

**GEORGIA DEPARTMENT OF AUDITS AND ACCOUNTS
NONPROFIT AND LOCAL GOVERNMENT AUDITS DIVISION
AUDIT REPORT TRANSMITTAL DOCUMENT**

Please complete the top portion of this form and submit it with your audit report. We will use this information to furnish your government the results of our review. These results will be furnished by e-mail.

Name of Governmental Unit		
Fiscal Year End		
Governmental Contacts	Name	E-Mail Address
Chief Official (e.g., Mayor, Chairman)		
City/County Clerk		
City/County Manager		
Finance Director		
Other Officials to be Notified of Audit Results: (list below)		
Name of Audit Firm		
Auditor Contact for this Report		
CPA Telephone		
CPA Fax		
Form Completed by: (Name)		
(Title)		

For DOAA Internal Use

Date Rpt Rcvd	Assigned to:	Upload	Mail	E-mail
Type of Report	Date Reviewed	# Grant Cites		
# of 1s	# of 2s	# of Xs	# of 3s	
Date of CPA/Govt Response				
Date Orig. Notice to Govt	Date Rev Notice to Govt			
Report Accepted? Y N		Grants OK? Y N		
CAP Required? Y N		Date Cap Received		
CAP Letter Dates		CAP Not Received		
CAP Has Problems		CAP Accepted		
Pension Plan(s)	Deferred Comp? Y N	OPEB? Y N N/A	Single Audit? Y N	
Total GF Revenues	\$	Total GF Expenditures	\$	
GF Nonspendable FB	\$	GF Restricted FB	\$	
GF Committed FB	\$	GF Assigned FB	\$	
GF Unassigned FB	\$	All Govt Funds Total FB	\$	
Total GW Expenses	Draft to CPA	Letter to Govt	Logged	

CITY OF BLUE RIDGE, GEORGIA
ANNUAL FINANCIAL REPORT
For The Year Ended December 31, 2017

**CITY OF BLUE RIDGE, GEORGIA
FINANCIAL REPORT
For the Year Ended December 31, 2017**

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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


WELCH
WALKER
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information on pages 3-7 and 38-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blue Ridge, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of projects constructed with special local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated Section 48-8-121 and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of projects constructed with special local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of projects constructed with special local option sales tax proceeds 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 25, 2018, 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 solely 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 the effectiveness of the City of Blue Ridge, Georgia's 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 25, 2018

CITY OF BLUE RIDGE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended December 31, 2017

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, 2017. 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, 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 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, 2016 and 2017.

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2016</u>	<u>2017</u>	<u>Change</u>	<u>2016</u>	<u>2017</u>	<u>Change</u>
Assets						
Current assets	\$ 2,871,652	\$ 2,147,485	\$ (724,167)	\$ 3,942,761	\$ 3,683,843	\$ (258,918)
Other assets	-	-	-	343,880	460,463	116,583
Capital assets	<u>3,488,898</u>	<u>4,580,547</u>	<u>1,091,649</u>	<u>22,035,023</u>	<u>22,269,294</u>	<u>234,271</u>
Total assets	<u>6,360,550</u>	<u>6,728,032</u>	<u>367,482</u>	<u>26,321,664</u>	<u>26,413,600</u>	<u>91,936</u>
Deferred outflows of resources	<u>159,087</u>	<u>147,787</u>	<u>(11,300)</u>	<u>116,467</u>	<u>101,291</u>	<u>(15,176)</u>
Liabilities						
Current liabilities	149,034	183,978	34,944	1,437,947	896,113	(541,834)
Long-term liabilities	<u>377,213</u>	<u>332,478</u>	<u>(44,735)</u>	<u>14,216,974</u>	<u>13,975,601</u>	<u>(241,373)</u>
Total liabilities	<u>526,247</u>	<u>516,456</u>	<u>(9,791)</u>	<u>15,654,921</u>	<u>14,871,714</u>	<u>(783,207)</u>
Deferred inflows of resources	<u>488,535</u>	<u>445,849</u>	<u>(42,686)</u>	<u>12,868</u>	<u>38,911</u>	<u>26,043</u>
Net Position						
Net investment in capital assets	3,410,241	4,510,068	1,099,827	7,884,528	8,161,137	276,609
Restricted	852,225	8,802	(843,423)	806,747	460,463	(346,284)
Unrestricted	<u>1,242,389</u>	<u>1,394,644</u>	<u>152,255</u>	<u>2,079,067</u>	<u>2,982,666</u>	<u>903,599</u>
Total net position	<u>\$ 5,504,855</u>	<u>\$ 5,913,514</u>	<u>\$ 408,659</u>	<u>\$ 10,770,342</u>	<u>\$ 11,604,266</u>	<u>\$ 833,924</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 76% of the governmental activities' net position is invested in capital assets at December 31, 2017. This is a 14% increase from the prior year due to the completion of a large road project which utilized prior year restricted net position. 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 70% of its net position in capital assets for 2017, a decrease of 3%. Even though there was an increase in the net investment, the percentage decrease is 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 decrease in restricted net position of \$843,423 in governmental funds is due to the use of SPLOST resources for road and street improvements. Restricted net position for business-type activities is for the purpose of debt service and capital projects and decreased \$346,284 with the use and release of construction funds for the completion of the water plant renovation. The remaining portion of net position is unrestricted, which can be used to finance government operations. Unrestricted net position shows a 12% increase for governmental activities due a net income in the governmental funds. There is a 43% 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, 2016 and 2017.

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2016</u>	<u>2017</u>	<u>Change</u>	<u>2016</u>	<u>2017</u>	<u>Change</u>
Revenues:						
Program						
Charges for services	\$ 368,690	\$ 453,767	\$ 85,077	\$ 2,986,409	\$ 3,155,879	\$ 169,470
Operating grants & contributions	18,113	6,900	(11,213)	-	-	-
Capital grants & contributions	388,311	365,486	(22,825)	2,104,344	566,571	(1,537,773)
General						
Property taxes	819,631	665,337	(154,294)	-	-	-
Sales taxes	671,113	717,097	45,984	-	-	-
Other revenues and taxes	819,536	807,305	(12,231)	67,009	43,037	(23,972)
Total revenues	<u>3,085,394</u>	<u>3,015,892</u>	<u>(69,502)</u>	<u>5,157,762</u>	<u>3,765,487</u>	<u>(1,392,275)</u>
Expenses:						
General government	540,486	531,074	(9,412)	-	-	-
Judicial	124,422	129,535	5,113	-	-	-
Public safety	806,436	837,218	30,782	-	-	-
Public works	451,074	585,432	134,358	-	-	-
Culture and recreation	316,915	317,802	887	-	-	-
Economic development	186,149	203,495	17,346	-	-	-
Interest	4,074	2,677	(1,397)	-	-	-
Water system	-	-	-	1,870,594	1,979,768	109,174
Sewerage system	-	-	-	893,244	951,795	58,551
Total expenses	<u>2,429,556</u>	<u>2,607,233</u>	<u>177,677</u>	<u>2,763,838</u>	<u>2,931,563</u>	<u>167,725</u>
Change in net position	655,838	408,659	(247,179)	2,393,924	833,924	(1,560,000)
Beginning 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>
Ending net position	<u>\$ 5,504,855</u>	<u>\$ 5,913,514</u>	<u>\$ 408,659</u>	<u>\$ 10,770,342</u>	<u>\$ 11,604,266</u>	<u>\$ 833,924</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, 2017, the net position of governmental funds increased 6% from the prior year. The net position of business-type activities increased 7%.

Approximately 22% of the City's revenues came from property taxes, 24% from sales taxes and 27% from other revenues and taxes during 2017. Other revenues include alcohol and liquor taxes, franchise taxes, insurance premium taxes and business and occupation taxes. All these sources account for 73% of governmental activity revenues as the City is heavily reliant on property, sales and other taxes to support governmental operations. Charges for services and capital grants and contributions provided 15% and 12%, respectively, of the City's revenue in 2017.

Overall expenses for governmental activities saw a 7% increase due mainly to an increase in street and road maintenance costs that were expensed through the SPLOST fund. The expenditures were capital in nature but did not meet the capital threshold to be capitalized and depreciated over time. Public safety remains the largest percentage of total expense at 32%. General government expense made up 20% of the total, a decrease of 2% from last year. Culture and recreation expense was consistent at 12% of total expense. Judicial and housing and economic development functions remained consistent at 5% and 8%, respectively.

There was a moderate 5% increase in charges for services, while capital grants and contributions decreased 73%. This was the result of a USDA grant in the prior year for projects funded by the 2014 water bonds. These projects were completed during 2017. Business-type expense increased 6% due interest expense incurred for the 2014 water bonds which began repayment.

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 \$933,843 with \$267,555 reported as unassigned fund balance, \$49,780 as nonspendable for prepaid items and inventory, \$8,802 restricted for specific purposes, \$400,210 committed and \$207,496 assigned. The amount restricted for capital projects and program purposes decreased \$843,423 from last year as assets were used from the SPLOST fund for road and street projects. Other restricted fund balances consisted of restricted hotel/motel funds for advertising of \$4,338 and confiscated asset funds of \$4,464 for public safety. Unassigned fund balance in the General fund increased \$213,118 as a result of increased property and sales taxes and a budgeted addition to fund balance of \$50,000. Fund balance of \$584,006 was committed or assigned for working capital and contingencies as it is the City's policy to strive to maintain three months operating expenditures as reserve. The remaining amount of \$23,603 is assigned in the hotel/motel special revenue fund for tourism or economic development purposes to be determined by the Council and \$97 in the capital projects fund for future projects.

Governmental Funds

The general fund balance increased \$228,156, while total revenues increased \$93,521 or 4%, with the majority of the increase in sales taxes due to economic growth. General fund expenditures decreased \$130,849 or 5% as a result of a decrease in capital outlay for the downtown playground and expenditures for landscaping in the same area in the prior year.

Intergovernmental revenue for the SPLOST fund increased by approximately \$40,265 or 12% from economic growth. Fund balance decreased \$880,356 due to several road projects for street paving, the largest of which being a complete resurfacing of East Main Street. The revenue for nonmajor governmental funds remained consistent, while expenditures increased due to a contract for 2017 allowing for all restricted hotel/motel revenues to be paid to the Fannin Chamber. In prior years, restricted revenue was paid to the Chamber on a reimbursement basis. Fund balance for nonmajor governmental funds decreased \$99,752 as a result of a transfer out of the hotel motel fund for paving projects.

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 2017, the City adopted a budget of \$2,214,725 for revenues and expenditures. The City did two budget amendments in the general fund during the year making the amended budget \$2,328,025. The budget amendment included changes for personnel, such as approved raises, changing an employee from part time to full time, and adding unemployment. Other changes included adding expenditures for a road bore for underground power downtown, a GMA safety grant, and repairs and maintenance at the City pool. All of these adjustments were funded by beverage and liquor license fees under budgeted based on prior year history or the associated outside reimbursement or grant. An amendment was also made to increase legal expenditures for the election, small equipment for the purchase of benches and trash cans for the downtown park

and water/sewer services at the pool due to a large leak. These expenditures were offset by increasing sales tax to actual collections.

The actual operating revenues of the General Fund were more than budgeted amounts by \$89,371. Property and sales taxes were over budget due to increased economic activity along with higher than expected revenues for liquor and beverage pouring taxes. The actual operating expenditures of the General Fund were less than budgeted amounts by \$75,585. The public works function was under budget in multiple accounts resulting in a total under budget of over \$20,000 along with the judicial and police department finishing under budget. Since fine revenues were under budget, the budgeted required payments to other agencies was also under budget in the judicial function by nearly \$14,000. Wages in the police department were under budget by about \$14,000 due to efforts to decrease overtime and staff shortages at times.

Capital Asset and Long-term Debt Activity

At December 31, 2017, the City reported \$4,580,547 in capital assets for governmental activities and \$22,269,294 in capital assets for the business-type activities. The governmental activities capital asset additions included equipment purchases of a leaf vacuum and trailer, confiscation of a vehicle, a sidewalk at the downtown playground, engineering for downtown drainage and Streetscape projects, and the resurfacing and improvement to various City streets. Capital additions for the business-type activities included the purchase of a master meter and water plant surveillance system along with the completion of upgrades to the water plant upgrade and downtown waterlines. Construction in progress additions included administration and legal for a water project on Orchard Boulevard, engineering for relocation of waterlines on Hwy. 5 and engineering for Trakside and Aska road pump station renovations. Refer to Note 4 to the financial statements for additional information on capital assets.

At December 31, 2017, the City reported long-term debt of \$376,619 for governmental activities and \$14,329,301 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, half of a note payable for a skidsteer, capital leases for vehicles and equipment, 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 has multiple ongoing projects in the water fund such as a CDBG project for waterline upgrades and additions on Orchard Boulevard and a replacement of deteriorated waterlines in the downtown area. The City is also in the middle of a 4-phase GEFA meter replacement project to install radio read meter for more accurate and efficient water meter readings and to include a radio read system for immediate reporting of leaks in some areas of the system. These projects will add infrastructure assets and debt to future financial statements.

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, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 519,450	\$ 1,498,803	\$ 2,018,253
Pooled operating cash	571,711	1,402,679	1,974,390
Investments	183,796	-	183,796
Restricted assets			
Cash and cash equivalents	-	281,725	281,725
Receivables			
Accounts	76,169	426,009	502,178
Property taxes	335,586	-	335,586
Franchise taxes	14,642	-	14,642
Other taxes	10,844	-	10,844
Fines	242,284	-	242,284
Intergovernmental	140,712	5,571	146,283
Forfeited property held for resale	2,511	-	2,511
Inventory	22,212	43,898	66,110
Prepaid items	27,568	25,158	52,726
Total Current Assets	2,147,485	3,683,843	5,831,328
Noncurrent Assets			
Restricted assets			
Cash and cash equivalents	-	460,463	460,463
Capital assets			
Nondepreciable	215,857	290,569	506,426
Depreciable, net	4,364,690	21,978,725	26,343,415
Total Noncurrent Assets	4,580,547	22,729,757	27,310,304
Total Assets	6,728,032	26,413,600	33,141,632
Deferred Outflows of Resources			
Pension related	147,787	101,291	249,078
Liabilities			
Current Liabilities			
Accounts payable	86,138	170,131	256,269
Contracts payable	-	35,286	35,286
Accrued payroll liabilities	39,427	22,968	62,395
Accrued interest payable	1,754	32,303	34,057
Other	12,518	-	12,518
Compensated absences payable	5,411	7,104	12,515
Capital leases payable	36,866	16,766	53,632
Revenue obligation bonds payable	-	218,606	218,606
Notes payable	1,864	111,224	113,088
Payable from restricted assets			
Customer deposits	-	281,725	281,725
Total Current Liabilities	183,978	896,113	1,080,091
Long-Term Liabilities (net of current portion)			
Compensated absences payable	12,624	16,579	29,203
Net pension liability	288,105	197,461	485,566
Capital leases payable	25,937	70,096	96,033
Notes payable	5,812	230,781	236,593
Revenue bonds payable	-	13,459,188	13,459,188
General obligation bonds payable	-	1,496	1,496
Total Long-Term Liabilities	332,478	13,975,601	14,308,079
Total Liabilities	516,456	14,871,714	15,388,170
Deferred Inflows of Resources			
Unavailable revenues	389,076	-	389,076
Pension related	56,773	38,911	95,684
Total Deferred Inflows of Resources	445,849	38,911	484,760
Net Position			
Net investment in capital assets	4,510,068	8,161,137	12,671,205
Restricted for			
Debt service	-	460,463	460,463
Program purposes			
Public safety	4,464	-	4,464
Housing and economic development	4,338	-	4,338
Unrestricted	1,394,644	2,982,666	4,377,310
Total Net Position	\$ 5,913,514	\$ 11,604,266	\$ 17,517,780

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Activities
For the Year Ended December 31, 2017

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	\$ 531,074	\$ 99,826	\$ -	\$ -	\$ (431,248)	\$ -	\$ (431,248)
Judicial	129,535	239,469	-	-	109,934	-	109,934
Public safety	837,218	612	-	-	(836,606)	-	(836,606)
Public works	585,432	2,076	6,900	365,486	(210,970)	-	(210,970)
Culture and recreation	317,802	35,726	-	-	(282,076)	-	(282,076)
Housing and development	203,495	76,058	-	-	(127,437)	-	(127,437)
Interest	2,677	-	-	-	(2,677)	-	(2,677)
Total Governmental Activities	2,607,233	453,767	6,900	365,486	(1,781,080)	-	(1,781,080)
Business-Type Activities							
Water system	1,979,768	2,274,921	-	506,571	-	801,724	801,724
Sewer system	951,795	880,958	-	60,000	-	(10,837)	(10,837)
Total Business-Type Activities	2,931,563	3,155,879	-	566,571	-	790,887	790,887
Total - Primary Government	\$ 5,538,796	\$ 3,609,646	\$ 6,900	\$ 932,057	(1,781,080)	790,887	(990,193)
General Revenues							
Property taxes levied for general government purposes					665,337	-	665,337
Sales taxes					717,097	-	717,097
Franchise taxes					78,258	-	78,258
Insurance premium taxes					89,124	-	89,124
Business and occupation taxes					38,369	-	38,369
Real estate and intangible taxes					10,842	-	10,842
Other taxes					567,596	-	567,596
Unrestricted intergovernmental					3,061	-	3,061
Investment earnings					4,602	2,539	7,141
Miscellaneous					15,453	40,498	55,951
Total General Revenues					2,189,739	43,037	2,232,776
Change in Net Position					408,659	833,924	1,242,583
Net Position Beginning of Year					5,504,855	10,770,342	16,275,197
Net Position End of Year					\$ 5,913,514	\$ 11,604,266	\$ 17,517,780

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	SPLOST	Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 442,639	\$ 74,761	\$ 2,050	\$ 519,450
Pooled operating cash	535,807	-	35,904	571,711
Investments	183,796	-	-	183,796
Receivables (net)				
Accounts	27,524	48,645	-	76,169
Property taxes	335,586	-	-	335,586
Franchise taxes	14,642	-	-	14,642
Other taxes	-	-	10,844	10,844
Fines	242,284	-	-	242,284
Intergovernmental				
Federal	-	-	-	-
State	66,210	-	-	66,210
County	8,675	65,827	-	74,502
Interfund	170,763	-	-	170,763
Forfeited property held for resale	-	-	2,511	2,511
Inventory	22,212	-	-	22,212
Prepaid items	27,568	-	-	27,568
Total Assets	\$ 2,077,706	\$ 189,233	\$ 51,309	\$ 2,318,248
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 59,824	\$ 7,507	\$ 18,807	\$ 86,138
Accrued payroll liabilities	39,427	-	-	39,427
Other	12,518	-	-	12,518
Interfund payable	-	170,763	-	170,763
Total Liabilities	111,769	178,270	18,807	308,846
Deferred Inflows of Resources				
Unavailable revenue	1,027,714	47,845	-	1,075,559
Fund Balances				
Nonspendable				
Prepaid items	27,568	-	-	27,568
Inventory	22,212	-	-	22,212
Restricted				
Program purposes				
Public safety	-	-	4,464	4,464
Economic development	-	-	4,338	4,338
Committed				
Working capital/contingencies	400,210	-	-	400,210
Assigned				
Working capital/contingencies	183,796	-	-	183,796
Economic development	-	-	23,700	23,700
Unassigned, reported in				
General fund	304,437	-	-	304,437
Capital projects fund	-	(36,882)	-	(36,882)
Total Fund Balances	938,223	(36,882)	32,502	933,843
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,077,706	\$ 189,233	\$ 51,309	\$ 2,318,248

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, 2017

Total Governmental Fund Balances	\$	933,843
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of capital assets	\$ 7,092,583	
Less accumulated depreciation	<u>(2,512,036)</u>	4,580,547

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

Property taxes	409,512	
Intergovernmental	47,845	
Fines	229,126	
Deferred outflows of resources- pension related	<u>147,787</u>	834,270

Interfund receivables and payables between governmental funds are reported on the governmental fund's balance sheet but eliminated on the government-wide statement of net assets.

Interfund receivables	\$ 170,763	
Interfund payables	<u>(170,763)</u>	-

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	(62,803)	
Notes payable	(7,676)	
Compensated absences	(18,035)	
Accrued interest	(1,754)	
Net pension obligation	(288,105)	
Deferred inflow of resources- pension related	<u>(56,773)</u>	<u>(435,146)</u>

Net Position Of Governmental Activities	\$	<u><u>5,913,514</u></u>
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See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2017

	General Fund	SPLOST	Nonmajor Governmental Funds	Total
Revenues				
Property taxes	\$ 620,362	\$ -	\$ -	\$ 620,362
Sales taxes	717,097	-	-	717,097
Other taxes	614,925	-	169,264	784,189
Licenses and permits	137,904	-	-	137,904
Intergovernmental	9,961	364,982	-	374,943
Charges for services	24,807	-	-	24,807
Fines and forfeitures	185,748	-	8,253	194,001
Investment earnings	4,552	504	50	5,106
Restitution	-	7,333	-	7,333
Miscellaneous	67,040	-	-	67,040
Total Revenues	2,382,396	372,819	177,567	2,932,782
Expenditures				
Current				
General government	484,854	-	-	484,854
Judicial	128,875	-	-	128,875
Public safety				
Police	796,116	-	8,415	804,531
Fire	21,151	-	-	21,151
Public works	362,237	-	-	362,237
Culture and recreation	294,702	-	-	294,702
Housing and economic development	71,767	-	116,522	188,289
Capital Outlay				
Public works	-	1,388,175	-	1,388,175
Housing and economic development	-	-	1,386	1,386
Debt Service				
Principal retirement	38,771	-	-	38,771
Interest and fiscal charges	2,355	-	-	2,355
Total Expenditures	2,200,828	1,388,175	126,323	3,715,326
Excess (Deficiency) of Revenues Over (Under) Expenditures	181,568	(1,015,356)	51,244	(782,544)
Other Financing Sources (Uses)				
Capital lease inception	30,592	-	-	30,592
Transfers in	17,382	135,000	1,386	153,768
Transfers out	(1,386)	-	(152,382)	(153,768)
Total Other Financing Sources	46,588	135,000	(150,996)	30,592
Net Change in Fund Balances	228,156	(880,356)	(99,752)	(751,952)
Fund Balances Beginning of Year	710,067	843,474	132,254	1,685,795
Fund Balances End of Year	\$ 938,223	\$ (36,882)	\$ 32,502	\$ 933,843

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, 2017

Net Changes In Fund Balances - Total Governmental Funds		\$ (751,952)
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	\$ (202,717)	
Capital outlay	<u>1,294,366</u>	1,091,649
Contributions of capital assets are report in the government-wide statement of activities but not reported at the fund financial reporting level.		
		-
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.		
		(30,592)
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.		
		-
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 12/31/16	\$ (364,537)	
Deferred at 12/31/17	<u>409,512</u>	44,975
Intergovernmental:		
Deferred at 12/31/16	\$ (55,178)	
Deferred at 12/31/17	<u>47,845</u>	(7,333)
Fines:		
Deferred at 12/31/16	\$ (183,658)	
Deferred at 12/31/17	<u>229,126</u>	45,468
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.		
		38,770
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		
		(17,170)
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 @ 12/31/16	\$ 1,433	
Liability @ 12/31/17	<u>(1,754)</u>	(321)
Compensated absences		
Liability @ 12/31/16	\$ 13,200	
Liability @ 12/31/17	<u>(18,035)</u>	<u>(4,835)</u>
Change In Net Position of Governmental Activities		<u>\$ 408,659</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, 2017

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Property taxes	\$ 589,625	\$ 589,625	\$ 620,362	\$ 30,737
Sales taxes	630,000	672,500	717,097	44,597
Other taxes	584,000	584,000	614,925	30,925
Licenses and permits	68,750	123,150	137,904	14,754
Intergovernmental	3,000	9,900	9,961	61
Charges for services	33,850	33,850	24,807	(9,043)
Fines and forfeitures	215,000	215,000	185,748	(29,252)
Investment earnings	1,500	1,500	4,552	3,052
Miscellaneous	54,000	63,500	67,040	3,540
Total Revenues	2,179,725	2,293,025	2,382,396	89,371
Expenditures				
Current				
General government	465,597	484,897	484,854	43
Judicial	145,025	145,025	128,875	16,150
Public safety				
Police	814,234	814,234	796,116	18,118
Fire	28,600	28,600	21,151	7,449
Public works	364,546	386,146	362,237	23,909
Culture and recreation	235,025	294,925	294,702	223
Economic development	68,045	79,045	71,767	7,278
Debt Service				
Principal retirement	41,123	41,123	38,771	2,352
Interest and fiscal charges	2,418	2,418	2,355	63
Total Expenditures	2,164,613	2,276,413	2,200,828	75,585
Excess of Revenues Over Expenditures	15,112	16,612	181,568	164,956
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Capital lease inception	35,000	35,000	30,592	(4,408)
Transfers in	-	-	17,382	17,382
Transfers out	-	(1,500)	(1,386)	114
Appropriation of fund balance	(50,112)	(50,112)	-	50,112
Total Other Financing Sources (Uses)	(15,112)	(16,612)	46,588	63,200
Net Change in Fund Balances	\$ -	\$ -	228,156	\$ 228,156
Fund Balances Beginning of Year			710,067	
Fund Balances End of Year			\$ 938,223	

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Fund Net Position
Proprietary Fund
December 31, 2017

	Water & Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,498,803
Pooled operating cash	1,402,679
Receivables (net)	
Accounts	426,009
Intergovernmental	5,571
Inventory	43,898
Prepaid items	25,158
Restricted assets	
Cash and cash equivalents	281,725
Total Current Assets	3,683,843
Noncurrent Assets	
Restricted assets	
Cash and cash equivalents	460,463
Capital assets	
Nondepreciable	290,569
Depreciable, net	21,978,725
Total Noncurrent Assets	22,729,757
Total Assets	26,413,600
Deferred Outflows of Resources	
Pension related	101,291
Total Assets and Deferred Outflows of Resources	26,514,891
Liabilities	
Current Liabilities	
Accounts payable	170,131
Contracts payable	35,286
Accrued payroll liabilities	22,968
Accrued interest	32,303
Compensated absences payable	7,104
Capital lease payable	16,766
Notes payable	111,224
Revenue bonds payable	218,606
Payable from Restricted Assets:	
Customer deposits	281,725
Total Current Liabilities	896,113
Long-Term Liabilities	
Compensated absences payable (net of current portion)	16,579
Net pension liability	197,461
Capital lease payable (net of current portion)	70,096
Notes payable (net of current portion)	230,781
Revenue bonds payable (net of current portion)	13,459,188
General obligation bonds	1,496
Total Long-Term Liabilities	13,975,601
Total Liabilities	14,871,714
Deferred Inflows of Resources	
Pension related	38,911
Total Liabilities and Deferred Inflows of Resources	14,910,625
Net Position	
Net investment in capital assets	8,161,137
Restricted for debt service	460,463
Unrestricted	2,982,666
Total Net Position	\$ 11,604,266

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, 2017

	Water & Sewer Fund
Operating Revenues	
Charges for services	
Water revenues	\$ 2,181,446
Sewer revenues	854,389
Service charges	23,689
Tap fees	45,735
Connection fees	11,825
Penalties	38,795
Miscellaneous	40,498
	3,196,377
Total Operating Revenues	3,196,377
Operating Expenses	
Water department	
Personnel services	522,084
Contractual services	244,176
Supplies	513,873
Interfund charges	93,403
Sewer department	
Personnel services	132,189
Contractual services	238,642
Supplies	218,583
Interfund charges	162,189
	2,125,139
Total Operating Expenses	2,125,139
Operating Income before Depreciation	1,071,238
Depreciation	520,409
	550,829
Operating Income	550,829
Non-Operating Revenues (Expenses)	
Intergovernmental revenue	451,071
Surcharge revenue	115,500
Interest income	2,539
Debt issuance costs	-
Interest on revenue bonds	(276,843)
Interest on leases and notes payable	(9,172)
	283,095
Total Non-Operating Revenues	283,095
Change in Net Position	833,924
Net Position Beginning of Year	10,770,342
Net Position End of Year	\$ 11,604,266

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, 2017

	Water & Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 3,124,438
Cash payments for personal services	(619,717)
Cash payments for goods and services	(1,044,382)
Cash payments for interfund services used	(255,592)
Other cash receipts	40,498
	1,245,245
Net Cash Provided by (Used in) Operating Activities	1,245,245
Cash Flows from Capital and Related Financing Activities	
Proceeds from surcharge fees	115,500
Principal paid on revenue bonds	(80,118)
Interest paid on revenue bonds	(422,670)
Principal paid on leases and notes	(121,235)
Interest paid on leases and notes	(10,599)
Proceeds from leases and notes	207,731
Proceeds from grants	90,624
Payments for capital acquisitions and construction	(1,042,917)
	(1,263,684)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,263,684)
Cash Flows from Investing Activities	
Investments earnings	2,539
	2,539
Net Increase (Decrease) in Cash and Cash Equivalents	(15,900)
Cash and Cash Equivalents Beginning of Year	3,659,570
Cash and Cash Equivalents End of Year	\$ 3,643,670
Reconciliation of total cash and cash equivalents:	
Cash and cash equivalents	\$ 1,498,803
Pooled operating cash	1,402,679
Current restricted assets-cash and cash equivalents	281,725
Noncurrent restricted assets- cash and cash equivalents	460,463
Total cash and cash equivalents	\$ 3,643,670

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, 2017

	Water & Sewer Fund
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities	
Operating Income	\$ 550,829
Adjustments	
Depreciation	520,409
(Increase) Decrease in Assets	
Accounts receivable	(68,080)
Inventories	84,288
Prepaid expenses	(6,716)
Deferred outflows of resources- pension related	15,176
Increase (Decrease) in Liabilities	
Accounts payable	93,320
Accrued payroll liabilities	810
Deposits payable	36,639
Compensated absences	1,540
Net pension liability	43,073
Deferred inflow of resources- pension related	(26,043)
	1,245,245
Net Cash Provided by (Used in) Operating Activities	\$ 1,245,245
Noncash Capital and Related Financing Activities	
Georgia Environmental Finance Authority loan forgiveness for Drinking Water State Revolving Loan Funds	\$ 48,716

CITY OF BLUE RIDGE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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, 2017 is \$83,138.

Fines receivable is estimated as 30% 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 2017 is \$186,736. 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, 2017.

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, 2017, 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, 2017 the bank balance of all deposits was \$4,964,483 and the carrying amount was \$4,918,627. All deposits were covered by FDIC insurance with deposits exceeding FDIC limits secured thru the Georgia Secure Deposit Program according to Georgia law. Administered by the Georgia Bankers Association Services, Inc. (GBASI) and coordinated by the Office of State Treasurer, the Program came into existence during 2016. Through monthly reporting, GBASI ensures the banks participating in the pool meet Georgia state law regarding collateral levels of 110%. As of December 31, 2017, the amount covered by depository insurance was \$585,950 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 \$4,816,386. The collateral to deposit ratio is 110%.

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

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

3. Restricted Assets and Restricted Net Position

Assets totaling \$460,463 in the Water and Sewerage System Fund are restricted for debt service related to Rural Development bonds. Restricted cash also includes \$281,725 for customer deposits. Total restricted assets equal \$742,188.

Restricted net position for governmental activities includes \$4,464 from the Confiscated Assets fund for public safety and \$4,338 from the Hotel/Motel fund for economic development. Restricted net position for business-type activities includes \$460,463 for debt service.

4. Capital Assets – Governmental Activities

Changes in capital assets by major classes for 2017 are as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2017</u>
Nondepreciable capital assets				
Land	\$ 76,065	\$ -	\$ -	\$ 76,065
Construction in progress	<u>189,842</u>	<u>62,040</u>	<u>112,090</u>	<u>139,792</u>
Total nondepreciable capital assets	<u>265,907</u>	<u>62,040</u>	<u>112,090</u>	<u>215,857</u>
Depreciable capital assets				
Buildings	1,610,293	-	-	1,610,293
Machinery and equipment	1,416,178	49,555	98,711	1,367,022
Site improvements	752,202	10,688	-	762,890
Infrastructure	<u>1,852,348</u>	<u>1,284,173</u>	<u>-</u>	<u>3,136,521</u>
Total depreciable assets	<u>5,631,021</u>	<u>1,344,416</u>	<u>98,711</u>	<u>6,876,726</u>
Total capital assets	<u>5,896,928</u>	<u>1,406,456</u>	<u>210,801</u>	<u>7,092,583</u>
Accumulated depreciation				
Buildings	443,821	46,965	-	490,786
Machinery and equipment	1,191,023	65,225	98,711	1,157,537
City park & improvements	477,946	22,307	-	500,253
Infrastructure	<u>295,240</u>	<u>68,220</u>	<u>-</u>	<u>363,460</u>
Total accumulated depreciation	<u>2,408,030</u>	<u>202,717</u>	<u>98,711</u>	<u>2,512,036</u>
	<u>\$ 3,488,898</u>	<u>\$ 1,203,739</u>	<u>\$ 112,090</u>	<u>\$ 4,580,547</u>

Governmental activities depreciation expense is as follows:

General government	\$ 39,979
Public safety	38,797
Public works	76,930
Culture and recreation	32,706
Economic development	<u>14,305</u>
	<u>\$ 202,717</u>

Governmental machinery and equipment includes an antique fire truck and calliope donated to the City of Blue Ridge in 2016 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>12/31/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2017</u>
Nondepreciable capital assets				
Land	\$ 77,875	\$ -	\$ -	\$ 77,875
Intangible assets	34,896	-	-	34,896
Construction in progress	<u>9,878,666</u>	<u>722,317</u>	<u>10,423,185</u>	<u>177,798</u>
Total nondepreciable capital assets	<u>9,991,437</u>	<u>722,317</u>	<u>10,423,185</u>	<u>290,569</u>
Depreciable capital assets				
Infrastructure and pipelines	12,036,733	473,557	-	12,510,290
Buildings and improvements	5,349,632	9,949,625	5,801	15,293,456
Machinery and equipment	<u>718,002</u>	<u>32,366</u>	<u>6,072</u>	<u>744,296</u>
Total depreciable assets	<u>18,104,367</u>	<u>10,455,548</u>	<u>11,873</u>	<u>28,548,042</u>
 Total capital assets	 <u>28,095,804</u>	 <u>11,177,865</u>	 <u>10,435,058</u>	 <u>28,838,611</u>
Accumulated depreciation				
Infrastructure and pipelines	2,823,932	290,063	-	3,113,995
Buildings and improvements	2,744,547	191,884	5,801	2,930,630
Machinery and equipment	<u>492,302</u>	<u>38,462</u>	<u>6,072</u>	<u>524,692</u>
Total accumulated depreciation	<u>6,060,781</u>	<u>520,409</u>	<u>11,873</u>	<u>6,569,317</u>
	 <u>\$ 22,035,023</u>	 <u>\$ 10,657,456</u>	 <u>\$ 10,423,185</u>	 <u>\$ 22,269,294</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 mature February 2018 and carry interest rates of 3.01% and 3.39%, respectively.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 26,987</u>	<u>\$ 825</u>	<u>\$ 27,812</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 108,781
Accumulated depreciation	<u>(63,454)</u>
Book value	<u>\$ 45,327</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>
2018	\$ 5,309	\$ 377	\$ 5,686
2019	5,495	191	5,686
Total	<u>\$ 10,804</u>	<u>\$ 568</u>	<u>\$ 11,372</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 21,620
Accumulated depreciation	<u>(8,288)</u>
Book value	<u>\$ 13,332</u>

A lease payable to Georgia Municipal Association in the amount of \$30,592 for the purchase of a police car and the related equipment matures December 2022 and carries an interest rate of 3.76%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,570	\$ 1,137	\$ 5,707
2019	4,773	934	5,707
2020	4,991	716	5,707
2021	5,220	487	5,707
2022	5,458	249	5,707
Total	<u>\$ 25,012</u>	<u>\$ 3,523</u>	<u>\$ 28,535</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 28,231
Accumulated depreciation	<u>(471)</u>
Book value	<u>\$ 27,760</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>
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	1,948	47	1,995	1,948	47	1,995
	<u>\$ 7,676</u>	<u>\$ 463</u>	<u>\$ 8,139</u>	<u>\$ 7,676</u>	<u>\$ 463</u>	<u>\$ 8,139</u>

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

Bonds payable at December 31, 2017 are 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>
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	31,242	30,894	62,136
2023-2027	179,105	131,575	310,680
2028-2032	224,202	86,478	310,680
2033-2037	266,185	30,072	296,257
	<u>\$ 812,570</u>	<u>\$ 415,727</u>	<u>\$ 1,228,297</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>
2018	\$ 192,501	\$ 409,335	\$ 601,836
2019	198,763	403,073	601,836
2020	205,229	396,607	601,836
2021	211,905	389,931	601,836
2022	218,798	383,038	601,836
2023-2027	1,205,498	1,803,682	3,009,180
2028-2032	1,414,750	1,594,430	3,009,180
2033-2037	1,660,325	1,348,855	3,009,180
2038-2042	1,948,527	1,060,653	3,009,180
2043-2047	2,286,755	722,425	3,009,180
2048-2052	2,683,694	325,486	3,009,180
2053-2054	638,479	11,708	650,187
	<u>\$12,865,224</u>	<u>\$8,849,223</u>	<u>\$21,714,447</u>

Capital leases for business-type activities are as follows:

Lease payable to Georgia Municipal Association in the amount of \$34,912 for the purchase of a vehicle for the water department matures March 2021 and carries an interest rate of 3.65%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 16,590</u>	<u>\$ 1,542</u>	<u>\$ 18,132</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 34,912
Accumulated depreciation	<u>(11,055)</u>
Book value	<u>\$ 23,857</u>

Lease payable to Georgia Municipal Association in the amount of \$85,950 for the purchase of an excavator and dump truck for the water department matures December 2022 and carries an interest rate of 3.76%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 12,839	\$ 3,196	\$ 16,035
2019	13,410	2,625	16,035
2020	14,023	2,012	16,035
2021	14,665	1,370	16,035
2022	15,335	700	16,035
Total	<u>\$ 70,272</u>	<u>\$ 9,903</u>	<u>\$ 80,175</u>

The asset acquired through this capital lease was purchased in 2018.

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>
2018	\$ 1,000	\$ 447	\$ 1,447
2019	1,000	314	1,314
2020	1,000	175	1,175
	<u>\$ 3,000</u>	<u>\$ 936</u>	<u>\$ 3,936</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>
2018	\$ 95,789	\$ 3,281	\$ 99,070

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>
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	5,600	876	6,476
2023-2027	28,877	3,501	32,378
2028-2032	30,403	1,975	32,378
2033-2036	22,773	433	23,206
	<u>\$ 109,482</u>	<u>\$ 10,860</u>	<u>\$ 120,342</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 2017 in the amount of \$210,109 with 40% principal forgiveness. It bears an interest rate of 1.09% and matures in January 2038.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,197	\$ 1,348	\$ 6,545
2019	5,729	1,289	7,018
2020	5,792	1,226	7,018
2021	5,855	1,163	7,018
2022	5,920	1,098	7,018
2023-2027	30,583	4,505	35,088
2028-2032	32,295	2,793	35,088
2033-2036	34,103	985	35,088
2038	584	2	586
	<u>\$ 126,058</u>	<u>\$ 14,409</u>	<u>\$ 140,467</u>

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 12/31/16	Additions	Reductions	Ending Balance 12/31/17	Due Within One Year
Governmental activities					
Capital leases payable	\$ 69,107	\$ 30,592	\$ 36,896	\$ 62,803	\$ 36,866
Notes payable	9,550	-	1,874	7,676	1,864
Compensated absences	13,200	18,035	13,200	18,035	5,411
Net pension liability	322,407	-	34,302	288,105	-
	<u>\$ 414,264</u>	<u>\$ 48,627</u>	<u>\$ 86,272</u>	<u>\$ 376,619</u>	<u>\$ 44,141</u>
Business-type activities					
Revenue bonds	\$13,757,912	\$ -	\$ 80,118	\$ 13,677,794	\$ 218,606
Capital lease payable	20,379	85,951	19,468	86,862	16,766
Notes payable	370,708	121,780	150,483	342,005	111,224
General obligation bond	1,496	-	-	1,496	-
Compensated absences	25,308	23,683	25,308	23,683	7,104
Net pension liability	240,534	-	43,073	197,461	-
	<u>\$14,416,337</u>	<u>\$ 231,414</u>	<u>\$ 318,450</u>	<u>\$ 14,329,301</u>	<u>\$ 353,700</u>

Interest costs of \$468,424 were incurred in 2017, with \$180,055 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 2017 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 2016 levy applicable to fiscal year 2017 was as follows:

Lien date	January 1, 2016
Levy date	November 10, 2016
Due date	January 10, 2017
Delinquent date	January 11, 2017

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, 2017 was \$529,991.

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, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not receiving benefits	1
Active plan members	<u>31</u>
	<u>44</u>

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, 2017, the City's contribution rate was 6.92% of annual payroll. City contributions to the Plan were \$82,863 for the year ended December 31, 2017.

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, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2017.

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

Inflation	3.25%
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, 2017 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, 2017 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	45%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Cash	—%	
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, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 3/31/16	\$ 1,798,181	\$ 1,235,240	\$ 562,941
Changes for the year:			
Service cost	34,210	-	34,210
Interest	136,385	-	136,385
Differences between expected and actual experience	(30,282)	-	(30,282)
Assumption Changes	-	-	-
Contributions—employer	-	68,650	(68,650)
Contributions—employee	-	-	-
Net investment income	-	154,326	(154,326)
Benefit payments, including refunds of employee contributions	(76,751)	(76,751)	-
Administrative expense	-	(5,288)	5,288
Other changes	-	-	-
Net changes	63,562	140,937	(77,375)
Balances at 3/31/17	\$ 1,861,743	\$ 1,376,177	\$ 485,566

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	\$ 750,077	\$ 485,566	\$ 267,100

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, 2017 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, 2017, the City recognized pension expense of \$98,177. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 131,857	\$ 25,956
Changes in assumptions	-	13,945
Net difference between projected and actual earnings on pension plan investments	55,074	55,782
City contributions subsequent to the measurement date	<u>62,147</u>	<u>-</u>
Total	<u>\$ 249,078</u>	<u>\$ 95,683</u>

City contributions subsequent to the measurement date of \$62,147 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, 2018. 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:

2018	\$ 17,505
2019	17,505
2020	21,750
2021	3,392
2022	15,215
Thereafter	<u>15,881</u>
Total	<u>\$ 91,248</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, 2017 the City paid \$1,391 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	\$169,264
Hotel Tax Expenditures	\$116,522
Percentage Expended	68%

14. Interfund Balances

The pooled operating account in the SPLOST fund had a negative balance at December 31, 2017, shown as a due to/from on the fund statements.

	<u>Due From</u>
<u>Due to</u>	<u>General Fund</u>
SPLOST	\$ 170,763

Funds were transferred in from the General Fund to the Multiple Grant fund for non-reimbursable expenditures related to a 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, 2017.

<u>Transfers out</u>	<u>Transfers in</u>			
	<u>General fund</u>	<u>SPLOST</u>	<u>Nonmajor</u>	<u>Total</u>
General fund	\$ -	\$ -	\$ 1,386	\$ 1,386
Nonmajor	17,382	135,000	-	152,382
Total	<u>\$ 17,382</u>	<u>\$ 135,000</u>	<u>\$ 1,386</u>	<u>\$ 153,768</u>

15. Subsequent Events

The City has evaluated subsequent events through June 25, 2018, 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.

The City paid off the GEFA loan completed during 2016 with the original amount of \$195,000. A payoff in the amount of \$107,737 was made in April 2018.

The City obtained a GEFA loan in February 2018 in the amount of \$250,000 with 20% forgiveness for the purpose of continuing the meter replacement project. The interest rate will be determined and maturity will be set 20 years from the amortization commencement date. A construction draw of \$104,100 was made upon closing. The City obtained an additional GEFA loan in February 2018 in the amount of \$900,000 with 25% forgiveness for the purpose of rehabilitating a lift station and replacing sewer main along with pumps and related appurtenances. The interest rate will be determined and maturity will be set 20 years from the amortization commencement date. No construction draws have been made.

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, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer Fund</u>
Assets and Deferred Outflows of Resources			
Current assets	\$ 3,430,316	\$ 253,527	\$ 3,683,843
Noncurrent restricted assets	398,327	62,136	460,463
Capital assets	19,495,934	2,773,360	22,269,294
Deferred outflows of resources	86,097	15,194	101,291
Total Assets and Deferred Outflows of Resources	<u>23,410,674</u>	<u>3,104,217</u>	<u>26,514,891</u>
Liabilities and Deferred Inflows of Resources			
Current liabilities	797,071	99,042	896,113
Long-term liabilities	13,156,174	819,427	13,975,601
Deferred inflows of resources	33,074	5,837	38,911
Total Liabilities and Deferred Inflows of Resources	<u>13,986,319</u>	<u>924,306</u>	<u>14,910,625</u>
Net Position			
Net investment in capital assets	6,200,347	1,960,790	8,161,137
Restricted for construction	-	-	-
Restricted for debt service	460,463	-	460,463
Unrestricted	2,763,544	219,122	2,982,666
Total Net Position	<u>\$ 9,424,354</u>	<u>\$ 2,179,912</u>	<u>\$ 11,604,266</u>

Schedule of Revenues, Expenses and Changes in Fund Net Position
For the year ended December 31, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer Fund</u>
Operating Revenues			
Charges for services	\$ 2,274,921	\$ 880,958	\$ 3,155,879
Miscellaneous	40,498	-	40,498
Total Operating Revenues	<u>2,315,419</u>	<u>880,958</u>	<u>3,196,377</u>
Operating Expenses	1,373,536	751,603	2,125,139
Depreciation	<u>357,518</u>	<u>162,891</u>	<u>520,409</u>
Operating Income	<u>584,365</u>	<u>(33,536)</u>	<u>550,829</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	451,071	-	451,071
Surcharge revenue	55,500	60,000	115,500
Interest income	2,539	-	2,539
Interest on revenue bonds	(239,542)	(37,301)	(276,843)
Interest on leases and notes payable	<u>(9,172)</u>	<u>-</u>	<u>(9,172)</u>
Total Nonoperating Revenues (Expenses)	<u>260,396</u>	<u>22,699</u>	<u>283,095</u>
Change in Net Position	<u>844,761</u>	<u>(10,837)</u>	<u>833,924</u>
Net Position Beginning of Year	8,579,593	2,190,749	10,770,342
Net Position End of Year	<u>\$ 9,424,354</u>	<u>\$ 2,179,912</u>	<u>\$ 11,604,266</u>

Schedule of Cash Flows
For the year ended December 31, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer Fund</u>
Net cash provided by operating activities	\$ 1,065,228	\$ 180,017	\$ 1,245,245
Net cash provided (used) by capital and related financing activities	(1,228,528)	(35,156)	(1,263,684)
Net cash provided by investing activities	<u>2,539</u>	<u>-</u>	<u>2,539</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(160,761)</u>	<u>144,861</u>	<u>(15,900)</u>
Cash and Cash Equivalents Beginning of Year	<u>3,587,934</u>	<u>71,636</u>	<u>3,659,570</u>
Cash and Cash Equivalents End of Year	<u>\$ 3,427,173</u>	<u>\$ 216,497</u>	<u>\$ 3,643,670</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, 2017

	2017	2016	2015
<i>Total pension liability</i>			
Service cost	\$ 34,210	\$ 30,964	\$ 27,195
Interest	136,385	117,879	111,985
Difference between expected and actual experience	(30,282)	161,654	16,983
Changes of assumptions	-	-	(22,312)
Changes of benefit terms	-	-	-
Benefit payments, including refunds of employee contributions	(76,751)	(66,665)	(48,927)
Net change in total pension liability	63,562	243,832	84,924
Total pension liability- beginning	1,798,181	1,554,349	1,469,425
Total pension liability- ending (a)	<u>\$ 1,861,743</u>	<u>\$ 1,798,181</u>	<u>\$ 1,554,349</u>
<i>Plan fiduciary net position</i>			
Contributions- employer	\$ 68,650	\$ 66,370	\$ 77,207
Contributions- employee	-	-	-
Net investment income	154,326	3,791	107,628
Benefit payments- including refund of employee contributions	(76,751)	(66,665)	(48,927)
Administrative expense	(5,288)	(3,364)	(3,028)
Other	-	-	-
Net change in fiduciary net position	140,937	132	132,880
Plan fiduciary net position- beginning	1,235,240	1,235,108	1,102,228
Plan fiduciary net position- ending (b)	<u>\$ 1,376,177</u>	<u>\$ 1,235,240</u>	<u>\$ 1,235,108</u>
Net pension liability- ending (a-b)	<u>\$ 485,566</u>	<u>\$ 562,941</u>	<u>\$ 319,241</u>
Plans fiduciary net position as a percentage of the total pension liability	73.92%	68.69%	79.46%
Covered employee payroll	\$ 1,182,712	\$ 1,178,056	\$ 1,053,339
Net pension liability as a percentage of covered employee payroll	41.06%	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, 2017

	2017	2016	2015
Actuarially determined contribution	\$ -	\$ 63,913 *	\$ 67,189
Contributions in relation to the actuarially determined contribution	-	63,913 *	67,189
Contribution deficiency (excess)	\$ -	\$ - *	\$ -
Covered employee payroll	\$ -	\$ 1,178,056 *	\$ 1,053,339
Contributions as a percentage of covered employee payroll	0.00%	5.43% *	6.38%

*2017 information will be determined after fiscal year end and will be included in the 2018 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	Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

CITY OF BLUE RIDGE, GEORGIA
SUPPLEMENTARY INFORMATION

City of Blue Ridge, Georgia
Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	Grant Fund	
Assets				
Cash and cash equivalents	\$ -	\$ 1,953	\$ 97	\$ 2,050
Pooled operating cash	35,904	-	-	35,904
Receivables (net)				
Other taxes	10,844	-	-	10,844
Forfeited property held for resale	-	2,511	-	2,511
Total Assets	\$ 46,748	\$ 4,464	\$ 97	\$ 51,309
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 18,807	\$ -	\$ -	\$ 18,807
Fund Balances				
Restricted				
Program purposes				
Economic development	4,338	-	-	4,338
Public safety	-	4,464	-	4,464
Assigned				
Economic development	23,603	-	97	23,700
Total Fund Balances	27,941	4,464	97	32,502
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 46,748	\$ 4,464	\$ 97	\$ 51,309

City of Blue Ridge, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2017

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	Grant Fund	
Revenues				
Hotel/motel taxes	\$ 169,264	\$ -	\$ -	\$ 169,264
Fines and forfeitures	-	8,253	-	8,253
Investment earnings	-	-	50	50
Total Revenues	169,264	8,253	50	177,567
Expenditures				
Current				
Public safety	-	8,415	-	8,415
Housing and economic development	116,522	-	-	116,522
Capital Outlay				
Housing and economic development	-	-	1,386	1,386
Total Expenditures	116,522	8,415	1,386	126,323
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,742	(162)	(1,336)	51,244
Other Financing Sources (Uses)				
Transfers in	-	-	1,386	1,386
Transfers out	(152,382)	-	-	(152,382)
Total Other Financing Sources	(152,382)	-	1,386	(150,996)
Net Change in Fund Balances	(99,640)	(162)	50	(99,752)
Fund Balances Beginning of Year	127,581	4,626	47	132,254
Fund Balances (Deficits) End of Year	\$ 27,941	\$ 4,464	\$ 97	\$ 32,502

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Hotel/motel taxes	\$ 150,000	\$ 170,000	\$ 169,264	\$ (736)
Expenditures				
Current				
Housing and economic development	60,000	117,000	116,522	478
Excess of Revenues Over Expenditures	90,000	53,000	52,742	258
Other Financing Sources (Uses)				
(Additions to) Use of fund balance	(72,600)	99,400	-	(99,400)
Transfers out	(17,400)	(152,400)	(152,382)	18
Total Other Financing Sources (Uses)	(90,000)	(53,000)	(152,382)	(99,382)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(99,640)	<u>\$ (99,640)</u>
Fund Balances Beginning of Year			<u>127,581</u>	
Fund Balances End of Year			<u>\$ 27,941</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Confiscations	\$ 1,500	\$ 8,500	\$ 8,253	\$ (247)
Expenditures				
Current				
Public safety	<u>1,500</u>	<u>8,500</u>	<u>8,415</u>	<u>85</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(162)	<u>\$ (162)</u>
Fund Balances Beginning of Year			<u>4,626</u>	
Fund Balances End of Year			<u>\$ 4,464</u>	

City of Blue Ridge, Georgia
Grant Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
For the year ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Investment earnings	\$ -	\$ -	\$ 50	\$ 50
Expenditures				
Current				
Housing and economic development	-	1,400	1,386	14
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,400)	(1,336)	64
Other Financing Sources (Uses)				
Transfers in	-	1,400	1,386	(14)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	50	<u>\$ 50</u>
Fund Balances Beginning of Year			<u>47</u>	
Fund Balances End of Year			<u>\$ 97</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Intergovernmental	\$ 332,268	\$ 332,268	\$ 364,982	\$ 32,714
Investment earnings	500	500	504	4
Restitution	-	-	7,333	7,333
Total Revenues	<u>332,768</u>	<u>332,768</u>	<u>372,819</u>	<u>40,051</u>
Expenditures				
Capital Outlay				
Public works	<u>865,000</u>	<u>1,395,000</u>	<u>1,388,175</u>	<u>6,825</u>
Excess of Revenues Over Expenditures	(532,232)	(1,062,232)	(1,015,356)	(46,876)
Other Financing Sources (Uses)				
Use of fund balance	532,232	927,232	-	927,232
Transfers in	<u>-</u>	<u>135,000</u>	<u>135,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>532,232</u>	<u>1,062,232</u>	<u>135,000</u>	<u>927,232</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(880,356)	<u>\$ 880,356</u>
Fund Balances Beginning of Year			<u>843,474</u>	
Fund Balances End of Year			<u>\$ (36,882)</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, 2017, 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 25, 2018.

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 have not been 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 responses that we consider to be significant deficiencies. See findings 2015-001, 2015-002, 2017-001.

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 responses. 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 25, 2018

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2017

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.

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.

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2017

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.

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.

2017-01 Underbilling of Utility Bills

Criteria: Utility billings should charge a base rate according to the rate schedule adopted by Council.

Condition/Context: During our audit procedures, which involve the recalculation of utility bills for all service codes and usage ranges, it was noted that bills with water usage exceeding the first billing tier of 10,000 gallons were understated. This was due to a software error in which the input of the rates as adopted by Council did not correctly apply the base rate to customer bills.

Cause: Utility bills from each rate code and billing usage range were not re-calculated and tested after the rate increase. The error was thus not discovered until 17 months after the rate increase. While the software error was not preventable, it was detectable, and the problem may have been discovered and corrected in a more timely manner had utility bills been recalculated by water administration staff from a broader spectrum of service codes and usage ranges.

Effect: For all bills issued in 2017 with water usage between 10,000-19,999 gallons, customers were underbilled by \$10. For all bills issued in 2017 with water usage exceeding 20,000 gallons, customers were underbilled by \$20. The total impact on the City's utility revenue for 2017 was an underbilling of approximately \$32,110. As this error was not noted until May of 2018, an estimated total of \$12,850 was also underbilled in 2018. As a result of this billing error, utility billings were understated by an estimated total of \$44,960 as of the date of the audit report.

Recommendation: It is our recommendation that water administration staff perform a recalculation of at least one utility bill from each service code and usage range according to the rate schedule adopted by Council. This recalculation should be done at a minimum after any rate changes or rate increases. While this will not ensure that all utility bills are being calculated without exception, it will assist in the detection of software errors, which occur most often in association with rate changes.

Response: The City agrees with this finding and will adopt the recalculation of utility bills from each service code and usage range into its standard operating procedures after any rate changes or rate increases.

City of Blue Ridge, Georgia
*Schedule for Projects Constructed with
Special Purpose Local Option Sales Tax
For the year ended December 31, 2017*

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	<u>\$ 1,575,000</u>	<u>\$ 1,575,000</u>	<u>\$ 782,694</u>	<u>\$ 1,251,139</u>	<u>\$ 2,033,833</u>	129%
2017 SPLOST						
Maintenance, repair, and construction of roads, streets, bridges and sidewalks	\$ 1,470,000	\$ 1,470,000	\$ -	\$ 137,036	\$ 137,036	9%
Water or Sewer, capital outlay purposes	420,000	420,000	-	-	-	0%
Building Improvements and Infrastructure, capital outlay purposes	<u>210,000</u>	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
	<u>\$ 2,100,000</u>	<u>\$ 2,100,000</u>	<u>\$ -</u>	<u>\$ 137,036</u>	<u>\$ 137,036</u>	

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

Note B: Current year expenditures include \$32,268 of Georgia Department of Transportation Local Maintenance and Improvement Grant funds, \$135,000 transferred in, and \$12,508 of restitution and miscellaneous revenue. This inflow of resources of \$179,776 is included in expenditures in the SPLOST statements on page 12.

Note C: Overages for the 2011 SPLOST were paid from other resources in the current and prior years, such as grants and transfers.