

**CITY OF BLUE RIDGE, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**For The Year Ended December 31, 2018**

**CITY OF BLUE RIDGE, GEORGIA  
FINANCIAL REPORT  
For the Year Ended December 31, 2018**

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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:**

Robbie Cornelius  
Nathan Fitts  
Kenneth Gaddis  
Rhonda Height  
Harold Herndon

### **OFFICE PERSONNEL:**

Finance Director- Alicia Stewart, CPA

### **CITY ATTORNEY**

James A. Balli  
Sams, Larkin, Huff & Balli, LLP

**INDEPENDENT AUDITOR**  
Welch, Walker and Associates, CPA's



## CERTIFIED PUBLIC ACCOUNTANTS

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### *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, 2018, 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, 2018, 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, schedule of changes in net pension liability and related ratios, and schedule of contributions on pages 3-7, 38, and 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 purpose local option sales tax is presented for purposes of additional analysis as required by 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 purpose local option sales tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019, 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 21, 2019

**CITY OF BLUE RIDGE, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended December 31, 2018**

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, 2018. 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, 2017 and 2018.

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2017</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>2018</u>	<u>Change</u>
Assets						
Current assets	\$ 2,147,485	\$ 2,617,316	\$ 469,831	\$ 3,683,843	\$ 3,690,687	\$ 6,844
Other assets	-	-	-	460,463	577,047	116,584
Capital assets	<u>4,580,547</u>	<u>4,535,203</u>	<u>(45,344)</u>	<u>22,269,294</u>	<u>22,828,434</u>	<u>559,140</u>
Total assets	<u>6,728,032</u>	<u>7,152,519</u>	<u>424,487</u>	<u>26,413,600</u>	<u>27,096,168</u>	<u>682,568</u>
Deferred outflows of resources	<u>147,787</u>	<u>160,078</u>	<u>12,291</u>	<u>101,291</u>	<u>117,940</u>	<u>16,649</u>
Liabilities						
Current liabilities	183,978	183,415	(563)	896,113	976,153	80,040
Long-term liabilities	<u>332,478</u>	<u>316,292</u>	<u>(16,186)</u>	<u>13,975,601</u>	<u>13,819,241</u>	<u>(156,360)</u>
Total liabilities	<u>516,456</u>	<u>499,707</u>	<u>(16,749)</u>	<u>14,871,714</u>	<u>14,795,394</u>	<u>(76,320)</u>
Deferred inflows of resources	<u>445,849</u>	<u>404,325</u>	<u>(41,524)</u>	<u>38,911</u>	<u>52,705</u>	<u>13,794</u>
Net Position						
Net investment in capital assets	4,510,068	4,503,456	(6,612)	8,161,137	8,990,678	829,541
Restricted	8,802	329,512	320,710	460,463	577,047	116,584
Unrestricted	<u>1,394,644</u>	<u>1,575,597</u>	<u>180,953</u>	<u>2,982,666</u>	<u>2,798,284</u>	<u>(184,382)</u>
Total net position	<u>\$ 5,913,514</u>	<u>\$ 6,408,565</u>	<u>\$ 495,051</u>	<u>\$ 11,604,266</u>	<u>\$ 12,366,009</u>	<u>\$ 761,743</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 70% of the governmental activities' net position is invested in capital assets at December 31, 2018. This is a 6% decrease from the prior year due to an overall increase in 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 73% of its net position in capital assets for 2018, an increase of 3% as the result of capital assets additions. 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 increased in the restricted net position of governmental funds is the result of accumulated SPLOST funds and also includes funds restricted for public safety and economic development activity. Restricted net position for business-type activities is for the purpose of debt service and increased as additional funds were added to the bank accounts for future debt service according to debt covenants. The remaining portion of net position is unrestricted, which can be used to finance government operations. Unrestricted net position shows a 35% increase for governmental activities due to a net income in the governmental funds along with an increase in assets. There is a 6% decrease for business-type activities as a result of the City's investment in capital assets.

### Condensed Statement of Activities

The following table presents the City's condensed Statement of Activities for the years ended December 31, 2017 and 2018.

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2017</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>2018</u>	<u>Change</u>
Revenues:						
Program						
Charges for services	\$ 453,767	\$ 513,972	\$ 60,205	\$ 3,155,879	\$ 3,453,669	\$ 297,790
Operating grants & contributions	6,900	33,905	27,005	-	-	-
Capital grants & contributions	365,486	435,538	70,052	566,571	840,437	273,866
General						
Property taxes	665,337	723,595	58,258	-	-	-
Sales taxes	717,097	784,314	67,217	-	-	-
Other revenues and taxes	807,305	995,106	187,801	43,037	172,032	128,995
Total revenues	<u>3,015,892</u>	<u>3,486,430</u>	<u>470,538</u>	<u>3,765,487</u>	<u>4,466,138</u>	<u>700,651</u>
Expenses:						
General government	531,074	608,338	77,264	-	-	-
Judicial	129,535	146,004	16,469	-	-	-
Public safety	837,218	979,633	142,415	-	-	-
Public works	585,432	622,641	37,209	-	-	-
Culture and recreation	317,802	361,488	43,686	-	-	-
Economic development	203,495	258,403	54,908	-	-	-
Interest	2,677	14,872	12,195	-	-	-
Water system	-	-	-	1,979,768	2,758,679	778,911
Sewerage system	-	-	-	951,795	945,716	(6,079)
Total expenses	<u>2,607,233</u>	<u>2,991,379</u>	<u>384,146</u>	<u>2,931,563</u>	<u>3,704,395</u>	<u>772,832</u>
Change in net position	408,659	495,051	86,392	833,924	761,743	(72,181)
Beginning 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>
Ending net position	<u>\$ 5,913,514</u>	<u>\$ 6,408,565</u>	<u>\$ 495,051</u>	<u>\$ 11,604,266</u>	<u>\$ 12,366,009</u>	<u>\$ 761,743</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, 2018, the net position of governmental funds increased 8% from the prior year. The net position of business-type activities increased 6%.

Approximately 21% of the City's revenues came from property taxes, 22% from sales taxes and 29% from other revenues and taxes during 2018. Other revenues include alcohol and liquor taxes, franchise taxes, insurance premium taxes and business and occupation taxes. All these sources account for 72% 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 2018.



Overall expenses for governmental activities saw a 14% increase due mainly to an increase in public safety expense as a result of wage increases for all officers, significant building maintenance and the purchase of computers and equipment for electronic ticketing. Public safety remains the largest percentage of total expense at 33%. General government expenses was 20% of total expense, the same as the prior year. The judicial and culture and recreation functions also remained consistent at 5% and 12%, respectively. Housing and economic development increased to 9%, an increase of 1% from the prior year.

There was a moderate 9% increase in charges for services, along with an increase in capital grants and contributions of 43% for business-type activities. This was the result of the CDBG grant for a water project on Orchard Boulevard. Business-type expense increased 26% due to wage increases for water maintenance and the purchase of materials for Phase III and Phase IV of the meter project. The 2018 fiscal year was also the first full year of operation for the upgraded water plant, which increased depreciation approximately \$150,000 and added an additional \$176,000 of interest expense for the related debt payments.

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

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

As of the close of the year, the City's governmental funds reported a combined ending fund balance of \$1,368,482 with \$227,878 reported as unassigned fund balance, \$71,179 as nonspendable for prepaid items and inventory, \$329,512 restricted for specific purposes, \$400,000 committed and \$339,913 assigned. The amount restricted for capital projects and program purposes increased \$320,000 from last year as assets were held for future projects. Other restricted fund balances consisted of restricted hotel/motel funds for advertising of \$4,662 and confiscated asset funds of \$4,464 for public safety. Unassigned fund balance in the General fund decreased \$76,559 mainly due to additional nonspendable fund balance for inventory increase of over \$20,000 and additional assigned fund balance for working capital/contingencies. Fund balance of \$612,638 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 \$127,275 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 decreased \$26,528, while total revenues increased \$309,927 or 12%. The majority of the increase can be attributed increases of approximately \$20,000 each for motor vehicle, franchise and liquor pouring taxes, all of which are the result of economic growth. Sales tax revenues were also up nearly \$70,000, or 9% due to economic growth. Charges for services increased around \$50,000 because of new collections for downtown parking. Fines and forfeitures also increased 20%, or nearly \$50,000 over the prior year. General fund expenditures increased \$602,474 or 21%. Expenditures for general government were up 16% due to legal costs and repairs and maintenance to City Hall. The police expenditures also increased approximately 16% because of wage increases, building maintenance and equipment for electronic ticketing, as previously mentioned. Expenditures for economic development went up 68% with the purchase of a mobile restroom, rental of a parking lot downtown and increased wages and contract services for zoning and inspections.

Intergovernmental revenue for the SPLOST fund increased by approximately \$70,318 or 19% from economic growth. Fund balance in the SPLOST fund increased \$357,268 as funds are accumulated for future projects. The revenue for nonmajor governmental funds increased 3% as hotel/motel revenues went up again due to economic growth in the area. Expenditures decreased since unrestricted funds in the hotel/motel fund were not expended this year. Fund balance for nonmajor governmental funds increased \$103,899.

### 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 2018, the City adopted a budget of \$2,421,050 for revenues and expenditures. The City did three budget amendments in the general fund during the year making the amended budget \$2,948,530. The budget amendments included \$52,000 for personnel changes for a new hire and insurance adjustments. Other changes included adding \$65,000 in expenditures for maintenance to City Hall and the police station, \$160,000 of capital outlay and debt service for three police cars and a mobile restroom trailer, and \$21,000 capital outlay for a new truck in the park department. An adjustment was also made for \$23,000 to transfer funds to the Multiple Grant fund for engineering of a downtown restroom. Revenue additions included \$22,000 in grants for safety and electronic ticketing equipment, along with \$50,000 for downtown parking fees and the related rental expenditures. Various other smaller adjustments were made to expenditure accounts and funded by \$196,000 of adjustments to property, motor vehicle, sales and beverage taxes along with fines and forfeitures which were conservatively budgeted based on prior year history.

The actual operating revenues of the General Fund were more than budgeted amounts by \$85,293. Beverage licenses along with building permits and electrical inspections higher than expected made licenses and permits over budget by nearly \$35,000. Charges for services were also over budget by \$20,000 due to increased park concession and gate fees and administrative fees for licensing. The actual operating expenditures of the General Fund were less than budgeted amounts by \$87,571. The public works function was under budget by more than \$50,000 mainly because an employee budgeted in the street department was moved to another department and not replaced. A capital lease of \$184,000 was budgeted, but the planned equipment purchase was made in the Water and Sewerage Fund rather than the General Fund. Therefore, principal retirement was also less than budgeted by more than \$20,000.

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

At December 31, 2018, the City reported \$4,535,203 in capital assets for governmental activities and \$22,828,434 in capital assets for the business-type activities. The governmental activities capital asset additions included equipment purchases of a dump truck and four vehicles, an automatic shop gate, mobile restroom, and engineering for downtown restrooms, parking and a Streetscape project. Capital additions for the business-type activities included infrastructure expense and contributions, a basin cover at the sewer plant and various equipment. Construction in progress additions included a CDBG water project on Orchard Boulevard, engineering for relocation of waterlines on Hwy. 5 and engineering for Trakside pump station renovations. Refer to Note 4 to the financial statements for additional information on capital assets.

At December 31, 2018, the City reported long-term liabilities of \$334,102 for governmental activities and \$14,076,639 for business-type activities. The debt for governmental activities includes capital leases for police cars and equipment, half of a note payable for a skidsteer, compensated absences and a net pension liability. The debt for business-type activities includes bonds for water and sewer plant upgrades and improvements, notes payable for meter replacements and Trakside pump station, 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 the upcoming line replacement on Highway 5 as part of the GDOT project to widen the road. The City is also nearing the end of a 4-phase GEFA meter replacement project to install radio read meters for more accurate and efficient water meter readings and to include a radio read system for immediate reporting of leaks in some areas. 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 754,481	\$ 1,190,786	\$ 1,945,267
Pooled operating cash	714,448	1,508,019	2,222,467
Investments	184,348	-	184,348
Restricted assets			
Cash and cash equivalents	-	303,754	303,754
Receivables			
Accounts	82,290	412,895	495,185
Property taxes	402,648	-	402,648
Franchise taxes	15,287	-	15,287
Other taxes	11,654	-	11,654
Fines	225,462	-	225,462
Intergovernmental	153,008	159,290	312,298
Forfeited property held for resale	2,511	-	2,511
Inventory	43,139	90,896	134,035
Prepaid items	28,040	25,047	53,087
<b>Total Current Assets</b>	<b>2,617,316</b>	<b>3,690,687</b>	<b>6,308,003</b>
<b>Noncurrent Assets</b>			
Restricted assets			
Cash and cash equivalents	-	577,047	577,047
Capital assets			
Nondepreciable	269,276	817,291	1,086,567
Depreciable, net	4,265,927	22,011,143	26,277,070
<b>Total Noncurrent Assets</b>	<b>4,535,203</b>	<b>23,405,481</b>	<b>27,940,684</b>
<b>Total Assets</b>	<b>7,152,519</b>	<b>27,096,168</b>	<b>34,248,687</b>
<b>Deferred Outflows of Resources</b>			
Pension related	160,078	117,940	278,018
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	101,670	93,593	195,263
Contracts payable	-	259,387	259,387
Accrued payroll liabilities	54,015	31,341	85,356
Accrued interest payable	222	30,680	30,902
Other	9,698	-	9,698
Compensated absences payable	5,633	8,986	14,619
Capital leases payable	10,268	17,449	27,717
Notes payable	1,909	11,031	12,940
Revenue obligation bonds payable	-	219,932	219,932
Payable from restricted assets			
Customer deposits	-	303,754	303,754
<b>Total Current Liabilities</b>	<b>183,415</b>	<b>976,153</b>	<b>1,159,568</b>
<b>Long-Term Liabilities (net of current portion)</b>			
Compensated absences payable	13,145	20,968	34,113
Net pension liability	283,577	208,929	492,506
Capital leases payable	15,669	52,646	68,315
Notes payable	3,901	290,145	294,046
Revenue bonds payable	-	13,245,057	13,245,057
General obligation bonds payable	-	1,496	1,496
<b>Total Long-Term Liabilities</b>	<b>316,292</b>	<b>13,819,241</b>	<b>14,135,533</b>
<b>Total Liabilities</b>	<b>499,707</b>	<b>14,795,394</b>	<b>15,295,101</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	332,790	-	332,790
Pension related	71,535	52,705	124,240
<b>Total Deferred Inflows of Resources</b>	<b>404,325</b>	<b>52,705</b>	<b>457,030</b>
<b>Net Position</b>			
Net investment in capital assets	4,503,456	8,990,678	13,494,134
Restricted for			
Debt service	-	577,047	577,047
Capital projects	320,386	-	320,386
Program purposes			
Public safety	4,464	-	4,464
Housing and economic development	4,662	-	4,662
Unrestricted	1,575,597	2,798,284	4,373,881
<b>Total Net Position</b>	<b>\$ 6,408,565</b>	<b>\$ 12,366,009</b>	<b>\$ 18,774,574</b>

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia  
Statement of Activities  
For the Year Ended December 31, 2018

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services, Sales and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General government	\$ 608,338	\$ 108,320	\$ -	\$ -	\$ (500,018)	\$ -	\$ (500,018)
Judicial	146,004	215,829	-	-	69,825	-	69,825
Public safety	979,633	630	7,600	-	(971,403)	-	(971,403)
Public works	622,641	500	26,305	435,538	(160,298)	-	(160,298)
Culture and recreation	361,488	101,432	-	-	(260,056)	-	(260,056)
Housing and development	258,403	87,261	-	-	(171,142)	-	(171,142)
Interest	14,872	-	-	-	(14,872)	-	(14,872)
<b>Total Governmental Activities</b>	<b>2,991,379</b>	<b>513,972</b>	<b>33,905</b>	<b>435,538</b>	<b>(2,007,964)</b>	<b>-</b>	<b>(2,007,964)</b>
<b>Business-Type Activities</b>							
Water system	2,758,679	2,431,927	-	775,533	-	448,781	448,781
Sewer system	945,716	1,021,742	-	64,904	-	140,930	140,930
<b>Total Business-Type Activities</b>	<b>3,704,395</b>	<b>3,453,669</b>	<b>-</b>	<b>840,437</b>	<b>-</b>	<b>589,711</b>	<b>589,711</b>
<b>Total - Primary Government</b>	<b>\$ 6,695,774</b>	<b>\$ 3,967,641</b>	<b>\$ 33,905</b>	<b>\$ 1,275,975</b>	<b>(2,007,964)</b>	<b>589,711</b>	<b>(1,418,253)</b>
<b>General Revenues</b>							
Property taxes levied for general government purposes					723,595	-	723,595
Sales taxes					784,314	-	784,314
Franchise taxes					101,267	-	101,267
Insurance premium taxes					96,116	-	96,116
Business and occupation taxes					44,786	-	44,786
Real estate and intangible taxes					17,942	-	17,942
Other taxes					616,042	-	616,042
Unrestricted intergovernmental					2,025	-	2,025
Gain on sale of capital assets					57,889	46,172	104,061
Investment earnings					4,719	3,078	7,797
Miscellaneous					54,320	122,782	177,102
<b>Total General Revenues</b>					<b>2,503,015</b>	<b>172,032</b>	<b>2,675,047</b>
<b>Change in Net Position</b>					<b>495,051</b>	<b>761,743</b>	<b>1,256,794</b>
<b>Net Position Beginning of Year</b>					<b>5,913,514</b>	<b>11,604,266</b>	<b>17,517,780</b>
<b>Net Position End of Year</b>					<b>\$ 6,408,565</b>	<b>\$ 12,366,009</b>	<b>\$ 18,774,574</b>

See accompanying notes to the basic financial statements.

**City of Blue Ridge, Georgia**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2018**

	<u>General Fund</u>	<u>SPLOST</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 499,816	\$ 252,615	\$ 2,050	\$ 754,481
Pooled operating cash	593,733	-	120,715	714,448
Investments	184,348	-	-	184,348
Receivables (net)				
Accounts	38,445	43,845	-	82,290
Property taxes	402,648	-	-	402,648
Franchise taxes	15,287	-	-	15,287
Other taxes	-	-	11,654	11,654
Fines	225,462	-	-	225,462
Intergovernmental				
State	72,099	-	-	72,099
County	9,566	71,343	-	80,909
Interfund	2,330	-	-	2,330
Forfeited property held for resale	-	-	2,511	2,511
Inventory	43,139	-	-	43,139
Prepaid items	28,040	-	-	28,040
<b>Total Assets</b>	<u>\$ 2,114,913</u>	<u>\$ 367,803</u>	<u>\$ 136,930</u>	<u>\$ 2,619,646</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 99,899	\$ 1,242	\$ 529	\$ 101,670
Accrued payroll liabilities	54,015	-	-	54,015
Other	9,698	-	-	9,698
Interfund payable	-	2,330	-	2,330
<b>Total Liabilities</b>	<u>163,612</u>	<u>3,572</u>	<u>529</u>	<u>167,713</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	1,039,606	43,845	-	1,083,451
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	28,040	-	-	28,040
Inventory	43,139	-	-	43,139
Restricted				
Capital projects	-	320,386	-	320,386
Program purposes				
Public safety	-	-	4,464	4,464
Economic development	-	-	4,662	4,662
Committed				
Working capital/contingencies	400,000	-	-	400,000
Assigned				
Working capital/contingencies	212,638	-	-	212,638
Economic development	-	-	127,275	127,275
Unassigned, reported in				
General fund	227,878	-	-	227,878
<b>Total Fund Balances</b>	<u>911,695</u>	<u>320,386</u>	<u>136,401</u>	<u>1,368,482</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 2,114,913</u>	<u>\$ 367,803</u>	<u>\$ 136,930</u>	<u>\$ 2,619,646</u>

See accompanying notes to the basic financial statements.



**City of Blue Ridge, Georgia**  
**Reconciliation of the Governmental Funds' Balance Sheet**  
**to the Statement of Net Position**  
**December 31, 2018**

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<b>Total Governmental Fund Balances</b>	\$	1,368,482
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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	\$ 7,132,889	
Less accumulated depreciation	<u>(2,597,686)</u>	4,535,203

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

Property taxes	494,657	
Intergovernmental	43,845	
Fines	212,159	
Deferred outflows of resources- pension related	<u>160,078</u>	910,739

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	\$ 2,330	
Interfund payables	<u>(2,330)</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	(25,937)	
Notes payable	(5,810)	
Compensated absences	(18,778)	
Accrued interest	(222)	
Net pension obligation	(283,577)	
Deferred inflow of resources- pension related	<u>(71,535)</u>	<u>(405,859)</u>

<b>Net Position Of Governmental Activities</b>	\$	<u><u>6,408,565</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, 2018**

	<u>General Fund</u>	<u>SPLOST</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Property taxes	\$ 638,450	\$ -	\$ -	\$ 638,450
Sales taxes	784,314	-	-	784,314
Other taxes	693,151	-	183,002	876,153
Licenses and permits	152,373	-	-	152,373
Intergovernmental	28,330	435,300	-	463,630
Charges for services	94,067	-	-	94,067
Fines and forfeitures	232,796	-	-	232,796
Contributions	7,600	-	-	7,600
Investment earnings	4,719	238	-	4,957
Restitution	-	4,000	-	4,000
Miscellaneous	56,523	-	-	56,523
<b>Total Revenues</b>	<u>2,692,323</u>	<u>439,538</u>	<u>183,002</u>	<u>3,314,863</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	577,615	-	-	577,615
Judicial	146,093	-	-	146,093
Public safety				
Police	952,943	-	-	952,943
Fire	22,834	-	-	22,834
Public works	489,305	-	-	489,305
Culture and recreation	349,831	-	-	349,831
Housing and economic development	209,545	-	79,103	288,648
<b>Capital Outlay</b>				
Public works	-	82,270	-	82,270
Housing and economic development	-	-	22,938	22,938
<b>Debt Service</b>				
Principal retirement	52,615	-	-	52,615
Interest and fiscal charges	2,521	-	-	2,521
<b>Total Expenditures</b>	<u>2,803,302</u>	<u>82,270</u>	<u>102,041</u>	<u>2,987,613</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(110,979)</u>	<u>357,268</u>	<u>80,961</u>	<u>327,250</u>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	10,000	-	-	10,000
Capital lease inception	49,500	-	-	49,500
Insurance recovery	47,889	-	-	47,889
Transfers in	-	-	22,938	22,938
Transfers out	(22,938)	-	-	(22,938)
<b>Total Other Financing Sources</b>	<u>84,451</u>	<u>-</u>	<u>22,938</u>	<u>107,389</u>
<b>Net Change in Fund Balances</b>	(26,528)	357,268	103,899	434,639
<b>Fund Balances Beginning of Year</b>	<u>938,223</u>	<u>(36,882)</u>	<u>32,502</u>	<u>933,843</u>
<b>Fund Balances End of Year</b>	<u>\$ 911,695</u>	<u>\$ 320,386</u>	<u>\$ 136,401</u>	<u>\$ 1,368,482</u>

See accompanying notes to the basic financial statements.

**City of Blue Ridge, Georgia**  
**Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures**  
**and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended December 31, 2018**

<b>Net Changes In Fund Balances - Total Governmental Funds</b>	\$	434,639
 <b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
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	\$ (257,063)	
Capital outlay	<u>224,049</u>	(33,014)
 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.		
		(12,330)
 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 12/31/17	\$ (409,512)	
Deferred at 12/31/18	<u>494,657</u>	85,145
Intergovernmental:		
Deferred at 12/31/17	\$ (47,845)	
Deferred at 12/31/18	<u>43,845</u>	(4,000)
Fines:		
Deferred at 12/31/17	\$ (229,126)	
Deferred at 12/31/18	<u>212,159</u>	(16,967)
 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.		
		38,732
 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		
		2,057
 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 @ 12/31/17	\$ 1,754	
Liability @ 12/31/18	<u>(222)</u>	1,532
Compensated absences		
Liability @ 12/31/17	\$ 18,035	
Liability @ 12/31/18	<u>(18,778)</u>	(743)
 <b>Change In Net Position of Governmental Activities</b>	 \$	 <u><u>495,051</u></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, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Budget</b>
<b>Revenues</b>				
Property taxes	\$ 589,700	\$ 639,700	\$ 638,450	\$ (1,250)
Sales taxes	690,000	785,000	784,314	(686)
Other taxes	583,000	680,500	693,151	12,651
Licenses and permits	114,250	118,250	152,373	34,123
Intergovernmental	3,000	24,480	28,330	3,850
Charges for services	23,100	73,100	94,067	20,967
Fines and forfeitures	180,000	232,000	232,796	796
Contributions	-	-	7,600	7,600
Investment earnings	2,000	2,000	4,719	2,719
Miscellaneous	52,000	52,000	56,523	4,523
<b>Total Revenues</b>	<b>2,237,050</b>	<b>2,607,030</b>	<b>2,692,323</b>	<b>85,293</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	453,553	578,053	577,615	438
Judicial	138,158	146,158	146,093	65
Public safety				
Police	793,581	953,501	952,943	558
Fire	26,600	26,600	22,834	3,766
Public works	536,871	539,431	489,305	50,126
Culture and recreation	293,485	350,485	349,831	654
Economic development	62,198	214,698	209,545	5,153
<b>Debt Service</b>				
Principal retirement	74,161	74,161	52,615	21,546
Interest and fiscal charges	7,786	7,786	2,521	5,265
<b>Total Expenditures</b>	<b>2,386,393</b>	<b>2,890,873</b>	<b>2,803,302</b>	<b>87,571</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(149,343)</b>	<b>(283,843)</b>	<b>(110,979)</b>	<b>172,864</b>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	10,000	10,000	-
Capital lease inception	184,000	294,000	49,500	(244,500)
Insurance reimbursement	-	37,500	47,889	10,389
Transfers out	-	(23,000)	(22,938)	62
Appropriation of fund balance	(34,657)	(34,657)	-	34,657
<b>Total Other Financing Sources (Uses)</b>	<b>149,343</b>	<b>283,843</b>	<b>84,451</b>	<b>(199,392)</b>
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(26,528)</b>	<b>\$ (26,528)</b>
<b>Fund Balances Beginning of Year</b>			<b>938,223</b>	
<b>Fund Balances End of Year</b>			<b>\$ 911,695</b>	

See accompanying notes to the basic financial statements.

**City of Blue Ridge, Georgia**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**December 31, 2018**

	<b>Water &amp; Sewer Fund</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,190,786
Pooled operating cash	1,508,019
Receivables (net)	
Accounts	412,895
Intergovernmental	159,290
Inventory	90,896
Prepaid items	25,047
Restricted assets	
Cash and cash equivalents	303,754
<b>Total Current Assets</b>	3,690,687
<b>Noncurrent Assets</b>	
Restricted assets	
Cash and cash equivalents	577,047
Capital assets	
Nondepreciable	817,291
Depreciable, net	22,011,143
<b>Total Noncurrent Assets</b>	23,405,481
<b>Total Assets</b>	27,096,168
<b>Deferred Outflows of Resources</b>	
Pension related	117,940
<b>Total Assets and Deferred Outflows of Resources</b>	27,214,108
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	93,593
Contracts payable	259,387
Accrued payroll liabilities	31,341
Accrued interest	30,680
Compensated absences payable	8,986
Capital lease payable	17,449
Notes payable	11,031
Revenue bonds payable	219,932
Payable from Restricted Assets:	
Customer deposits	303,754
<b>Total Current Liabilities</b>	976,153
<b>Long-Term Liabilities</b>	
Compensated absences payable (net of current portion)	20,968
Net pension liability	208,929
Capital lease payable (net of current portion)	52,646
Notes payable (net of current portion)	290,145
Revenue bonds payable (net of current portion)	13,245,057
General obligation bonds	1,496
<b>Total Long-Term Liabilities</b>	13,819,241
<b>Total Liabilities</b>	14,795,394
<b>Deferred Inflows of Resources</b>	
Pension related	52,705
<b>Total Liabilities and Deferred Inflows of Resources</b>	14,848,099
<b>Net Position</b>	
Net investment in capital assets	8,990,678
Restricted for debt service	577,047
Unrestricted	2,798,284
<b>Total Net Position</b>	\$ 12,366,009

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, 2018**

	<b>Water &amp; Sewer Fund</b>
<b>Operating Revenues</b>	
Charges for services	
Water revenues	\$ 2,324,808
Sewer revenues	978,793
Service charges	30,470
Tap fees	69,382
Connection fees	13,743
Penalties	36,473
Miscellaneous	122,782
	3,576,451
<b>Total Operating Revenues</b>	<b>3,576,451</b>
<b>Operating Expenses</b>	
Water department	
Personnel services	639,299
Contractual services	286,734
Supplies	702,289
Interfund charges	96,883
Sewer department	
Personnel services	147,918
Contractual services	152,307
Supplies	290,180
Interfund charges	185,646
	2,501,256
<b>Total Operating Expenses</b>	<b>2,501,256</b>
<b>Operating Income before Depreciation</b>	<b>1,075,195</b>
Depreciation	731,650
	343,545
<b>Operating Income</b>	<b>343,545</b>
<b>Non-Operating Revenues (Expenses)</b>	
Intergovernmental revenue	413,953
Surcharge revenue	123,000
Gain on sale of capital assets	46,172
Interest income	3,078
Interest on revenue bonds	(450,984)
Interest on leases and notes payable	(20,505)
	114,714
<b>Total Non-Operating Revenues</b>	<b>114,714</b>
<b>Income Before Contributions</b>	<b>458,259</b>
Capital contributions	303,484
	761,743
<b>Change in Net Position</b>	<b>761,743</b>
<b>Net Position Beginning of Year</b>	<b>11,604,266</b>
<b>Net Position End of Year</b>	<b>\$ 12,366,009</b>

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, 2018**

	<b>Water &amp; Sewer Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 3,488,812
Cash payments for personal services	(814,484)
Cash payments for goods and services	(1,554,935)
Cash payments for interfund services used	(282,529)
Other cash receipts	122,782
	959,646
<b>Net Cash Provided by (Used in) Operating Activities</b>	
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from surcharge fees	123,000
Proceeds from insurance and sale of scrap	14,172
Principal paid on revenue bonds	(212,805)
Interest paid on revenue bonds	(451,169)
Principal paid on leases and notes	(232,100)
Interest paid on leases and notes	(21,942)
Proceeds from leases and notes	212,216
Proceeds from grants	219,721
Payments for capital acquisitions and construction	(677,881)
	(1,026,788)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	
<b>Cash Flows from Investing Activities</b>	
Investments earnings	3,078
	3,078
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(64,064)
<b>Cash and Cash Equivalents Beginning of Year</b>	3,643,670
<b>Cash and Cash Equivalents End of Year</b>	\$ 3,579,606
Reconciliation of total cash and cash equivalents:	
Cash and cash equivalents	\$ 1,190,786
Pooled operating cash	1,508,019
Current restricted assets-cash and cash equivalents	303,754
Noncurrent restricted assets- cash and cash equivalents	577,047
Total cash and cash equivalents	\$ 3,579,606

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, 2018**

	<u><b>Water &amp; Sewer Fund</b></u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating Income</b>	\$ 343,545
<b>Adjustments</b>	
<b>Depreciation</b>	731,650
<b>(Increase) Decrease in Assets</b>	
Accounts receivable	13,114
Inventories	(46,998)
Prepaid expenses	111
Deferred outflows of resources- pension related	(16,649)
<b>Increase (Decrease) in Liabilities</b>	
Accounts payable	(76,538)
Accrued payroll liabilities	8,373
Deposits payable	22,029
Compensated absences	6,271
Net pension liability	(11,468)
Deferred inflow of resources- pension related	(13,794)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 959,646</u>
<b>Noncash Capital and Related Financing Activities</b>	
Georgia Environmental Finance Authority loan forgiveness for	
Drinking Water State Revolving Loan Funds	\$ 37,712
Capital contributions	\$ 303,484

**CITY OF BLUE RIDGE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018**

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, 2018 is \$93,745.

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 2018 is \$192,875. 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, 2018.

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, 2018, 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, 2018 the bank balance of all deposits was \$5,315,462 and the carrying amount was \$5,232,883. 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, 2018, the amount covered by depository insurance was \$500,000 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 \$4,815,462. 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 \$577,047 in the Water and Sewerage System Fund are restricted for debt service related to Rural Development bonds. Restricted cash also includes \$303,754 for customer deposits. Total restricted assets equal \$880,801.

Restricted net position for governmental activities includes \$320,386 from the SPLOST fund restricted for capital projects, \$4,464 from the Confiscated Assets fund for public safety and \$4,662 from the Hotel/Motel fund for economic development. Restricted net position for business-type activities includes \$577,047 for debt service.

4. Capital Assets – Governmental Activities

Changes in capital assets by major classes for 2018 are as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2018</u>
Nondepreciable capital assets				
Land	\$ 76,065	\$ -	\$ -	\$ 76,065
Construction in progress	<u>139,792</u>	<u>53,419</u>	<u>-</u>	<u>193,211</u>
Total nondepreciable capital assets	<u>215,857</u>	<u>53,419</u>	<u>-</u>	<u>269,276</u>
Depreciable capital assets				
Buildings	1,610,293	-	-	1,610,293
Machinery and equipment	1,367,022	170,630	183,742	1,353,910
Site improvements	762,890	-	-	762,890
Infrastructure	<u>3,136,521</u>	<u>-</u>	<u>-</u>	<u>3,136,521</u>
Total depreciable assets	<u>6,876,726</u>	<u>170,630</u>	<u>183,742</u>	<u>6,863,614</u>
Total capital assets	<u>7,092,583</u>	<u>224,049</u>	<u>183,742</u>	<u>7,132,890</u>
Accumulated depreciation				
Buildings	490,786	46,965	-	537,751
Machinery and equipment	1,157,537	62,628	171,412	1,048,753
City park & improvements	500,253	22,455	-	522,708
Infrastructure	<u>363,460</u>	<u>125,015</u>	<u>-</u>	<u>488,475</u>
Total accumulated depreciation	<u>2,512,036</u>	<u>257,063</u>	<u>171,412</u>	<u>2,597,687</u>
	<u>\$ 4,580,547</u>	<u>\$ (33,014)</u>	<u>\$ 12,330</u>	<u>\$ 4,535,203</u>

Governmental activities depreciation expense is as follows:

General government	\$ 39,413
Public safety	33,246
Public works	139,055
Culture and recreation	26,094
Economic development	<u>19,255</u>
	<u>\$ 257,063</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>12/31/2017</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2018</u>
<b>Nondepreciable capital assets</b>					
Land	\$ 77,875	\$ -	\$ -	\$ -	\$ 77,875
Intangible assets	34,896	-	-	-	34,896
Construction in progress	<u>177,798</u>	<u>-</u>	<u>526,722</u>	<u>-</u>	<u>704,520</u>
Total nondepreciable capital assets	<u>290,569</u>	<u>-</u>	<u>526,722</u>	<u>-</u>	<u>817,291</u>
<b>Depreciable capital assets</b>					
Infrastructure and pipelines	12,510,290	-	637,629	-	13,147,919
Buildings and improvements	15,293,456	(86,664)	58,956	-	15,265,748
Machinery and equipment	<u>744,296</u>	<u>-</u>	<u>154,147</u>	<u>-</u>	<u>898,443</u>
Total depreciable assets	<u>28,548,042</u>	<u>(86,664)</u>	<u>850,732</u>	<u>-</u>	<u>29,312,110</u>
Total capital assets	<u>28,838,611</u>	<u>(86,664)</u>	<u>1,377,454</u>	<u>-</u>	<u>30,129,401</u>
<b>Accumulated depreciation</b>					
Infrastructure and pipelines	3,113,995	-	306,066	-	3,420,061
Buildings and improvements	2,930,630	-	376,220	-	3,306,850
Machinery and equipment	<u>524,692</u>	<u>-</u>	<u>49,364</u>	<u>-</u>	<u>574,056</u>
Total accumulated depreciation	<u>6,569,317</u>	<u>-</u>	<u>731,650</u>	<u>-</u>	<u>7,300,967</u>
	<u>\$ 22,269,294</u>	<u>\$ (86,664)</u>	<u>\$ 645,804</u>	<u>\$ -</u>	<u>\$ 22,828,434</u>

An adjustment was made to reduce depreciable assets of the business-type activities for an unexpected sales tax refund received from the State after the completion of water plant improvements in 2017.

#### 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:

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>
2019	<u>\$ 5,495</u>	<u>\$ 191</u>	<u>\$ 5,686</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 21,620
Accumulated depreciation	<u>(12,612)</u>
Book value	<u>\$ 9,008</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>
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>\$ 20,442</u>	<u>\$ 2,386</u>	<u>\$ 22,828</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 28,231
Accumulated depreciation	<u>(6,117)</u>
Book value	<u>\$ 22,114</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>
2019	\$ 1,909	\$ 139	\$ 2,048	\$ 1,909	\$ 139	\$ 2,048
2020	1,954	94	2,048	1,954	94	2,048
2021	1,947	47	1,994	1,947	47	1,994
	<u>\$ 5,810</u>	<u>\$ 280</u>	<u>\$ 6,090</u>	<u>\$ 5,810</u>	<u>\$ 280</u>	<u>\$ 6,090</u>

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

Bonds payable at December 31, 2018 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>
2019	\$ 27,303	\$ 34,833	\$ 62,136
2020	28,558	33,578	62,136
2021	29,870	32,266	62,136
2022	31,242	30,894	62,136
2023	32,677	29,459	62,136
2023-2027	187,333	123,347	310,680
2028-2032	234,502	76,178	310,680
2033-2037	214,770	19,141	233,911
	<u>\$ 786,255</u>	<u>\$ 379,696</u>	<u>\$ 1,165,951</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 was due August 7, 2017. Monthly payments of \$50,153 will began September 7, 2017 with the interest rate of 3.25%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 192,629	\$ 409,207	\$ 601,836
2020	198,984	402,852	601,836
2021	205,548	396,288	601,836
2022	212,329	389,507	601,836
2023	219,333	382,503	601,836
2024-2028	1,210,092	1,799,088	3,009,180
2029-2033	1,423,298	1,585,882	3,009,180
2034-2038	1,674,068	1,335,112	3,009,180
2039-2043	1,969,022	1,040,158	3,009,180
2044-2048	2,315,944	693,236	3,009,180
2049-2053	2,723,990	285,190	3,009,180
2054	333,497	3,509	337,006
	<u>\$12,678,734</u>	<u>\$8,722,532</u>	<u>\$21,401,266</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>
2019	\$ 4,039	\$ 561	\$ 4,600
2020	4,218	382	4,600
2021	4,406	194	4,600
Total	<u>\$ 12,663</u>	<u>\$ 1,137</u>	<u>\$ 13,800</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 34,912
Accumulated depreciation	<u>(18,038)</u>
Book value	<u>\$ 16,874</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>
2019	\$ 13,410	\$ 2,625	\$ 16,035
2020	14,023	2,012	16,035
2021	14,665	1,370	16,035
2022	15,334	701	16,035
Total	<u>\$ 57,432</u>	<u>\$ 6,708</u>	<u>\$ 64,140</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 85,950
Accumulated depreciation	<u>(10,236)</u>
Book value	<u>\$ 75,714</u>



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

A note payable to the United States Department of Agriculture in the amount of \$40,500 for the purchase of a backhoe matures December 2028 and carries an interest rate of 3.875%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,393	\$ 1,569	\$ 4,962
2020	3,524	1,438	4,962
2021	3,661	1,301	4,962
2022	3,803	1,159	4,962
2023	3,950	1,012	4,962
2024-2028	<u>22,169</u>	<u>2,642</u>	<u>24,811</u>
	<u>\$ 40,500</u>	<u>\$ 9,121</u>	<u>\$ 49,621</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 (Phase II) 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>
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	5,984	1,034	7,018
2024-2028	30,918	4,170	35,088
2029-2033	32,649	2,439	35,088
2034-2038	<u>28,015</u>	<u>641</u>	<u>28,656</u>
	<u>\$ 120,862</u>	<u>\$ 13,060</u>	<u>\$ 133,922</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 (Phase I) was paid off during fiscal year 2018 in the amount of 109,482 and included current year interest of \$413. The loan originated in 2016 in the amount of \$195,000 with 40% principal forgiveness and had an interest rate of 1.03%. It was set to mature in July of 2036. Debt service requirements for this loan are now as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 (Phase III) was completed during fiscal year 2019 in the amount of \$248,625 with an interest rate of 0.89%. Construction draws through December 31, 2018 totaled \$104,100 with principal forgiveness of \$20,807. The obligation at year end totaled \$83,293.

A loan from the State Revolving Loan Funds through Georgia Environmental Facility Agency (GEFA) to finance the rehabilitation a lift station and replacement of sewer main along with pumps and related appurtenances at Trackside Lane. The project will be completed during fiscal year 2019 and the City can draw up to \$900,000 with 25% principal forgiveness and an interest rate of 0.89%. The maturity will be set 20 years from the amortization commencement date. Construction draws through December 31, 2018 totaled \$67,615 with principal forgiveness of \$16,904. The obligation at year end totaled \$50,711.

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 12/31/17	Additions	Reductions	Ending Balance 12/31/18	Due Within One Year
<b>Governmental activities</b>					
Capital leases payable	\$ 62,803	\$ -	\$ 36,866	\$ 25,937	\$ 10,268
Notes payable	7,676	-	1,866	5,810	1,909
Compensated absences	18,035	18,778	18,035	18,778	5,633
Net pension liability	288,105	-	4,528	283,577	-
	<u>\$ 376,619</u>	<u>\$ 18,778</u>	<u>\$ 61,295</u>	<u>\$ 334,102</u>	<u>\$ 17,810</u>
<b>Business-type activities</b>					
Revenue bonds	\$13,677,794	\$ -	\$ 212,805	\$ 13,464,989	\$ 219,932
Capital lease payable	86,862	-	16,767	70,095	17,449
Notes payable	342,005	212,216	253,045	301,176	11,031
General obligation bond	1,496	-	-	1,496	-
Compensated absences	23,683	29,954	23,683	29,954	8,986
Net pension liability	197,461	11,468	-	208,929	-
	<u>\$14,329,301</u>	<u>\$ 253,638</u>	<u>\$ 506,300</u>	<u>\$ 14,076,639</u>	<u>\$ 257,398</u>

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 2018 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 2017 levy applicable to fiscal year 2018 was as follows:

Lien date	January 1, 2017
Levy date	November 15, 2017
Due date	January 15, 2018
Delinquent date	January 16, 2018

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 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 2017 levy was \$531,126.

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](http://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, 2018, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	13
Inactive plan members entitled to but not receiving benefits	2
Active plan members	<u>31</u>
	<u>46</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, 2018, the City's contribution rate was 7.14% of annual payroll. City contributions to the Plan were \$85,820 for the year ended December 31, 2018.

#### 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, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2018.

*Actuarial assumptions.* The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 8.25%, including inflation of 2.75%
Investment rate of return	7.50 %, 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, 2018 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%.

Amounts reported for the fiscal year ending in 2018 and later reflect the following assumption changes based on an actuarial study conducted in September 2017:

The investment return assumption was decreased from 7.75% to 7.50%.

The inflation assumption was decreased from 3.25% to 2.75%.

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, 2018 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 7.50%. 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, 2018, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 3/31/17	\$ 1,861,743	\$ 1,376,177	\$ 485,566
Changes for the year:			
Service cost	36,825	-	36,825
Interest	141,255	-	141,255
Differences between expected and actual experience	51,481	-	51,481
Assumption Changes	-	-	-
Contributions—employer	-	83,602	(83,602)
Contributions—employee	-	-	-
Net investment income	-	171,339	(171,339)
Benefit payments, including refunds of employee contributions	(78,184)	(78,184)	-
Administrative expense	-	(5,150)	5,150
Other changes	27,170	-	27,170
Net changes	178,547	171,607	6,940
Balances at 3/31/18	\$ 2,040,290	\$ 1,547,784	\$ 492,506

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 7.50% 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 775,686	\$ 492,506	\$ 258,236

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, 2018 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, 2018, the City recognized pension expense of \$92,376. At December 31, 2018, 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	\$ 153,651	\$ (21,630)
Changes in assumptions	23,286	(11,156)
Net difference between projected and actual earnings on pension plan investments	36,716	(91,454)
City contributions subsequent to the measurement date	<u>64,365</u>	<u>-</u>
Total	<u>\$ 278,018</u>	<u>\$ (124,240)</u>

City contributions subsequent to the measurement date of \$64,365 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, 2019. 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:

2019	\$ 15,805
2020	20,050
2021	1,692
2022	13,515
2023	27,116
2024 and Thereafter	<u>11,235</u>
Total	<u>\$ 89,413</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 protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against member in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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, 2018 the City paid \$1,407 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	\$183,002
Hotel Tax Expenditures	\$ 72,218
Percentage Expended	40%

14. Interfund Balances

The pooled operating account in the SPLOST fund had a negative balance at December 31, 2018, shown as a due to/from on the fund statements.

	<u>Due From</u>
<u>Due to</u>	<u>General Fund</u>
SPLOST	<u>\$ 2,330</u>

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 in</u>
<u>Transfers out</u>	<u>Nonmajor</u>
General fund	<u>\$ 22,938</u>

15. Subsequent Events

The City has evaluated subsequent events through June 21, 2019, 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 entered into a contract with Coldwell Construction for the Streetscape Phase IV project on West Main Street in the amount of \$576,255. A TE Streetscape grant through GDOT in the amount of \$375,000 will be utilized to finance the project and the City expects to issue change orders to reduce the total project cost.

16. Implementation of GASB Statement No. 89

The City early implemented GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*. This statement establishes that in financial statements prepared using the economic resources measurement focus, interest costs incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset.

17. 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, 2018**

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer Fund</u>
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 3,148,444	\$ 542,243	\$ 3,690,687
Noncurrent restricted assets	514,910	62,137	577,047
Capital assets	20,197,688	2,630,746	22,828,434
Deferred outflows of resources	100,249	17,691	117,940
<b>Total Assets and Deferred Outflows of Resources</b>	<u>23,961,291</u>	<u>3,252,817</u>	<u>27,214,108</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities	843,424	132,729	976,153
Long-term liabilities	13,027,374	791,867	13,819,241
Deferred inflows of resources	45,326	7,379	52,705
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>13,916,124</u>	<u>931,975</u>	<u>14,848,099</u>
<b>Net Position</b>			
Net investment in capital assets	7,146,187	1,844,491	8,990,678
Restricted for debt service	577,047	-	577,047
Unrestricted	2,321,933	476,351	2,798,284
<b>Total Net Position</b>	<u>\$ 10,045,167</u>	<u>\$ 2,320,842</u>	<u>\$ 12,366,009</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Position**  
**For the year ended December 31, 2018**

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer Fund</u>
<b>Operating Revenues</b>			
Charges for services	\$ 2,431,927	\$ 1,021,742	\$ 3,453,669
Miscellaneous	122,782	-	122,782
<b>Total Operating Revenues</b>	<u>2,554,709</u>	<u>1,021,742</u>	<u>3,576,451</u>
<b>Operating Expenses</b>	1,725,205	776,051	2,501,256
<b>Depreciation</b>	<u>597,622</u>	<u>134,028</u>	<u>731,650</u>
<b>Operating Income</b>	<u>231,882</u>	<u>111,663</u>	<u>343,545</u>
<b>Nonoperating Revenues (Expenses)</b>	<u>85,447</u>	<u>29,267</u>	<u>114,714</u>
<b>Income Before Contributions</b>	317,329	140,930	458,259
<b>Contributions</b>	<u>303,484</u>	<u>-</u>	<u>303,484</u>
<b>Change in Net Position</b>	<u>620,813</u>	<u>140,930</u>	<u>761,743</u>
<b>Net Position Beginning of Year</b>	9,424,354	2,179,912	11,604,266
<b>Net Position End of Year</b>	<u>\$ 10,045,167</u>	<u>\$ 2,320,842</u>	<u>\$ 12,366,009</u>

**Schedule of Cash Flows**  
**For the year ended December 31, 2018**

	<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer Fund</u>
Net cash provided by operating activities	\$ 602,379	\$ 357,267	\$ 959,646
Net cash provided (used) by capital and related financing activities	(797,937)	(228,851)	(1,026,788)
Net cash provided by investing activities	<u>3,078</u>	<u>-</u>	<u>3,078</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(192,480)	128,416	(64,064)
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>3,427,173</u>	<u>216,497</u>	<u>3,643,670</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 3,234,693</u>	<u>\$ 344,913</u>	<u>\$ 3,579,606</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, 2018**

	2018	2017	2016	2015
<i>Total pension liability</i>				
Service cost	\$ 36,825	\$ 34,210	\$ 30,964	\$ 27,195
Interest	141,255	136,385	117,879	111,985
Difference between expected and actual experience	51,481	(30,282)	161,654	16,983
Changes of assumptions	27,170	-	-	(22,312)
Changes of benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(78,184)	(76,751)	(66,665)	(48,927)
Net change in total pension liability	178,547	63,562	243,832	84,924
Total pension liability- beginning	1,861,743	1,798,181	1,554,349	1,469,425
Total pension liability- ending (a)	<u>\$ 2,040,290</u>	<u>\$ 1,861,743</u>	<u>\$ 1,798,181</u>	<u>\$ 1,554,349</u>
<i>Plan fiduciary net position</i>				
Contributions- employer	\$ 83,602	\$ 68,650	\$ 66,370	\$ 77,207
Contributions- employee	-	-	-	-
Net investment income	171,339	154,326	3,791	107,628
Benefit payments- including refund of employee contributions	(78,184)	(76,751)	(66,665)	(48,927)
Administrative expense	(5,150)	(5,288)	(3,364)	(3,028)
Other	-	-	-	-
Net change in fiduciary net position	171,607	140,937	132	132,880
Plan fiduciary net position- beginning	1,376,177	1,235,240	1,235,108	1,102,228
Plan fiduciary net position- ending (b)	<u>\$ 1,547,784</u>	<u>\$ 1,376,177</u>	<u>\$ 1,235,240</u>	<u>\$ 1,235,108</u>
Net pension liability- ending (a-b)	<u>\$ 492,506</u>	<u>\$ 485,566</u>	<u>\$ 562,941</u>	<u>\$ 319,241</u>
Plans fiduciary net position as a percentage of the total pension liability	75.86%	73.92%	68.69%	79.46%
Covered employee payroll	\$ 1,177,166	\$ 1,182,712	\$ 1,178,056	\$ 1,053,339
Net pension liability as a percentage of covered employee payroll	41.84%	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, 2018**

	2018	2017	2016	2015
Actuarially determined contribution	\$ - *	\$ 82,863	\$ 63,913	\$ 67,189
Contributions in relation to the actuarially determined contribution	-	82,863 **	63,913	67,189
Contribution deficiency (excess)	\$ - *	\$ -	\$ -	\$ -
Covered employee payroll	\$ - *	\$ 1,182,712 ***	\$ 1,178,056	\$ 1,053,339
Contributions as a percentage of covered employee payroll	0.00% *	7.01%	5.43%	6.38%

\*2018 information will be determined after fiscal year end and will be included in the 2019 valuation report.

\*\*Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

\*\*\*2017 covered payroll is based on data collected as of February 28, 2017 for the 2017 actuarial valuation.

**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, 2018, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending December 31, 2019.

*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 11 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                    7.50%

Projected salary increase                        2.75% plus service based merit increases

Cost of living adjustments                        0.00%

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

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

Amounts reported for the fiscal year ending in 2018 and later reflect the following assumption changes based on an actuarial study conducted in September 2017:

The investment return assumption was decreased from 7.75% to 7.50%.

The inflation assumption was decreased from 3.25% to 2.75%.

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

**City of Blue Ridge, Georgia**  
**Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2018**

	<b>Special Revenue Funds</b>		<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Hotel/Motel</b>	<b>Confiscated Assets</b>	<b>Grant Fund</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 1,953	\$ 97	\$ 2,050
Pooled operating cash	120,715	-	-	120,715
Receivables (net)				
Other taxes	11,654	-	-	11,654
Forfeited property held for resale	-	2,511	-	2,511
<b>Total Assets</b>	<b>\$ 132,369</b>	<b>\$ 4,464</b>	<b>\$ 97</b>	<b>\$ 136,930</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 529	\$ -	\$ -	\$ 529
<b>Fund Balances</b>				
Restricted				
Program purposes				
Economic development	4,662	-	-	4,662
Public safety	-	4,464	-	4,464
Assigned				
Economic development	127,178	-	97	127,275
<b>Total Fund Balances</b>	<b>131,840</b>	<b>4,464</b>	<b>97</b>	<b>136,401</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 132,369</b>	<b>\$ 4,464</b>	<b>\$ 97</b>	<b>\$ 136,930</b>

**City of Blue Ridge, Georgia**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended December 31, 2018**

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Total Nonmajor</u>
	<u>Hotel/Motel</u>	<u>Confiscated Assets</u>	<u>Fund</u>	<u>Governmental</u>
			<u>Grant Fund</u>	<u>Funds</u>
<b>Revenues</b>				
Hotel/motel taxes	\$ 183,002	\$ -	\$ -	\$ 183,002
<b>Expenditures</b>				
<b>Current</b>				
Housing and economic development	79,103	-	-	79,103
<b>Capital Outlay</b>				
Housing and economic development	-	-	22,938	22,938
<b>Total Expenditures</b>	<u>79,103</u>	<u>-</u>	<u>22,938</u>	<u>102,041</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>103,899</u>	<u>-</u>	<u>(22,938)</u>	<u>80,961</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	22,938	22,938
<b>Net Change in Fund Balances</b>	103,899	-	-	103,899
<b>Fund Balances Beginning of Year</b>	<u>27,941</u>	<u>4,464</u>	<u>97</u>	<u>32,502</u>
<b>Fund Balances (Deficits) End of Year</b>	<u>\$ 131,840</u>	<u>\$ 4,464</u>	<u>\$ 97</u>	<u>\$ 136,401</u>

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
<b>Revenues</b>				
Hotel/motel taxes	\$ 180,000	\$ 180,000	\$ 183,002	\$ 3,002
<b>Expenditures</b>				
<b>Current</b>				
Housing and economic development	72,000	80,000	79,103	897
<b>Excess of Revenues Over Expenditures</b>	108,000	100,000	103,899	(3,899)
<b>Other Financing Sources (Uses)</b>				
(Additions to) Use of fund balance	(108,000)	(100,000)	-	100,000
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	103,899	<u>\$ 103,899</u>
<b>Fund Balances Beginning of Year</b>			<u>27,941</u>	
<b>Fund Balances End of Year</b>			<u>\$ 131,840</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
<b>Revenues</b>				
Confiscations	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
<b>Expenditures</b>				
<b>Current</b>				
Public safety	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balances Beginning of Year</b>			<u>4,464</u>	
<b>Fund Balances End of Year</b>			<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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
<b>Current</b>				
Housing and economic development	-	23,000	22,938	62
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	-	(23,000)	(22,938)	62
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	23,000	22,938	(62)
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund Balances Beginning of Year</b>			<u>97</u>	
<b>Fund Balances End of Year</b>			<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, 2018*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
<b>Revenues</b>				
Intergovernmental	\$ 732,268	\$ 732,268	\$ 435,300	\$ (296,968)
Investment earnings	500	500	238	(262)
Restitution	-	-	4,000	4,000
<b>Total Revenues</b>	<u>732,768</u>	<u>732,768</u>	<u>439,538</u>	<u>(293,230)</u>
<b>Expenditures</b>				
<b>Capital Outlay</b>				
Public works	<u>732,768</u>	<u>732,768</u>	<u>82,270</u>	<u>650,498</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	357,268	<u>\$ (357,268)</u>
<b>Fund Balances Beginning of Year</b>			<u>(36,882)</u>	
<b>Fund Balances End of Year</b>			<u>\$ 320,386</u>	

**City of Blue Ridge, Georgia**  
*Schedule for Projects Constructed with  
Special Purpose Local Option Sales Tax  
For the year ended December 31, 2018*

<b>Project</b>	<b>Referendum Authorized Amount</b>	<b>Original Estimated Cost</b>	<b>Prior Years' Expenditures</b>	<b>Current Year Expenditures</b>	<b>Cumulative Total</b>	<b>Estimated Percentage of Completion</b>
<b>2017 SPLOST</b>						
Maintenance, repair, and construction of roads, streets, bridges and sidewalks	\$ 1,470,000	\$ 1,470,000	\$ 137,036	\$ 82,270	\$ 219,306	15%
Water or Sewer, capital outlay purposes	420,000	420,000	-	-	-	0%
Building Improvements and infrastructure, capital outlay purposes	210,000	210,000	-	-	-	0%
	<u>\$ 2,100,000</u>	<u>\$ 2,100,000</u>	<u>\$ 137,036</u>	<u>\$ 82,270</u>	<u>\$ 219,306</u>	

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

Note B: Current year expenditures include \$35,649 of Georgia Department of Transportation Local Maintenance and Improvement Grant funds, \$7,387 of grant funds from the Federal Emergency Management Agency (FEMA), and \$4,000 of restitution. This inflow of resources of \$47,036 is included in expenditures in the SPLOST statements on page 12.

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



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

To the Honorable Mayor and 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, 2018, 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 21, 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 as item 2015-01 that we consider to be a significant deficiency.

#### 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 21, 2019

**CITY OF BLUE RIDGE, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2018**

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**Section I - Financial Statement Findings**

***2015-01 Lack of Segregation of Duties***

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

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

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.