4,626 from the Confiscated Assets fund for public safety and \$4,125 from the Hotel/Motel fund for economic development. Restricted net position for business-type activities includes \$517,323 for debt service and \$289,424 for capital projects.

4. Capital Assets – Governmental Activities

Changes in capital assets by major classes for 2016 are as follows:

| <u>Governmental Activities:</u> | <u>Balance</u> <u>12/31/2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>12/31/2016</u> |
|--------------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Nondepreciable capital assets | | | | |
| Land | \$ 76,065 | \$ - | \$ - | \$ 76,065 |
| Construction in progress | <u>70,178</u> | <u>119,664</u> | <u>-</u> | <u>189,842</u> |
| Total nondepreciable capital assets | <u>146,243</u> | <u>119,664</u> | <u>-</u> | <u>265,907</u> |
| Depreciable capital assets | | | | |
| Buildings | 1,602,990 | 7,303 | - | 1,610,293 |
| Machinery and equipment | 1,463,142 | 83,576 | 130,540 | 1,416,178 |
| Site improvements | 616,296 | 135,906 | - | 752,202 |
| Infrastructure | <u>1,852,348</u> | <u>-</u> | <u>-</u> | <u>1,852,348</u> |
| Total depreciable assets | <u>5,534,776</u> | <u>226,785</u> | <u>130,540</u> | <u>5,631,021</u> |
| Total capital assets | <u>5,681,019</u> | <u>346,449</u> | <u>130,540</u> | <u>5,896,928</u> |
| Accumulated depreciation | | | | |
| Buildings | 396,917 | 46,904 | - | 443,821 |
| Machinery and equipment | 1,232,023 | 88,975 | 129,975 | 1,191,023 |
| City park & improvements | 454,822 | 23,124 | - | 477,946 |
| Infrastructure | <u>252,417</u> | <u>42,823</u> | <u>-</u> | <u>295,240</u> |
| Total accumulated depreciation | <u>2,336,179</u> | <u>201,826</u> | <u>129,975</u> | <u>2,408,030</u> |
| | <u>\$ 3,344,840</u> | <u>\$ 144,623</u> | <u>\$ 565</u> | <u>\$ 3,488,898</u> |

Governmental activities depreciation expense is as follows:

| | |
|------------------------|-------------------|
| General government | \$ 39,979 |
| Public safety | 37,789 |
| Public works | 80,607 |
| Culture and recreation | 29,207 |
| Economic development | <u>14,244</u> |
| | <u>\$ 201,826</u> |

Governmental machinery and equipment included in the capital asset activity listed above includes an antique fire truck and calliope donated to the City of Blue Ridge for use in parades and public events downtown. These items are reported at their acquisition value of \$24,000 and \$16,000, respectively. This is an estimate of a price that would be paid to acquire similar assets in an orderly market transaction at the acquisition date, according to the price paid by the donor when the assets were acquired in November 2015 (level 1 inputs). These assets will be maintained in perpetuity and are not being depreciated.

| <u>Business-type Activities:</u> | <u>Balance</u> <u>12/31/2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>12/31/2016</u> |
|-------------------------------------|-------------------------------------|-------------------------|---------------------|-------------------------------------|
| Nondepreciable capital assets | | | | |
| Land | \$ 77,875 | \$ - | \$ - | \$ 77,875 |
| Intangible assets | 34,896 | - | - | 34,896 |
| Construction in progress | <u>8,166,159</u> | <u>1,722,007</u> | <u>9,500</u> | <u>9,878,666</u> |
| Total nondepreciable capital assets | <u>8,278,930</u> | <u>1,722,007</u> | <u>9,500</u> | <u>9,991,437</u> |
| Depreciable capital assets | | | | |
| Infrastructure and pipelines | 12,036,733 | - | - | 12,036,733 |
| Buildings and improvements | 5,349,632 | - | - | 5,349,632 |
| Machinery and equipment | <u>533,833</u> | <u>184,169</u> | <u>-</u> | <u>718,002</u> |
| Total depreciable assets | <u>17,920,198</u> | <u>184,169</u> | <u>-</u> | <u>18,104,367</u> |
| Total capital assets | <u>26,199,128</u> | <u>1,906,176</u> | <u>9,500</u> | <u>28,095,804</u> |
| Accumulated depreciation | | | | |
| Infrastructure and pipelines | 2,517,296 | 306,636 | - | 2,823,932 |
| Buildings and improvements | 2,614,848 | 129,699 | - | 2,744,547 |
| Machinery and equipment | <u>464,422</u> | <u>27,880</u> | <u>-</u> | <u>492,302</u> |
| Total accumulated depreciation | <u>5,596,566</u> | <u>464,215</u> | <u>-</u> | <u>6,060,781</u> |
| | <u>\$ 20,602,562</u> | <u>\$ 1,441,961</u> | <u>\$ 9,500</u> | <u>\$ 22,035,023</u> |

5. 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:

Leases payable to Georgia Municipal Association in the amount of \$93,265 and \$12,896 for the purchase of police cars and the related equipment matures February 2018 and carry interest rates of 3.01% and 3.39%, respectively.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------|------------------|-----------------|------------------|
| 2017 | \$ 26,187 | \$ 1,625 | \$ 27,812 |
| 2018 | <u>26,987</u> | <u>825</u> | <u>27,812</u> |
| Total | <u>\$ 53,174</u> | <u>\$ 2,450</u> | <u>\$ 55,624</u> |

The asset aquired through this capital lease is as follows:

| | |
|--------------------------|------------------|
| Machinery and equipment | \$ 108,781 |
| Accumulated depreciation | <u>(41,698)</u> |
| Book value | <u>\$ 67,083</u> |

A lease payable to Georgia Municipal Association in the amount of \$21,620 for the purchase of a police tag scanner matures January 2019 and carries an interest rate of 3.49%.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------|------------------|-----------------|------------------|
| 2017 | \$ 5,130 | \$ 556 | \$ 5,686 |
| 2018 | 5,309 | 377 | 5,686 |
| 2019 | 5,494 | 192 | 5,686 |
| Total | <u>\$ 15,933</u> | <u>\$ 1,125</u> | <u>\$ 17,058</u> |

The asset acquired through this capital lease is as follows:

| | |
|--------------------------|------------------|
| Machinery and equipment | \$ 21,620 |
| Accumulated depreciation | <u>(3,964)</u> |
| Book value | <u>\$ 17,656</u> |

A note payable from governmental activities and business-type activities to the United States Department of Agriculture in the amount of \$19,100 for the purchase of a skidsteer matures October 2021 and carries an interest rate of 2.375%.

| | <u>Governmental Activities</u> | | | <u>Business-type Activities</u> | | |
|------|--------------------------------|-----------------|-----------------|---------------------------------|-----------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2017 | \$ 1,822 | \$ 226 | \$ 2,048 | \$ 1,822 | \$ 227 | \$ 2,049 |
| 2018 | 1,865 | 183 | 2,048 | 1,865 | 183 | 2,048 |
| 2019 | 1,909 | 139 | 2,048 | 1,909 | 139 | 2,048 |
| 2020 | 1,954 | 94 | 2,048 | 1,954 | 94 | 2,048 |
| 2021 | 2,000 | 47 | 2,047 | 2,000 | 47 | 2,047 |
| | <u>\$ 9,550</u> | <u>\$ 226</u> | <u>\$ 2,048</u> | <u>\$ 9,550</u> | <u>\$ 227</u> | <u>\$ 2,049</u> |

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

Bonds payable at December 31, 2016 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> |
|-----------|-------------------|-------------------|---------------------|
| 2017 | \$ 24,958 | \$ 37,178 | \$ 62,136 |
| 2018 | 26,104 | 36,032 | 62,136 |
| 2019 | 27,304 | 34,832 | 62,136 |
| 2020 | 28,558 | 33,578 | 62,136 |
| 2021 | 29,870 | 32,266 | 62,136 |
| 2022-2026 | 171,238 | 139,442 | 310,680 |
| 2027-2031 | 214,355 | 96,325 | 310,680 |
| 2032-2036 | 268,329 | 42,351 | 310,680 |
| 2037 | 46,812 | 901 | 47,713 |
| | <u>\$ 837,528</u> | <u>\$ 452,905</u> | <u>\$ 1,290,433</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 full amount of \$9,000,000 on the 2014A Bonds and \$3,926,000 on the 2014B Bonds has been drawn. An interest only payment of \$420,095 is due August 7, 2017. Monthly payments of \$50,153 will begin September 7, 2017 with the interest rate of 3.25%.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|--------------------|---------------------|
| 2017 | \$ 62,809 | \$ 137,803 | \$ 200,612 |
| 2018 | 192,501 | 409,335 | 601,836 |
| 2019 | 198,763 | 403,073 | 601,836 |
| 2020 | 205,229 | 396,607 | 601,836 |
| 2021 | 211,905 | 390,061 | 601,966 |
| 2022-2026 | 1,167,519 | 1,841,661 | 3,009,180 |
| 2027-2031 | 1,370,178 | 1,639,002 | 3,009,180 |
| 2032-2036 | 1,608,016 | 1,401,164 | 3,009,180 |
| 2037-2041 | 1,887,139 | 1,122,041 | 3,009,180 |
| 2042-2046 | 2,214,711 | 794,469 | 3,009,180 |
| 2047-2051 | 2,599,143 | 410,037 | 3,009,180 |
| 2052-2054 | 1,202,471 | 41,903 | 1,244,374 |
| | <u>\$12,920,384</u> | <u>\$8,987,156</u> | <u>\$21,907,540</u> |

Capital leases for business-type activities are as follows:

Lease payable to Georgia Municipal Association in the amount of \$24,912 for the purchase of a vehicle for the water department matures March 2021 and carries an interest rates of 3.65%.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------|------------------|-----------------|------------------|
| 2017 | \$ 3,789 | \$ 744 | \$ 4,533 |
| 2018 | 3,927 | 606 | 4,533 |
| 2019 | 4,071 | 462 | 4,533 |
| 2020 | 4,219 | 314 | 4,533 |
| 2021 | 4,373 | 160 | 4,533 |
| Total | <u>\$ 20,379</u> | <u>\$ 2,286</u> | <u>\$ 22,665</u> |

The asset acquired through this capital lease is as follows:

| | |
|--------------------------|------------------|
| Machinery and equipment | \$ 34,912 |
| Accumulated depreciation | <u>(4,073)</u> |
| Book value | <u>\$ 30,839</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> |
|------|------------------|-----------------|-----------------|
| 2017 | \$ 1,500 | \$ 573 | \$ 2,073 |
| 2018 | 1,500 | 447 | 1,947 |
| 2019 | 1,500 | 314 | 1,814 |
| 2020 | 1,500 | 175 | 1,675 |
| | <u>\$ 6,000</u> | <u>\$ 1,509</u> | <u>\$ 7,509</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> |
|------|-------------------|------------------|-------------------|
| 2017 | \$ 91,575 | \$ 7,495 | \$ 99,070 |
| 2018 | 95,789 | 3,281 | 99,070 |
| | <u>\$ 187,364</u> | <u>\$ 10,776</u> | <u>\$ 198,140</u> |

A loan from the State Revolving Loan Funds through Georgia Environmental Facility Agency (GEFA) to finance meter equipment for the purpose of water loss and leak detection was completed during fiscal year 2016 in the amount of \$195,000 with 40% principal forgiveness. It bears an interest rate of 1.03% and matures in July of 2036. Debt service requirements to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------|------------------|-------------------|
| 2017 | \$ 5,318 | \$ 1,158 | \$ 6,476 |
| 2018 | 5,373 | 1,103 | 6,476 |
| 2019 | 5,429 | 1,047 | 6,476 |
| 2020 | 5,485 | 991 | 6,476 |
| 2021 | 5,542 | 934 | 6,476 |
| 2022-2026 | 28,582 | 3,797 | 32,379 |
| 2027-2031 | 30,092 | 2,287 | 32,379 |
| 2032-2036 | 28,979 | 702 | 29,681 |
| | <u>\$ 114,800</u> | <u>\$ 12,019</u> | <u>\$ 126,819</u> |

A loan from the State Revolving Loan Funds through Georgia Environmental Facility Agency (GEFA) to finance meter equipment for the purpose of water loss and leak detection will be completed during fiscal year 2017 in the amount of \$211,985 with 40% principal forgiveness. The interest rate will be determined and maturity will be set 20 years from the amortization commencement date. Construction draws through December 31, 2016 totaled \$88,327 with principal forgiveness of \$35,333. The obligation at year end totaled \$52,994.

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 12/31/15 | Additions | Reductions | Ending Balance 12/31/16 | Due Within One Year |
|---------------------------------|----------------------------------|-------------------|-------------------|----------------------------|------------------------|
| Governmental activities | | | | | |
| Capital leases payable | \$ 86,351 | \$ 21,620 | \$ 38,864 | \$ 69,107 | \$ 31,317 |
| Notes payable | - | 9,550 | - | 9,550 | 1,822 |
| Compensated absences | 13,120 | 13,200 | 13,120 | 13,200 | 3,912 |
| Net pension liability | 180,904 | 141,503 | - | 322,407 | - |
| | <u>\$ 280,375</u> | <u>\$ 185,873</u> | <u>\$ 51,984</u> | <u>\$ 414,264</u> | <u>\$ 37,051</u> |
| Business-type activities | | | | | |
| Revenue bonds | 13,787,389 | - | 29,477 | 13,757,912 | 87,767 |
| Capital lease payable | - | 24,912 | 4,533 | 20,379 | 3,789 |
| Notes payable | 359,498 | 166,897 | 155,687 | 370,708 | 100,215 |
| General obligation bond | 1,496 | - | - | 1,496 | - |
| Compensated absences | 22,143 | 25,308 | 22,143 | 25,308 | 7,592 |
| Net pension liability | 138,337 | 102,197 | - | 240,534 | - |
| | <u>\$14,308,863</u> | <u>\$ 319,314</u> | <u>\$ 211,840</u> | <u>\$ 14,416,337</u> | <u>\$ 199,363</u> |

Interest costs of \$472,640 were incurred in 2016, with \$303,489 capitalized as construction in progress.

Compensated absences are typically liquidated by the general fund.

6. 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 2016 no expenditures materially exceeded budgeted appropriated amounts as shown in the budgetary comparison statement.

7. Property Taxes

The City of Blue Ridge’s property tax calendar for the 2015 levy applicable to fiscal year 2016 was as follows:

| | |
|-----------------|-------------------|
| Lien date | January 1, 2015 |
| Levy date | November 19, 2015 |
| Due date | January 19, 2016 |
| Delinquent date | January 20, 2016 |

Effective July 1, 2016, interest is added monthly at an annual rate equal to the Federal Prime Rate plus 3% after the delinquent date. A penalty of 10% was added to the 2015 levy 90 days after the delinquent date during fiscal year 2016. Effective July 1, 2016, a penalty of 5% is assessed 120 days after the delinquent date, with an additional 5% assessed after each successive 120 days to a maximum of 20% of the principal amount due. FIFA’s can be filed for uncollected taxes. The total current levy at December 31, 2016 was \$507,864.

8. Pension Plan

Plan Description

The City has established a non-contributory defined benefit pension plan (The City of Blue Ridge Retirement Plan), covering all full time employees who regularly work more than 20 hours per week. The City’s pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive 1.5% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City established the plan effective June 1, 1998 and has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. 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. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Plan membership. As of July 1, 2016, pension plan membership consisted of the following:

| | |
|---|----------|
| Inactive plan members or beneficiaries currently receiving benefits | 11 |
| Inactive plan members entitled to but not receiving benefits | 2 |
| Active plan members | _____ 32 |
| | _____ 45 |

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City contributes an amount equal to the recommended contribution each year. For the year ended December 31, 2015, the City’s contribution rate was 7.07% of annual payroll. City contributions to the Plan were \$67,189 for the year ended December 31, 2015.

Net Pension Liability of the City

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City’s accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2016.

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

| | |
|---------------------------|---|
| Inflation | 3.25% |
| Salary increases | 3.75% - 8.75%, including inflation of 3.25% |
| Investment rate of return | 7.75 %, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

Cost of living adjustments were assumed to be 0%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the following table:

| Asset class | Target allocation | Long-term expected real rate of return |
|-----------------------|-------------------|--|
| Domestic equity | 45% | 6.75% |
| International equity | 20% | 7.45% |
| Real estate | 10% | 4.55% |
| Global fixed income | 5% | 3.30% |
| Domestic fixed income | 20% | 1.75% |
| Cash | —% | |
| Total | 100% | |

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

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2016, were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
| Balances at 3/31/15 | \$ 1,554,349 | \$ 1,235,108 | \$ 319,241 |
| Changes for the year: | | | |
| Service cost | 30,964 | - | 30,964 |
| Interest | 117,879 | - | 117,879 |
| Differences between expected and actual experience | 161,654 | - | 161,654 |
| Assumption Changes | - | - | - |
| Contributions—employer | - | 66,370 | (66,370) |
| Contributions—employee | - | - | - |
| Net investment income | - | 3,791 | (3,791) |
| Benefit payments, including refunds of employee contributions | (66,665) | (66,665) | - |
| Administrative expense | - | (3,364) | 3,364 |
| Other changes | - | - | - |
| Net changes | 243,832 | 132 | 243,700 |
| Balances at 3/31/15 | \$ 1,798,181 | \$ 1,235,240 | \$ 562,941 |

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|------------------------------|------------------------|-------------------------------------|------------------------|
| City's net pension liability | \$ 826,365 | \$ 562,941 | \$ 345,707 |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2016 and the current sharing pattern of costs between employer and employee.

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

For the year ended December 31, 2016, the City recognized pension expense of \$90,278. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 154,187 | \$ - |
| Changes in assumptions | - | 16,734 |
| Net difference between projected and actual earnings on pension plan investments | 73,432 | 12,735 |
| City contributions subsequent to the measurement date | 47,935 | - |
| Total | \$ 275,554 | \$ 29,469 |

City contributions subsequent to the measurement date of \$47,935 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:

| | | |
|------------|----|----------------|
| 2017 | \$ | 33,654 |
| 2018 | | 33,654 |
| 2019 | | 33,654 |
| 2020 | | 37,899 |
| 2021 | | 19,541 |
| Thereafter | | 39,748 |
| Total | \$ | <u>198,150</u> |

Deferred Compensation Plan

The City also has a 457(b) plan of deferred compensation that is funded 100% by the employees. The plan calls for volunteer contributions up to the levels allowed by the IRS. The cost of the plan will be borne by the participating employees. The funds are invested and administered by VALIC and the employee directs such investments. The plan is portable and eligible for rollover. There are no current employees active in the City’s prior 457(b) plan of deferred compensation administered by Nationwide Retirement. There have been no employee contributions to the plan since April 2011 and the plan is only making distributions to participants.

9. 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.

10. 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 protest 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.

11. 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, 2016 the City paid \$1,286 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.

12. 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.

13. 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 | \$168,267 |
| Hotel Tax Expenditures | \$ 87,541 |
| Percentage Expended | 52% |

14. Interfund Balances

The pooled operating account in the SPLOST fund had a negative balance at December 31, 2016, shown as a due to/ from on the fund statements.

| | |
|---------------|---------------------|
| | <u>Due From</u> |
| <u>Due to</u> | <u>General Fund</u> |
| SPLOST | \$ 3,498 |

Funds were transferred in from the General Fund to the Multiple Grant fund for non-reimbursable expenditures related to possible future grant. A transfer from the Hotel/Motel Fund to the General Fund was approved for playground equipment in the downtown park. Following is the interfund balances at December 31, 2016.

| | | | |
|----------------------|---------------------|-----------------|-------------------|
| | <u>Transfers in</u> | | |
| <u>Transfers out</u> | <u>General fund</u> | <u>Nonmajor</u> | <u>Total</u> |
| General fund | \$ - | \$ 2,066 | \$ 2,066 |
| Nonmajor | 101,226 | - | 101,226 |
| Total | <u>\$ 101,226</u> | <u>\$ 2,066</u> | <u>\$ 103,292</u> |

15. Subsequent Events

The City has evaluated subsequent events through June 16, 2017, the date which the financial statements were available to be issued, and found the following items that required disclosure. There were no items noted that required modification to the financial statements.

A grant from the U.S. Department of Transportation through the Georgia Department of Transportation has been awarded in the amount of \$375,000. The City's match for this grant is \$93,750 for street and sidewalk improvements on West Main Street. The projected project start date is March 2018.

16. Separate Water and Sewer Information Required by Regulatory Agency

The water and sewer fund provides municipal water and sewer services for the area serviced by the City. Separate reporting for the water and sewer system as required by loan covenants with USDA is reported as follows.

Schedule of Fund Net Position

December 31, 2016

| | <u>Water</u> | <u>Sewer</u> | <u>Water & Sewer Fund</u> |
|--|---------------------|---------------------|-------------------------------|
| Assets and Deferred Outflows of Resources | | | |
| Current assets | \$ 3,801,629 | \$ 141,132 | \$ 3,942,761 |
| Noncurrent assets | 19,411,226 | 2,967,677 | 22,378,903 |
| Deferred outflows of resources | <u>98,997</u> | <u>17,470</u> | <u>116,467</u> |
| Total Assets and Deferred Outflows of Resources | <u>23,311,852</u> | <u>3,126,279</u> | <u>26,438,131</u> |
| Liabilities and Deferred Inflows of Resources | | | |
| Current liabilities | 1,356,097 | 81,850 | 1,437,947 |
| Long-term liabilities | 13,365,224 | 851,750 | 14,216,974 |
| Deferred inflows of resources | <u>10,938</u> | <u>1,930</u> | <u>12,868</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>14,732,259</u> | <u>935,530</u> | <u>15,667,789</u> |
| Net Position | | | |
| Net investment in capital assets | 5,816,514 | 2,068,014 | 7,884,528 |
| Restricted for construction | 289,424 | - | 289,424 |
| Restricted for debt service | 517,323 | - | 517,323 |
| Unrestricted | <u>1,956,332</u> | <u>122,735</u> | <u>2,079,067</u> |
| Total Net Position | <u>\$ 8,579,593</u> | <u>\$ 2,190,749</u> | <u>\$ 10,770,342</u> |

Schedule of Revenues, Expenses and Changes in Fund Net Position
For the year ended December 31, 2016

| | <u>Water</u> | <u>Sewer</u> | <u>Water & Sewer Fund</u> |
|---|---------------------|---------------------|-------------------------------|
| Operating Revenues | | | |
| Charges for services | \$ 2,121,021 | \$ 865,388 | \$ 2,986,409 |
| Miscellaneous | 65,114 | - | 65,114 |
| Total Operating Revenues | <u>2,186,135</u> | <u>865,388</u> | <u>3,051,523</u> |
| Operating Expenses | 1,437,351 | 697,107 | 2,134,458 |
| Depreciation | <u>306,173</u> | <u>158,042</u> | <u>464,215</u> |
| Operating Income | <u>442,611</u> | <u>10,239</u> | <u>452,850</u> |
| Nonoperating Revenues (Expenses) | | | |
| Intergovernmental revenue | 2,060,344 | - | 2,060,344 |
| Surcharge revenue | 34,500 | 9,500 | 44,000 |
| Interest income | 1,895 | - | 1,895 |
| Interest on revenue bonds | (112,249) | (38,095) | (150,344) |
| Interest on leases and notes payable | <u>(14,821)</u> | <u>-</u> | <u>(14,821)</u> |
| Total Nonoperating Revenues (Expenses) | <u>1,969,669</u> | <u>(28,595)</u> | <u>1,941,074</u> |
| Change in Net Position | <u>2,412,280</u> | <u>(18,356)</u> | <u>2,393,924</u> |
| Net Position Beginning of Year | 6,167,313 | 2,209,105 | 8,376,418 |
| Net Position End of Year | <u>\$ 8,579,593</u> | <u>\$ 2,190,749</u> | <u>\$ 10,770,342</u> |

Schedule of Cash Flows
For the year ended December 31, 2016

| | <u>Water</u> | <u>Sewer</u> | <u>Water & Sewer Fund</u> |
|--|---------------------|------------------|-------------------------------|
| Net cash provided by operating activities | \$ 676,173 | \$ 210,697 | \$ 886,870 |
| Net cash provided (used) by capital and related financing activities | (2,037,935) | (209,821) | (2,247,756) |
| Net cash provided by investing activities | <u>1,895</u> | <u>-</u> | <u>1,895</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>(1,359,867)</u> | <u>876</u> | <u>(1,358,991)</u> |
| Cash and Cash Equivalents Beginning of Year | <u>4,947,801</u> | <u>70,760</u> | <u>5,018,561</u> |
| Cash and Cash Equivalents End of Year | <u>\$ 3,587,934</u> | <u>\$ 71,636</u> | <u>\$ 3,659,570</u> |

CITY OF BLUE RIDGE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION

City of Blue Ridge, Georgia
Required Supplementary Information
Georgia Municipal Association Defined Benefit Plan
Schedule of Changes in the Net Pension Liability and Related Ratios
For the year ended December 31, 2016

| | 2016 | 2015 |
|---|---------------------|---------------------|
| <i>Total pension liability</i> | | |
| Service cost | \$ 30,964 | \$ 27,195 |
| Interest | 117,879 | 111,985 |
| Difference between expected and actual experience | 161,654 | 16,983 |
| Changes of assumptions | - | (22,312) |
| Changes of benefit terms | - | - |
| Benefit payments, including refunds of employee contributions | (66,665) | (48,927) |
| Net change in total pension liability | 243,832 | 84,924 |
| Total pension liability- beginning | 1,554,349 | 1,469,425 |
| Total pension liability- ending (a) | <u>\$ 1,798,181</u> | <u>\$ 1,554,349</u> |
| <i>Plan fiduciary net position</i> | | |
| Contributions- employer | \$ 66,370 | \$ 77,207 |
| Contributions- employee | - | - |
| Net investment income | 3,791 | 107,628 |
| Benefit payments- including refund of employee contributions | (66,665) | (48,927) |
| Administrative expense | (3,364) | (3,028) |
| Other | - | - |
| Net change in fiduciary net position | 132 | 132,880 |
| Plan fiduciary net position- beginning | 1,235,108 | 1,102,228 |
| Plan fiduciary net position- ending (b) | <u>\$ 1,235,240</u> | <u>\$ 1,235,108</u> |
| Net pension liability- ending (a-b) | <u>\$ 562,941</u> | <u>\$ 319,241</u> |
| Plans fiduciary net position as a percentage of the total pension liability | 68.69% | 79.46% |
| Covered employee payroll | \$ 1,178,056 | \$ 1,053,339 |
| Net pension liability as a percentage of covered employee payroll | 47.79% | 30.31% |

Notes to the Schedule:

Historical information prior to implementation of GASB 67/68 is not required, but this schedule will present 10 years of information once accumulated.

City of Calhoun, Georgia
Required Supplementary Information
Georgia Municipal Association Defined Benefit Plan
Schedule of Contributions
For the year ended December 31, 2016

| | 2016 | 2015 |
|--|---------|--------------|
| Actuarially determined contribution | \$ - * | \$ 67,189 |
| Contributions in relation to the actuarially determined contribution | - | 67,189 |
| Contribution deficiency (excess) | \$ - * | \$ - |
| Covered employee payroll | \$ - * | \$ 1,053,339 |
| Contributions as a percentage of covered employee payroll | 0.00% * | 6.38% |

*2016 information will be determined after fiscal year end and will be included in the 2017 valuation report.

Notes to the Schedule:

Historical information prior to implementation of GASB 67/68 is not required, but this schedule will present 10 years of information once accumulated.

Valuation date The actuarial determined contribution rate was determined as of July 1, 2014, with an interest adjustment to the fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Projected unit credit

Amortization method Closed level dollar for remaining unfunded liability

Remaining amortization period Remaining amortization period varies for the bases, with a net effective amortization period of 10 years

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

Actuarial assumptions:

Net investment rate of return 7.75%

Projected salary increase 3.25% plus service based merit increases

Cost of living adjustments 0.00%

Retirement age Where normal retirement is only available on or after age 65 retirement age is assumed to be 60% at ages 65 to 69 and 100% at age 70

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

CITY OF BLUE RIDGE, GEORGIA
SUPPLEMENTARY INFORMATION

City of Blue Ridge, Georgia
Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

| | Special Revenue Funds | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|------------------------------|---------------------------|----------------------------------|--|
| | Hotel/Motel | Confiscated Assets | Multiple Grant | |
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ 2,115 | \$ 12,450 | \$ 14,565 |
| Pooled operating cash | 117,820 | - | 47,597 | 165,417 |
| Receivables (net) | | | | |
| Other taxes | 10,313 | - | - | 10,313 |
| Forfeited property held for resale | - | 2,511 | - | 2,511 |
| Total Assets | \$ 128,133 | \$ 4,626 | \$ 60,047 | \$ 192,806 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 552 | \$ - | \$ - | \$ 552 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | - | - | 60,000 | 60,000 |
| Fund Balances | | | | |
| Restricted | | | | |
| Program purposes | | | | |
| Economic development | 4,125 | - | - | 4,125 |
| Public safety | - | 4,626 | - | 4,626 |
| Assigned | | | | |
| Economic development | 123,456 | - | 47 | 123,503 |
| Total Fund Balances | 127,581 | 4,626 | 47 | 132,254 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 128,133 | \$ 4,626 | \$ 60,047 | \$ 192,806 |

City of Blue Ridge, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2016

| | Special Revenue Funds | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|--|------------------------------|---------------------------|----------------------------------|--|
| | Hotel/Motel | Confiscated Assets | Multiple Grant | |
| Revenues | | | | |
| Hotel/motel taxes | \$ 169,235 | \$ - | \$ - | \$ 169,235 |
| Fines and forfeitures | - | 1,652 | - | 1,652 |
| Investment earnings | - | - | 28 | 28 |
| Total Revenues | 169,235 | 1,652 | 28 | 170,915 |
| Expenditures | | | | |
| Current | | | | |
| Public safety | - | 245 | - | 245 |
| Housing and economic development | 87,541 | - | - | 87,541 |
| Capital Outlay | | | | |
| Housing and economic development | - | - | 1,107 | 1,107 |
| Total Expenditures | 87,541 | 245 | 1,107 | 88,893 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 81,694 | 1,407 | (1,079) | 82,022 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 2,066 | 2,066 |
| Transfers out | (101,226) | - | - | (101,226) |
| Total Other Financing Sources | (101,226) | - | 2,066 | (99,160) |
| Net Change in Fund Balances | (19,532) | 1,407 | 987 | (17,138) |
| Fund Balances Beginning of Year | 147,113 | 3,219 | (940) | 149,392 |
| Fund Balances (Deficits) End of Year | \$ 127,581 | \$ 4,626 | \$ 47 | \$ 132,254 |

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, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Budget</u> |
|---|----------------------------|-------------------------|-------------------|---------------------------------|
| Revenues | | | | |
| Hotel/motel taxes | \$ 125,000 | \$ 163,000 | \$ 169,235 | \$ 6,235 |
| Expenditures | | | | |
| Current | | | | |
| Housing and economic development | 50,000 | 88,000 | 87,541 | 459 |
| Excess of Revenues Over Expenditures | 75,000 | 75,000 | 81,694 | (6,694) |
| Other Financing Sources (Uses) | | | | |
| (Additions to) Use of fund balance | (75,000) | 27,000 | - | (27,000) |
| Transfers out | - | (102,000) | (101,226) | 774 |
| Total Other Financing Sources (Uses) | (75,000) | (75,000) | (101,226) | (26,226) |
| Net Change in Fund Balances | <u>\$ -</u> | <u>\$ -</u> | (19,532) | <u>\$ (19,532)</u> |
| Fund Balances Beginning of Year | | | <u>147,113</u> | |
| Fund Balances End of Year | | | <u>\$ 127,581</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, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Budget</u> |
|--|----------------------------|-------------------------|-----------------|---------------------------------|
| Revenues | | | | |
| Confiscations | \$ 1,500 | \$ 1,500 | \$ 1,652 | \$ 152 |
| Expenditures | | | | |
| Current | | | | |
| Public safety | <u>1,500</u> | <u>1,500</u> | <u>245</u> | <u>1,255</u> |
| Net Change in Fund Balances | <u>\$ -</u> | <u>\$ -</u> | 1,407 | <u>\$ 1,407</u> |
| Fund Balances Beginning of Year | | | <u>3,219</u> | |
| Fund Balances End of Year | | | <u>\$ 4,626</u> | |

City of Blue Ridge, Georgia
Multiple Grant Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
For the year ended December 31, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Budget</u> |
|--|----------------------------|-------------------------|---------------|---------------------------------|
| Revenues | | | | |
| Investment earnings | \$ - | \$ - | \$ 28 | \$ 28 |
| Expenditures | | | | |
| Current | | | | |
| Housing and economic development | - | 1,200 | 1,107 | 93 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (1,200) | (1,079) | 121 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 1,200 | 2,066 | 866 |
| Net Change in Fund Balances | <u>\$ -</u> | <u>\$ -</u> | 987 | <u>\$ 987</u> |
| Fund Balances Beginning of Year | | | (940) | |
| Fund Balances End of Year | | | <u>\$ 47</u> | |

City of Blue Ridge, Georgia
SPLOST Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
For the year ended December 31, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Budget</u> |
|--|----------------------------|-------------------------|-------------------|---------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 285,000 | \$ 285,000 | \$ 326,731 | \$ 41,731 |
| Investment earnings | 250 | 250 | 1,423 | 1,173 |
| Restitution | - | - | 4,400 | 4,400 |
| Total Revenues | <u>285,250</u> | <u>285,250</u> | <u>332,554</u> | <u>47,304</u> |
| Expenditures | | | | |
| Current | | | | |
| Public works | <u>285,250</u> | <u>285,250</u> | <u>122,261</u> | <u>162,989</u> |
| Net Change in Fund Balances | <u>\$ -</u> | <u>\$ -</u> | 210,293 | <u>\$ 210,293</u> |
| Fund Balances Beginning of Year | | | <u>633,181</u> | |
| Fund Balances End of Year | | | <u>\$ 843,474</u> | |

CITY OF BLUE RIDGE, GEORGIA
INTERNAL CONTROL AND COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS

540 N. MAIN STREET
JASPER, GA 30143
PH (706) 253-3700 FAX (706) 253-5973

489 HIGHLAND CROSSING
SUITE 208
EAST ELLIJAY, GA 30540
PH (706) 515-2000 FAX (706) 515-2011

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

To the Honorable Mayor and 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, 2016, 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 16, 2017.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See findings 2015-01 and 2015-02.

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.

Welch, Walker & Associates, P.C., CPAs

East Ellijay, Georgia

June 16, 2017



CERTIFIED PUBLIC ACCOUNTANTS

540 N. MAIN STREET
JASPER, GA 30143
PH (706) 253-3700 FAX (706) 253-5973

489 HIGHLAND CROSSING
SUITE 208
EAST ELLIJAY, GA 30540
PH (706) 515-2000 FAX (706) 515-2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable 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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Welch, Walker + Associates, P.C., CPAs

East Ellijay, Georgia
June 16, 2017

City of Blue Ridge, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

| Federal Grantor Pass-Through Grantor Program Title | Federal CFDA Number | Grant/Loan Identification Number | Program or Award Amount | Federal Expenditures |
|---|---------------------------|--|-------------------------------|-------------------------|
| <u>U.S. Department of Agriculture</u> | | | | |
| Water & Waste Disposal Systems for Rural Communities | | | | |
| American Reinvestment and Recovery Act | | | | |
| Rural Development Grant | 10.760 | 10-55-6011380 | \$ 3,663,000 | 1,563,628 |
| Community Facilities Grant | 10.766 | 10-55-6011380 | \$ 24,900 | 24,900 |
| Community Facilities Loan | 10.766 | 10-55-6011380 | \$ 19,100 | <u>19,012</u> |
| Total U.S. Department of Agriculture | | | | <u>1,607,540</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Georgia Department of Community Affairs | | | | |
| Community Development Block Grant | 14.218 | CDBG 16p-x-055-2-5836 | \$ 500,000 | 25,158 |
| <u>U.S. Department of Transportation</u> | | | | |
| Federal Highway Administration | | | | |
| Highway Planning & Construction | 20.205 | PI 0010677 | \$ 375,000 | - |
| Federal Highway Administration | | | | |
| Highway Planning & Construction | 20.205 | PI 0009042 | \$ 250,000 | - |
| <u>U.S. Environmental Protection Agency</u> | | | | |
| Georgia Environmental Protection Agency/ Georgia Environmental Finance Authority | | | | |
| Grant for Drinking Water State Revolving Loan Fund | 66.468 | DWSRF 15-001 | \$ 60,840 | 14,016 |
| Loan for Drinking Water State Revolving Loan Fund | 66.468 | DWSRF 15-001 | \$ 91,260 | 21,023 |
| Grant for Drinking Water State Revolving Loan Fund | 66.468 | DWSRF 16-007 | \$ 66,144 | 56,920 |
| Loan for Drinking Water State Revolving Loan Fund | 66.468 | DWSRF 16-007 | \$ 99,209 | <u>85,381</u> |
| Total U.S. Environmental Protection Agency | | | | <u>177,340</u> |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Federal Emergency Management Agency | | | | |
| Disaster Assistance Projects | 97.088 | FEMA-DR-4259-DR-GA | \$ 13,555 | <u>7,037</u> |
| | | | | <u>\$ 1,817,075</u> |

City of Blue Ridge, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 position, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C: Outstanding Loans

The federal program Water & Waste Disposal for Rural Communities is funded partially by a loan. The outstanding balance of federal loan funds for this program at December 31, 2016 was \$12,920,384.

The federal program Georgia Environmental Finance Authority is funded partially by a loan. The outstanding balance of federal loan funds for this program at December 31, 2016 was \$167,794.

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

| | | | |
|---|-------------------|---------------------------|--|
| Type of auditor's report issued: | Unmodified | | |
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | _____ yes | _____ x _____ no | |
| Significant deficiency(ies) identified? | _____ X _____ yes | _____ _____ none reported | |
| Noncompliance material to the financial statements noted? | | | |
| | _____ yes | _____ x _____ no | |

Federal Awards

| | | | |
|--|------------|-----------------------------|--|
| Internal control over major programs: | | | |
| Material weakness(es) identified? | _____ yes | _____ x _____ no | |
| Significant deficiency(ies) identified? | _____ yes | _____ x _____ none reported | |
| Type of auditor's report issued on compliance for major programs: | Unmodified | | |
| Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133?* | | | |
| | _____ yes | _____ x _____ no | |

***Award for major program existed prior to issuance of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, and is therefore required to be audited under provisions of OMB Circular A-133.**

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.760 | US Department of Agriculture - Water and Waste Disposal Systems for Rural Communities |

| | |
|--|----------------------------|
| Dollar threshold used to distinguish between type A and type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | _____ x _____ yes _____ no |

Section II - Financial Statement Findings

2015-01 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.

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

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.

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

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.

2015-02 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.

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

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.

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.

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Response: The City has made efforts to discuss this information with the Tri State EMC on several occasions with no success. The City agrees with this finding and will continue to pursue resolution to the issue and take steps necessary to update the information. Additionally, the City will continue in their efforts to 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.

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, 2016*

| Project | Referendum Authorized Amount | Original Estimated Cost | Prior Years' Expenditures | Current Year Expenditures | Cumulative Total | Estimated Percentage of Completion |
|--|---|--|--------------------------------------|--------------------------------------|-----------------------------|---|
| 2011 SPLOST | | | | | | |
| Maintenance, repair, and construction of roads, streets, bridges and sidewalks | \$ 1,575,000 | \$ 1,575,000 | \$ 660,433 | \$ 122,261 | \$ 782,694 | 50% |

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