

CITY OF BLUE RIDGE, GEORGIA
ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2021

**CITY OF BLUE RIDGE, GEORGIA
FINANCIAL REPORT
For the Year Ended December 31, 2021**

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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

Mike Panter

Rhonda Haight

Harold Herndon

OFFICE PERSONNEL:

Finance Director- Michael Richardson

CITY ATTORNEY

Charles S. Conerly

Smith Conerly 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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining funds and discretely presented component unit information of the City of Blue Ridge, Georgia, as of and for the year ended December 31, 2021, 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.

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, the aggregate remaining funds, and discretely presented component unit information of the City of Blue Ridge, Georgia, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and budgetary comparison for the Hotel Motel Tax Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Blue Ridge, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Blue Ridge, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Blue Ridge, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Blue Ridge, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary 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 schedules, schedule of projects constructed with special local option sales tax proceeds (as required by *Official Code of Georgia Annotated* Section 48-8-121) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules, and schedule of projects constructed with special local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, 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 City of Blue Ridge, Georgia's internal control over financial reporting and compliance.

Welch Walker & Associates PC CPAs

East Ellijay, Georgia
December 22, 2022

City of Blue Ridge, Georgia
Statement of Net Position
December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,811,093	\$ 1,501,765	\$ 3,312,858	\$ -
Pooled operating cash	2,618,172	2,432,816	5,050,988	362,605
Investments	184,903	-	184,903	-
Restricted assets				
Cash and cash equivalents	-	397,328	397,328	-
Receivables				
Accounts	751	494,169	494,920	-
Property taxes	380,604	-	380,604	-
Franchise taxes	17,155	-	17,155	-
Other taxes	105,116	-	105,116	-
Fines	111,018	-	111,018	-
Intergovernmental	469,066	-	469,066	-
Inventory	19,741	90,270	110,011	-
Prepaid items	27,235	76,287	103,522	-
Total Current Assets	5,744,854	4,992,635	10,737,489	362,605
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	-	418,778	418,778	-
Capital assets				
Nondepreciable	208,977	1,133,409	1,342,386	-
Depreciable, net	4,830,248	22,320,121	27,150,369	26,245
Total Noncurrent Assets	5,039,225	23,872,308	28,911,533	26,245
Total Assets	10,784,079	28,864,943	39,649,022	388,850
Deferred Outflows of Resources				
Pension related	227,625	165,542	393,167	-
Liabilities				
Current Liabilities				
Accounts payable	290,934	246,219	537,153	-
Contracts payable	58,490	55,000	113,490	-
Contractor bonds payable	-	-	-	-
Accrued expenses	-	1,435	1,435	-
Accrued payroll liabilities	52,847	18,345	71,192	-
Internal balances	-	-	-	-
Intergovernmental payable	-	-	-	-
Accrued interest payable	3,777	194,706	198,483	-
Due to component unit	-	-	-	-
Due to primary government	-	-	-	-
Post-closure care payable	-	-	-	-
Other	18,589	-	18,589	-
Compensated absences payable	11,469	12,706	24,175	-
Capital leases payable	57,692	150,629	208,321	-
Notes payable	-	61,999	61,999	-
Revenue obligation bonds payable	-	183,305	183,305	-
Payable from restricted assets				
Notes payable	-	-	-	-
Accrued interest payable	-	-	-	-
Unearned revenue	144,280	-	144,280	-
Customer deposits	-	397,328	397,328	-
Total Current Liabilities	638,078	1,321,672	1,959,750	-
Long-Term Liabilities (net of current portion)				
Compensated absences payable	26,760	29,646	56,406	-
Net pension liability	267,891	194,826	462,717	-
Capital leases payable	129,493	1,064,705	1,194,198	-
Notes payable	-	1,292,018	1,292,018	-
Revenue bonds payable	-	12,296,509	12,296,509	-
General obligation bonds payable	-	1,496	1,496	-
Total Long-Term Liabilities	424,144	14,879,200	15,303,344	-
Total Liabilities	1,062,222	16,200,872	17,263,094	-
Deferred Inflows of Resources				
Unavailable revenues	880,717	-	880,717	-
Pension related	203,255	147,818	351,073	-
Total Deferred Inflows of Resources	1,083,972	147,818	1,231,790	-
Net Position				
Net investment in capital assets	4,770,723	8,398,669	13,169,392	-
Restricted for				
Debt service	-	418,778	418,778	-
Capital projects	1,138,875	-	1,138,875	-
Program purposes				
Public safety	2,986	-	2,986	-
Housing and economic development	19,900	-	19,900	-
Unrestricted	2,933,026	3,864,348	6,797,374	388,850
Total Net Position	\$ 8,865,510	\$ 12,681,795	\$ 21,547,305	\$ 388,850

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Activities
For the Year Ended December 31, 2021

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services, Sales and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Downtown Development Authority
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government	\$ 572,526	\$ 111,782	\$ 18,015	\$ -	\$ (442,729)	\$ -	\$ (442,729)	\$ -
Judicial	140,611	164,165	3,000	-	26,554	-	26,554	-
Public safety	1,036,033	820	32,000	-	(1,003,213)	-	(1,003,213)	-
Public works	1,558,002	279	501,838	672,791	(383,094)	-	(383,094)	-
Culture and recreation	359,132	18,860	9,000	19,210	(312,062)	-	(312,062)	-
Housing and development	530,700	77,903	3,000	-	(449,797)	-	(449,797)	-
Interest	5,901	-	-	-	(5,901)	-	(5,901)	-
Total Governmental Activities	4,202,905	373,809	566,853	692,001	(2,570,242)	-	(2,570,242)	-
Business-Type Activities								
Water system	3,226,225	2,837,039	-	205,606	-	(183,580)	(183,580)	-
Sewer system	1,271,160	1,339,882	-	64,324	-	133,046	133,046	-
Total Business-Type Activities	4,497,385	4,176,921	-	269,930	-	(50,534)	(50,534)	-
Total - Primary Government	\$ 8,700,290	\$ 4,550,730	\$ 566,853	\$ 961,931	(2,570,242)	(50,534)	(2,620,776)	-
Component Unit								
Downtown Development Authority	\$ 3,372	\$ 199,083	\$ -	\$ -	-	-	-	195,711
General Revenues								
Property taxes levied for general government purposes					778,711	-	778,711	-
Sales taxes					1,269,438	-	1,269,438	-
Franchise taxes					148,555	-	148,555	-
Insurance premium taxes					112,136	-	112,136	-
Business and occupation taxes					135,301	-	135,301	-
Real estate and intangible taxes					50,922	-	50,922	-
Other taxes					1,205,271	-	1,205,271	-
Unrestricted intergovernmental					3,072	-	3,072	80,960
Gain on sale of capital assets					7,225	9,998	17,223	-
Investment earnings					4,273	1,766	6,039	-
Miscellaneous					6,907	9,212	16,119	-
Total General Revenues					3,721,811	20,976	3,742,787	80,960
Transfers					-	-	-	-
Total General Revenues and Transfers					3,721,811	20,976	3,742,787	80,960
Change in Net Position					1,151,569	(29,558)	1,122,011	276,671
Net Position Beginning of Year					7,713,941	12,711,353	20,425,294	112,179
Net Position End of Year					\$ 8,865,510	\$ 12,681,795	\$ 21,547,305	\$ 388,850

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	SPLOST	Hotel Motel Tax	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 619,772	\$ 1,043,933	\$ -	\$ 147,388	\$ 1,811,093
Pooled operating cash	2,008,281	-	609,891	-	2,618,172
Investments	184,903	-	-	-	184,903
Receivables (net)					
Accounts	751	-	-	-	751
Property taxes	380,604	-	-	-	380,604
Franchise taxes	17,155	-	-	-	17,155
Other taxes	55,367	-	49,749	-	105,116
Fines	111,018	-	-	-	111,018
Intergovernmental					
Federal	175,569	-	-	-	175,569
State	118,660	-	-	-	118,660
County	13,700	151,921	-	-	165,621
Authorities	9,216	-	-	-	9,216
Interfund	23,256	-	-	-	23,256
Inventory	19,741	-	-	-	19,741
Prepaid items	27,235	-	-	-	27,235
Total Assets	\$ 3,765,228	\$ 1,195,854	\$ 659,640	\$ 147,388	\$ 5,768,110
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 184,671	\$ -	\$ 106,263	\$ -	\$ 290,934
Contracts payable	58,490	-	-	-	58,490
Accrued payroll liabilities	52,847	-	-	-	52,847
Unearned revenue	-	-	-	144,280	144,280
Other	18,589	-	-	-	18,589
Interfund payable	-	23,134	-	122	23,256
Total Liabilities	314,597	23,134	106,263	144,402	588,396
Deferred Inflows of Resources					
Unavailable revenue	1,286,623	33,845	-	-	1,320,468
Fund Balances					
Nonspendable					
Prepaid items	27,235	-	-	-	27,235
Inventory	19,741	-	-	-	19,741
Restricted					
Capital projects	-	1,138,875	-	-	1,138,875
Program purposes					
Public safety	-	-	-	2,986	2,986
Economic development	-	-	19,900	-	19,900
Committed					
Working capital/contingencies	400,000	-	-	-	400,000
Assigned					
Working capital/contingencies	184,903	-	-	-	184,903
Economic development	-	-	533,477	-	533,477
Unassigned, reported in					
General fund	1,532,129	-	-	-	1,532,129
Total Fund Balances	2,164,008	1,138,875	553,377	2,986	3,859,246
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,765,228	\$ 1,195,854	\$ 659,640	\$ 147,388	\$ 5,768,110

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, 2021

Total Governmental Fund Balances	\$	3,859,246
 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	\$ 8,465,571	
Less accumulated depreciation	<u>(3,426,346)</u>	5,039,225
 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes	105,735	
Licenses	6,488	
Intergovernmental	218,630	
Fines	108,898	
Deferred outflows of resources- pension related	<u>227,625</u>	667,376
 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	(187,185)	
Notes payable	-	
Compensated absences	(38,229)	
Accrued interest	(3,777)	
Net pension obligation	(267,891)	
Deferred inflow of resources- pension related	<u>(203,255)</u>	<u>(700,337)</u>
 Net Position Of Governmental Activities	 \$	 <u><u>8,865,510</u></u>

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2021

	General Fund	SPLOST	Hotel Motel Tax	Nonmajor Governmental Funds	Total
Revenues					
Property taxes	\$ 847,647	\$ -	\$ -	\$ -	\$ 847,647
Sales taxes	1,269,438	-	-	-	1,269,438
Other taxes	1,021,433	-	635,835	-	1,657,268
Licenses and permits	122,268	-	-	-	122,268
Intergovernmental	261,570	671,932	-	128,515	1,062,017
Charges for services	26,190	-	-	-	26,190
Fines and forfeitures	154,362	-	-	-	154,362
Contributions	55,189	-	-	-	55,189
Investment earnings	4,273	859	-	-	5,132
Restitution	-	4,000	-	-	4,000
Miscellaneous	68,093	-	-	-	68,093
Total Revenues	3,830,463	676,791	635,835	128,515	5,271,604
Expenditures					
Current					
General government	562,510	-	-	-	562,510
Judicial	138,997	-	-	-	138,997
Public safety					
Police	996,481	-	-	1,478	997,959
Fire	114,731	-	-	-	114,731
Public works	1,235,117	274,732	-	-	1,509,849
Culture and recreation	418,326	-	-	-	418,326
Housing and economic development	156,529	-	353,246	-	509,775
Capital Outlay					
Housing and economic development	-	45,500	-	-	45,500
Debt Service					
Principal retirement	58,601	-	-	-	58,601
Interest and fiscal charges	4,990	-	-	-	4,990
Total Expenditures	3,686,282	320,232	353,246	1,478	4,361,238
Excess (Deficiency) of Revenues Over (Under) Expenditures	144,181	356,559	282,589	127,037	910,366
Other Financing Sources (Uses)					
Sale of capital assets	7,225	-	-	-	7,225
Capital lease inception	121,180	-	-	-	121,180
Proceeds from issuance of loan	-	-	-	-	-
Insurance recovery	-	-	-	-	-
Transfers in	187,759	-	-	-	187,759
Transfers out	-	-	(59,244)	(128,515)	(187,759)
Total Other Financing Sources	316,164	-	(59,244)	(128,515)	128,405
Net Change in Fund Balances	460,345	356,559	223,345	(1,478)	1,038,771
Fund Balances Beginning of Year	1,703,663	782,316	330,032	4,464	2,820,475
Fund Balances End of Year	\$ 2,164,008	\$ 1,138,875	\$ 553,377	\$ 2,986	\$ 3,859,246

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, 2021

Net Changes In Fund Balances - Total Governmental Funds \$ 1,038,771

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Depreciation expense	\$ (318,182)	
Capital outlay	<u>409,812</u>	91,630

Contributions of capital assets are report in the government-wide statement of activities but not reported at the fund financial reporting level.

-

Capital leases and notes are reported as other financing at the fund level but are reported as a liability on the government-wide statement of activities.

(121,180)

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 12/31/20	\$ (174,672)	
Deferred at 12/31/21	<u>105,735</u>	(68,937)
Licenses:		
Deferred at 12/31/20	\$ (11,572)	
Deferred at 12/31/21	<u>6,488</u>	(5,084)
Intergovernmental:		
Deferred at 12/31/20	\$ (78,772)	
Deferred at 12/31/21	<u>218,630</u>	139,858
Fines:		
Deferred at 12/31/20	\$ (99,095)	
Deferred at 12/31/21	<u>108,898</u>	9,803

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.

58,606

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

10,971

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 @ 12/31/20	\$ 2,866	
Liability @ 12/31/21	<u>(3,777)</u>	(911)
Compensated absences		
Liability @ 12/31/20	\$ 36,271	
Liability @ 12/31/21	<u>(38,229)</u>	(1,958)

Change In Net Position of Governmental Activities \$ 1,151,569

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, 2021

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Property taxes	\$ 686,300	\$ 686,300	\$ 847,647	\$ 161,347
Sales taxes	900,000	900,000	1,269,438	369,438
Other taxes	761,000	761,000	1,021,433	260,433
Licenses and permits	154,000	154,000	122,268	(31,732)
Intergovernmental	3,000	3,000	261,570	258,570
Charges for services	38,850	38,850	26,190	(12,660)
Fines and forfeitures	150,000	150,000	154,362	4,362
Contributions	-	-	55,189	55,189
Investment earnings	4,000	4,000	4,273	273
Miscellaneous	64,000	64,000	68,093	4,093
Total Revenues	2,761,150	2,761,150	3,830,463	1,069,313
Expenditures				
Current				
General government	578,898	578,898	562,510	16,388
Judicial	135,651	135,651	138,997	(3,346)
Public safety				
Police	1,068,952	1,068,952	996,481	72,471
Fire	39,500	39,500	114,731	(75,231)
Public works	464,579	464,579	1,235,117	(770,538)
Culture and recreation	321,483	321,483	418,326	(96,843)
Economic development	206,089	206,089	156,529	49,560
Debt Service				
Principal retirement	65,998	65,998	58,601	7,397
Interest and fiscal charges	5,000	5,000	4,990	10
Total Expenditures	2,886,150	2,886,150	3,686,282	(800,132)
Excess of Revenues Over Expenditures	(125,000)	(125,000)	144,181	269,181
Other Financing Sources (Uses)				
Capital lease inception	88,000	88,000	121,180	33,180
Transfers in	37,000	37,000	187,759	150,759
Total Other Financing Sources (Uses)	125,000	125,000	316,164	191,164
Net Change in Fund Balances	\$ -	\$ -	460,345	\$ 460,345
Fund Balances Beginning of Year			1,703,663	
Fund Balances End of Year			\$ 2,164,008	

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Hotel/Motel Tax Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
For the year ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Hotel/motel taxes	\$ 285,000	\$ 285,000	\$ 635,835	\$ 350,835
Expenditures				
Current				
Housing and economic development	248,000	248,000	353,246	(105,246)
Excess of Revenues Over Expenditures	37,000	37,000	282,589	(245,589)
Other Financing Sources (Uses)				
Transfers out	(37,000)	(37,000)	(59,244)	(22,244)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	223,345	<u>\$ 223,345</u>
Fund Balances Beginning of Year			<u>330,032</u>	
Fund Balances End of Year			<u>\$ 553,377</u>	

City of Blue Ridge, Georgia
Statement of Fund Net Position
Proprietary Fund
December 31, 2021

	<u>Water & Sewer Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,501,765
Pooled operating cash	2,432,816
Receivables (net)	
Accounts	494,169
Inventory	90,270
Prepaid items	76,287
Restricted assets	
Cash and cash equivalents	397,328
Total Current Assets	<u>4,992,635</u>
Noncurrent Assets	
Restricted assets	
Cash and cash equivalents	418,778
Capital assets	
Nondepreciable	1,133,409
Depreciable, net	22,320,121
Total Noncurrent Assets	<u>23,872,308</u>
Total Assets	<u>28,864,943</u>
Deferred Outflows of Resources	
Pension related	165,542
Total Assets and Deferred Outflows of Resources	<u>29,030,485</u>
Liabilities	
Current Liabilities	
Accounts payable	246,219
Contracts payable	55,000
Accrued payroll liabilities	18,345
Accrued expenses	1,435
Intergovernmental payable	
Accrued interest	194,706
Accrued contracts payable	
Compensated absences payable	12,706
Capital lease payable	150,629
Notes payable	61,999
Revenue bonds payable	183,305
Payable from Restricted Assets:	
Customer deposits	397,328
Total Current Liabilities	<u>1,321,672</u>
Long-Term Liabilities	
Compensated absences payable (net of current portion)	29,646
Net pension liability	194,826
Capital lease payable (net of current portion)	1,064,705
Notes payable (net of current portion)	1,292,018
Revenue bonds payable (net of current portion)	12,296,509
General obligation bonds	1,496
Total Long-Term Liabilities	<u>14,879,200</u>
Total Liabilities	<u>16,200,872</u>
Deferred Inflows of Resources	
Pension related	147,818
Total Liabilities and Deferred Inflows of Resources	<u>16,348,690</u>
Net Position	
Net investment in capital assets	8,398,669
Restricted for debt service	418,778
Unrestricted	3,864,348
Total Net Position	<u>\$ 12,681,795</u>

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, 2021

	Water & Sewer Fund
Operating Revenues	
Charges for services	
Water revenues	\$ 2,689,280
Sewer revenues	1,325,177
Service charges	22,000
Tap fees	88,316
Connection fees	18,270
Penalties	33,878
Miscellaneous	9,212
	4,186,133
Total Operating Revenues	4,186,133
Operating Expenses	
Water department	
Personnel services	796,915
Contractual services	372,038
Supplies	602,475
Interfund charges	145,668
Sewer department	
Personnel services	185,541
Contractual services	274,726
Supplies	254,308
Interfund charges	280,322
	2,911,993
Total Operating Expenses	2,911,993
Operating Income before Depreciation	1,274,140
Depreciation	806,199
	467,941
Operating Income	467,941
Non-Operating Revenues (Expenses)	
Principal forgiveness	95,930
Surcharge revenue	174,000
Gain on sale of capital assets	9,998
Interest income	1,766
Debt issuance costs	(322,354)
Interest on revenue bonds	(391,578)
Interest on leases and notes payable	(65,261)
	(497,499)
Total Non-Operating Revenues	(497,499)
Change in Net Position	(29,558)
Net Position Beginning of Year	12,711,353
Net Position End of Year	\$ 12,681,795

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, 2021

	Water & Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 4,224,153
Cash payments for personal services	(970,224)
Cash payments for goods and services	(1,378,404)
Cash payments for interfund services used	(425,990)
Other cash receipts	9,212
	1,458,747
Net Cash Provided by (Used in) Operating Activities	1,458,747
Cash Flows from Capital and Related Financing Activities	
Capital contributions	
Proceeds from surcharge fees	174,000
Proceeds from issuance of bonds	880,937
Principal paid on revenue bonds	(1,418,817)
Interest paid on revenue bonds	(228,061)
Principal paid on leases and notes	(65,904)
Interest paid on leases and notes	(64,999)
Proceeds from leases and notes	1,642,177
Payments for financing costs	(322,354)
Proceeds from sale of assets	13,625
Payments for capital acquisitions and construction	(1,883,402)
	(1,262,798)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,262,798)
Cash Flows from Investing Activities	
Investments earnings	1,766
	1,766
Net Increase (Decrease) in Cash and Cash Equivalents	187,715
Cash and Cash Equivalents Beginning of Year	4,562,972
Cash and Cash Equivalents End of Year	\$ 4,750,687
Reconciliation of total cash and cash equivalents:	
Cash and cash equivalents	\$ 1,501,765
Pooled operating cash	2,432,816
Current restricted assets-cash and cash equivalents	397,328
Noncurrent restricted assets- cash and cash equivalents	418,778
Total cash and cash equivalents	\$ 4,750,687

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, 2021

	Water & Sewer Fund
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities	
Operating Income	\$ 467,941
Adjustments	
Depreciation	806,199
(Increase) Decrease in Assets	
Accounts receivable	3,230
Inventories	9,889
Prepaid expenses	(51,018)
Deferred outflows of resources- pension related	47,116
Increase (Decrease) in Liabilities	
Accounts payable	109,837
Contracts payable	55,000
Accrued expenses	1,435
Accrued payroll liabilities	5,472
Deposits payable	44,002
Compensated absences	14,733
Unearned revenue	-
Net pension liability	(180,826)
Deferred inflow of resources- pension related	125,737
Net Cash Provided by (Used in) Operating Activities	\$ 1,458,747
Noncash Capital and Related Financing Activities	
Georgia Environmental Finance Authority loan forgiveness for Drinking Water State Revolving Loan Funds	\$ 95,960
Capital lease inception	\$ 1,200,000

CITY OF BLUE RIDGE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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 regard 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.

Hotel Motel Tax Fund – to account for the collection and disbursement of the 8% lodging tax imposed on lodging facilities within the city limits. The proceeds of which are a combination of restricted monies for the promotion of tourism and construction of tourism products and unrestricted funds for general use.

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 Tax, American Rescue Plan Act, 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 is a capital projects fund.

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 reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable, and a financial benefit or burden relationship exists. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations or (2) the City is legally

entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

Blue Ridge Downtown Development Authority (Development Authority) – Created on December 11, 2018, the Development Authority is governed by a five-member board consisting of four members appointed by the City Council and one member appointed from the elected City Council members. The primary purpose is to support downtown development with planning and funding. The Authority is fiscally dependent on the City for the funding of its obligations and debt. The financial activity for this discretely presented component unit is reported in a separate column on the government-wide financial statements to emphasize that it is legally separate from the City. Financial information related to the Downtown Development Authority may be obtained from the City upon request. Separate financial statements for the Authority are not prepared.

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, with the exception of the American Rescue Plan Fund. (See note 14.) 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 is 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, 2021 is \$101,847.

Fines receivable is estimated as 30% of the outstanding balance of non-probation cases and 100% of probation cases. The allowance for fine receivable at December 31, 2021 is \$1,677.

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 2021 is \$218,241. 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, 2021.

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 employment 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, 2021, 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 and bond issuance costs. 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 regulators 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 resources 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, 2021 the bank balance of all deposits was \$9,816,668 and the carrying amount was \$9,727,459. 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, 2021, 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 \$10,248,335. 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 not to 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 \$418,778 in the Water and Sewerage System Fund are restricted for debt service related to 2021 bond issue. Restricted cash also includes \$397,328 for customer deposits. Total restricted assets equal \$816,106.

Restricted net position for governmental activities includes \$1,138,875 from the SPLOST fund restricted for capital projects, \$2,986 from the Confiscated Assets fund for public safety and \$19,900 from the Hotel/Motel fund for economic development. Restricted net position for business-type activities includes \$418,778 for debt service.

4. Capital Assets

Changes in capital assets by major classes for 2021 are as follows:

Governmental Activities:	Balance 12/31/2020	Additions	Deductions	Balance 12/31/2021
Nondepreciable capital assets				
Land	\$ 76,065	\$ -	\$ -	\$ 76,065
Construction in progress	201,750	22,100	90,938	132,912
Total nondepreciable capital assets	<u>277,815</u>	<u>22,100</u>	<u>90,938</u>	<u>208,977</u>
Depreciable capital assets				
Buildings	1,610,293	-	-	1,610,293
Machinery and equipment	1,490,645	279,290	58,413	1,711,522
Site improvements	765,340	108,422	-	873,762
Infrastructure	3,970,079	90,938	-	4,061,017
Total depreciable assets	<u>7,836,357</u>	<u>478,650</u>	<u>58,413</u>	<u>8,256,594</u>
Total capital assets	<u>8,114,172</u>	<u>500,750</u>	<u>149,351</u>	<u>8,465,571</u>
Accumulated depreciation				
Buildings	640,721	51,057	-	691,778
Machinery and equipment	1,199,916	97,597	58,413	1,239,100
Site improvements	563,704	23,046	-	586,750
Infrastructure	762,236	146,482	-	908,718
Total accumulated depreciation	<u>3,166,577</u>	<u>318,182</u>	<u>58,413</u>	<u>3,426,346</u>
	<u>\$4,947,595</u>	<u>\$ 182,568</u>	<u>\$ 90,938</u>	<u>\$5,039,225</u>

Governmental activities depreciation expense is as follows:

General government	\$ 45,915
Public safety	47,613
Public works	173,176
Culture and recreation	28,059
Economic development	23,419
	<u>\$ 318,182</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.

Business-Type Activities:	Balance 12/31/2020	Additions	Deductions	Balance 12/31/2021
Nondepreciable capital assets				
Land	\$ 77,875	\$ 716,921	\$ -	\$ 794,796
Intangible assets	34,896	-	-	34,896
Construction in progress	253,631	481,141	431,055	303,717
Total nondepreciable capital assets	<u>366,402</u>	<u>1,198,062</u>	<u>431,055</u>	<u>1,133,409</u>
Depreciable capital assets				
Infrastructure and pipelines	14,609,072	431,055	-	15,040,127
Buildings and improvements	15,265,748	528,000	-	15,793,748
Machinery and equipment	869,016	161,540	74,502	956,054
Total depreciable assets	<u>30,743,836</u>	<u>1,120,595</u>	<u>74,502</u>	<u>31,789,929</u>
Total capital assets	<u>31,110,238</u>	<u>2,318,657</u>	<u>505,557</u>	<u>32,923,338</u>
Accumulated depreciation				
Infrastructure and pipelines	4,102,452	354,365	-	4,456,817
Buildings and improvements	4,056,834	374,992	-	4,431,826

Machinery and equipment	<u>575,197</u>	<u>76,842</u>	<u>70,874</u>	<u>581,165</u>
Total accumulated depreciation	<u>8,734,483</u>	<u>806,199</u>	<u>70,874</u>	<u>9,469,808</u>
	<u>\$22,375,755</u>	<u>\$1,512,458</u>	<u>\$ 434,683</u>	<u>\$23,453,530</u>

5. Long-term Debt

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

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>
2022	\$ 5,458	\$ 249	\$ 5,707
Total	<u>\$ 5,458</u>	<u>\$ 249</u>	<u>\$ 5,707</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 28,231
Accumulated depreciation	<u>(23,055)</u>
Book value	<u>\$ 5,176</u>

A lease payable to Georgia Municipal Association in the amount of \$49,500 for the purchase of a portable restroom trailer matures July 2022 and carries an interest rate of 3.84%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 10,284	\$ 402	\$ 10,686
Total	<u>\$ 10,284</u>	<u>\$ 402</u>	<u>\$ 10,686</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 49,500
Accumulated depreciation	<u>(19,800)</u>
Book value	<u>\$ 29,700</u>

A lease payable to Georgia Municipal Association in the amount of \$84,623 for the purchase of police cars and the related equipment and a vehicle for the park department matures January 2024 and carries an interest rate of 4.51%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 13,759	\$ 1,946	\$ 15,705
2023	14,379	1,326	15,705
2024	15,018	687	15,705
Total	<u>\$ 43,156</u>	<u>\$ 3,959</u>	<u>\$ 47,115</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 95,871
Accumulated depreciation	<u>(57,864)</u>
Book value	<u>\$ 38,007</u>

A lease payable to Georgia Municipal Association in the amount of \$35,483 for the purchase of a police car and the related equipment matures September 2025 and carries an interest rate of 3.21%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 6,867	\$ 925	\$ 7,792
2023	7,087	705	7,792
2024	7,315	477	7,792
2025	<u>7,548</u>	<u>242</u>	<u>7,790</u>

Total	<u>\$ 28,817</u>	<u>\$ 2,349</u>	<u>\$ 31,166</u>
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The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 37,758
Accumulated depreciation	<u>(10,069)</u>
Book value	<u>\$ 27,689</u>

A lease payable to Georgia Municipal Association in the amount of \$121,180 for the purchase of an excavator and bucket truck matures August 2026 and carries an interest rate of 2.99%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 18,741	\$ 2,970	\$ 21,711
2023	19,300	2,411	21,711
2024	19,877	1,834	21,711
2025	20,470	1,241	21,711
	<u>21,082</u>	<u>629</u>	<u>21,711</u>
Total	<u>\$ 99,470</u>	<u>\$ 9,085</u>	<u>\$ 108,555</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 121,180
Accumulated depreciation	<u>(7,213)</u>
Book value	<u>\$ 113,967</u>

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

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

The City completed a bond refunding of the 1997 and 2014 Water and Sewerage Revenue Bonds in January 2021 in the amount of \$11,690,000. The 2021 Refunded Bonds were issued as a public placement and bear interest rates from 2.25%- 4.00% with annual payments beginning in August 2021.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 210,000	\$ 352,200	\$352,200
2023	220,000	343,800	352,200
2024	225,000	335,000	335,000
2025	235,000	326,000	326,000
2026	245,000	316,600	316,600
2027-2031	1,380,000	1,428,000	1,428,000
2032-2036	1,685,000	1,128,600	1,128,600
2037-2041	1,805,000	776,800	776,800
2042-2046	1,980,000	519,800	519,800
2047-2051	2,200,000	325,563	325,563
2052-2054	<u>1,425,000</u>	<u>64,238</u>	<u>64,238</u>
Total	<u>\$11,610,000</u>	<u>\$ 5,916,601</u>	<u>\$5,925,001</u>

The revenue bonds are payable solely from and secured by a pledge of the net revenues of the utility system. Net revenue is defined as gross revenue from fees, charges, and earnings minus current expenses to operate and maintain the system other than depreciation, amortization, and debt service payments.

The following reconciles long-term bond obligations to the net amounts presented on the Statement of Fund Net Position:

Issue Date	<u>Revenue Bonds Outstanding December 31, 2021</u>	<u>Premium on Bond Issuance, Net</u>	<u>Revenue Bonds Outstanding, Net, December 31, 2021</u>	<u>Amounts Due in One Year, Net</u>	<u>Noncurrent Revenue Bonds, Net</u>
2021	\$11,610,000	\$ 869,814	\$ 12,479,814	\$183,305	\$12,296,509

G.O.	<u>1,496</u>	<u>-</u>	<u>1,496</u>	<u>-</u>	<u>1,496</u>
	<u>\$11,611,496</u>	<u>\$ 869,814</u>	<u>\$ 12,481,310</u>	<u>\$ 183,305</u>	<u>\$12,298,005</u>

The premium associated with the issuance of bonds is shown net of the amortized amount that offsets interest expense. The premium, net of the amortized interest expense, is included with the debt liability on the Statement of Fund Net Position in accordance with GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 187. The unamortized premium at December 31, 2021 was \$869,814.

Capital leases for business-type activities are as follows:

A 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>
2022	\$ 15,334	\$ 701	\$ 16,035
Total	<u>\$ 15,334</u>	<u>\$ 701</u>	<u>\$ 16,035</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 85,950
Accumulated depreciation	<u>(38,879)</u>
Book value	<u>\$ 51,157</u>

A lease payable to Georgia Municipal Association in the amount of \$1,200,000 for the purchase of a building for the water department matures December 2031 and carries an interest rate of 1.86%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 110,295	\$ 22,320	\$132,615
2023	112,347	20,268	132,615
2024	114,436	18,179	132,615
2025	116,565	16,050	132,615
2026	118,732	13,883	132,615
2027-2031	<u>627,625</u>	<u>35,450</u>	<u>663,075</u>
Total	<u>\$1,200,000</u>	<u>\$ 126,150</u>	<u>\$1,326,150</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>
2022	\$ 3,803	\$ 1,159	\$ 4,962
2023	3,950	1,012	4,962
2024	4,103	859	4,962
2025	4,262	700	4,962
2026	4,427	535	4,962
2027-2028	<u>9,376</u>	<u>548</u>	<u>9,924</u>
Total	<u>\$ 29,921</u>	<u>\$ 4,813</u>	<u>\$ 34,734</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>
2022	\$ 5,887	\$ 1,131	\$ 7,018
2023	5,952	1,066	7,018

2024	6,017	1,001	7,018
2025	6,083	935	7,018
2026	6,149	868	7,018
2027-2031	31,772	3,317	35,089
2032-2036	33,551	1,538	35,089
2037-2038	11,012	100	11,112
Total	<u>\$ 106,423</u>	<u>\$ 9,956</u>	<u>\$ 116,380</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 20% principal forgiveness. It bears an interest rate of 0.89% and matures in March 2039.

	Principal	Interest	Total
2022	\$ 8,825	\$ 1,468	\$ 10,293
2023	8,904	1,389	10,293
2024	8,984	1,309	10,293
2025	9,064	1,229	10,293
2026	9,145	1,147	10,293
2027-2031	46,966	4,499	51,465
2032-2036	49,103	2,362	51,465
2037-2039	27,954	354	28,308
Total	<u>\$ 168,945</u>	<u>\$ 13,757</u>	<u>\$ 182,703</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 IV) was completed during fiscal year 2020 in the amount of \$383,562 with 28% principal forgiveness. It bears an interest rate of 1.25% and matures in January 2041.

	Principal	Interest	Total
2022	\$ 12,372	\$ 3,241	\$ 15,613
2023	12,527	3,086	15,613
2024	12,685	2,928	15,613
2025	12,844	2,769	15,613
2026	13,006	2,607	15,613
2027-2031	67,524	10,542	78,066
2032-2036	71,877	6,189	78,066
2037-2041	62,122	1,631	63,753
Total	<u>\$ 264,957</u>	<u>\$ 32,993</u>	<u>\$ 297,950</u>

A loan from the State Revolving Loan Funds through Georgia Environmental Facility Agency (GEFA) to finance the rehabilitation of a lift station and replacement of sewer main along with pumps and related appurtenances at Trackside Lane was completed during 2021 in the amount of \$900,000 with 25% principal forgiveness of \$225,000 granted. It bears an interest rate of 0.89% and matures in January 2041.

	Principal	Interest	Total
2022	\$ 31,112	\$ 5,743	\$ 36,855
2023	31,390	5,465	36,855
2024	31,670	5,185	36,855
2025	31,954	4,901	36,855
2026	32,239	4,616	36,855
2027-2031	165,569	18,707	184,276
2032-2036	173,100	11,176	184,276
2037-2041	162,510	3,336	165,846
Total	<u>\$ 659,544</u>	<u>\$ 59,129</u>	<u>\$ 718,673</u>

A loan from the State Revolving Loan Funds through Georgia Environmental Facility Agency (GEFA) to finance the construction of water infrastructure was obtained in 2021. The project was not complete at the end of the year; therefore, there is a balance not yet in repayment of \$124,227. The total projected cost of the project is \$5,000,000, at interest rate of 2.34%.

Changes in long-term Debt:

	Beginning Balance 12/31/2020	Additions	Reductions	Ending Balance 12/31/2021	Due Within One Year
<u>Governmental activities</u>					
Capital lease payable	\$ 122,662	\$ 121,180	\$ 56,658	\$ 187,185	\$ 57,692
Notes payable	1,943	-	1,943	-	-
Compensated absences	36,271	38,229	36,271	38,229	11,469
Net pension liability	516,563	-	248,672	267,891	-
	<u>\$ 677,439</u>	<u>\$ 38,229</u>	<u>\$ 343,544</u>	<u>\$ 306,120</u>	<u>\$ 11,469</u>
<u>Business-type activities</u>					
Revenue bonds	\$ 13,017,467	\$11,690,000	\$13,097,467	\$11,610,000	\$ 210,000
Capital lease payable	34,403	1,200,000	19,069	1,215,334	150,629
Notes payable	1,054,604	442,177	142,764	1,354,017	61,999
General obligation bond	1,496	-	-	1,496	-
Compensated absences	27,619	42,352	27,619	42,352	12,706
Net pension liability	375,652	-	180,826	194,816	-
	<u>\$ 14,511,241</u>	<u>\$13,374,529</u>	<u>\$13,467,745</u>	<u>\$14,418,015</u>	<u>\$ 225,544</u>

Compensated absences are typically liquidated by the general fund. Total interest expense included in the Statement of Activities for 2021 was \$456,839.

6. Property Taxes

The City of Blue Ridge's property tax calendar for the 2020 levy applicable to fiscal year 2021 was as follows:

Lien date	January 1, 2020
Levy date	November 21, 2020
Due date	January 21, 2021
Delinquent date	January 22, 2021

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. FIFAs can be filed for uncollected taxes. The total 2020 levy was \$680,213.

7. Pension Plan

Plan Description

The City has established a non-contributory defined benefit pension plan (The City of Blue Ridge Retirement Plan), covering all full-time employees who regularly work more than 20 hours per week. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive 1.5% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City established the plan effective June 1, 1998 and has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. Members may retire at 65 years of age with 5 years of service or 55 years of age with 25 years of service. Early retirement is possible at age 55 with 10 years of service. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Plan membership. As of July 1, 2021, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not receiving benefits	2
Active plan members	35
	51

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, 2021, the City's contribution rate was 8.83% of annual covered payroll.

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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2021.

Actuarial assumptions. The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.00% - 8.50%, including inflation of 2.25%
Investment rate of return	7.375%, net of pension plan investment expense, including inflation

Mortality rates for healthy retirees and beneficiaries were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table rates multiplied by 1.25.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to June 30, 2019.

Cost of living adjustments were assumed to be 0%.

Amounts reported for the fiscal year ending in 2021 and later reflect the following assumption changes based on an actuarial study conducted in November and December of 2019:

The mortality tables for all participants, healthy retirees and beneficiaries, disabled and active were changed from previous tables.

Future mortality improvement, which was previously not explicitly projected, is based on based on projecting generationally.

Prior retirement assumption was based on the Plan's normal retirement eligibility. The new assumption relates to when a given participant is eligible for normal retirement and retirement rates do not apply is a participant is not eligible for either early or normal retirement.

The turnover rate was changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.

The disability rates were changed to 50% of the rates in the prior age-based rates.

The inflation assumption was decreased from 2.75% to 2.25%.

The salary increase assumption was changed from service-based salary scale starting at 8.25% and an ultimate rate of 3.25% to a service-based scale starting at 8.50 and an ultimate rate of 3%.

The investment return assumption was decreased from 7.50% to 7.375%.

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, 2020 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	45%	6.40%
International equity	20%	7.05%
Domestic fixed income	20%	1.15%
Real estate	10%	4.50%
Global fixed income	5%	1.25%
Cash	0%	
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.375%. 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, 2021, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at March 31, 2020	\$ 2,408,508	\$ 1,516,293	\$ 892,215
Changes for the year			
Service cost	49,454	-	49,454
Interest	178,044	-	178,044
Differences between expected and actual experience	161,811	-	161,811
Contributions – employer	-	129,290	(129,290)
Contributions – employee	-	-	-
Net investment income	-	694,700	(694,700)
Benefit payments, including refunds of employee contributions	(87,606)	(87,606)	-
Administrative expense	-	(5,183)	5,183
Other	-	-	-
Net changes	301,703	731,201	(429,498)
Balances at March 31, 2021	\$ 2,710,211	\$ 2,247,494	\$ 462,717

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 6.375%	Current Discount Rate 7.375%	1% Increase 8.375%
City's net pension liability	<u>\$ 838,016</u>	<u>\$ 462,717</u>	<u>\$ 151,360</u>

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, 2021 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, 2021, the City recognized pension expense of \$106,593. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 287,366	\$ (8,652)
Changes in assumptions	11,643	(31,029)
Net difference between projected and actual earnings on pension plan investments	-	(311,392)
City contribution subsequent to the measurement date	94,158	-
Total	<u>\$ 393,167</u>	<u>\$ (351,073)</u>

City contributions subsequent to the measurement date of \$94,158 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, 2021. 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:	
2022	(\$1,087)
2023	12,514
2024	(15,386)
2025	(74,196)
2026	26,091
Total	<u>(\$52,064)</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.

8. 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.

9. 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.

10. 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, 2021 the City paid \$1,461 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.

11. 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.

12. Hotel/Motel Tax

The City of Blue Ridge levied an 8% Hotel/Motel tax in accordance with OCGA 48-13-51 in 2021. Amounts levied in excess of 3% are expended for promoting tourism and for tourism product development in accordance with OCGA 48-13-51 (b).

Hotel Tax Collections	\$635,835
Hotel Tax Expenditures	\$412,490
Percentage Expended	65%

13. Subsequent Events

The City has evaluated subsequent events through December 22, 2022, 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.

14. Material Violations of Finance-Related Legal Provisions

Budgetary controls are established by the Mayor and Council through the adoption of annual budgets, with the legal level of control being department level. The following departments had expenditures which exceeded appropriations by 10% or more at December 31, 2021 in the amounts are as follows:

General Fund:	
Fire	\$ 75,231
Public Works	\$770,538
Culture and Recreation	\$ 96,843

Hotel Motel Tax Fund:	
Housing and Economic Development	\$105,246

SPLOST Fund:	
Housing and Economic Development	\$ 45,500

OCGA 36-81-3(b) requires an annual balanced budget for each special revenue fund. In fiscal year 2022, there were no budgeted amounts established for the American Rescue Plan Act (ARPA) Fund.

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, 2021

	2020	2019	2018	2017	2016	2015
<i>Total pension liability</i>						
Service cost	\$ 58,484	\$ 38,531	\$ 36,825	\$ 34,210	\$ 30,964	\$ 27,195
Interest	171,236	152,931	141,255	136,385	117,879	111,985
Difference between expected and actual experience	33,393	112,123	51,481	(30,282)	161,654	16,983
Changes of assumptions	(39,537)	-	27,170	-	-	(22,312)
Changes of benefit terms	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(79,471)	(79,472)	(78,184)	(76,751)	(66,665)	(48,927)
Net change in total pension liability	144,105	224,113	178,547	63,562	243,832	84,924
Total pension liability- beginning	2,264,403	2,040,290	1,861,743	1,798,181	1,554,349	1,469,425
Total pension liability- ending (a)	<u>\$ 2,408,508</u>	<u>\$ 2,264,403</u>	<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	\$ 108,656	\$ 89,705	\$ 83,602	\$ 68,650	\$ 66,370	\$ 77,207
Contributions- employee	-	-	-	-	-	-
Net investment income	(116,313)	56,177	171,339	154,326	3,791	107,628
Benefit payments- including refund of employee contributions	(79,471)	(79,472)	(78,184)	(76,751)	(66,665)	(48,927)
Administrative expense	(5,569)	(5,204)	(5,150)	(5,288)	(3,364)	(3,028)
Other	-	-	-	-	-	-
Net change in fiduciary net position	(92,697)	61,206	171,607	140,937	132	132,880
Plan fiduciary net position- beginning	1,608,990	1,547,784	1,376,177	1,235,240	1,235,108	1,102,228
Plan fiduciary net position- ending (b)	<u>\$ 1,516,293</u>	<u>\$ 1,608,990</u>	<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>\$ 892,215</u>	<u>\$ 655,413</u>	<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	62.96%	71.06%	75.86%	73.92%	68.69%	79.46%
Covered employee payroll	\$ 1,546,353	\$ 1,546,482	\$ 1,177,166	\$ 1,182,712	\$ 1,178,056	\$ 1,053,339
Net pension liability as a percentage of covered employee payroll	57.70%	42.38%	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 Blue Ridge, Georgia
Required Supplementary Information
Georgia Municipal Association Defined Benefit Plan
Schedule of Contributions
For the year ended December 31, 2021

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ - *	\$ 101,361	\$ 85,820	\$ 82,863	\$ 63,913	\$ 67,189
Contributions in relation to the actuarially determined contribution	-	101,361 **	85,820	82,863	63,913	67,189
Contribution deficiency (excess)	\$ - *	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ - *	\$ 1,546,482 ***	\$ 1,177,166	\$ 1,182,712	\$ 1,178,056	\$ 1,053,339
Contributions as a percentage of covered employee payroll	0.00% *	6.55%	7.29%	7.01%	5.43%	6.38%

*2020 information will be determined after fiscal year end and will be included in the 2021 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.

***2019 covered payroll is based on data collected as of March 31, 2019 for the 2019 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, 2019, 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, 2020.

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

Amounts reported for the fiscal year ending in 2020 and later reflect the following assumption changes based on an actuarial study conducted in November and December of 2019:

The mortality tables for all participants, healthy retirees and beneficiaries, disabled and active were changed from previous tables.

Future mortality improvement, which was previously not explicitly projected, is based on projecting generationally.

Prior retirement assumption was based on the Plan's normal retirement eligibility. The new assumption relates to when a given participant is eligible for normal retirement and retirement rates do not apply if a participant is not eligible for either early or normal retirement.

The turnover rate was changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.

The disability rates were changed to 50% of the rates in the prior age-based rates.

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

The salary increase assumption was changed from service-based salary scale starting at 8.25% and an ultimate rate of 3.25% to a service-based scale starting at 8.50 and an ultimate rate of 3%.

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

CITY OF BLUE RIDGE, GEORGIA
SUPPLEMENTARY INFORMATION

City of Blue Ridge, Georgia
Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Confiscated Assets	ARPA	
Assets			
Cash and cash equivalents	\$ 3,087	\$ 144,301	\$ 147,388
Total Assets	\$ 3,087	\$ 144,301	\$ 147,388
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Interfund payable	\$ 101	\$ 21	\$ 122
Unearned revenue	-	144,280	144,280
Total Liabilities	101	144,301	144,402
Fund Balances			
Restricted			
Program purposes			
Public safety	2,986	-	2,986
Total Fund Balances	2,986	-	2,986
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,087	\$ 144,301	\$ 147,388

City of Blue Ridge, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Confiscated Assets	ARPA	
Revenues			
Intergovernmental	\$ -	\$ 128,515	\$ 128,515
Total Revenues	<u>-</u>	<u>128,515</u>	<u>128,515</u>
Expenditures			
Current			
Public safety	1,478	-	1,478
Total Expenditures	<u>1,478</u>	<u>-</u>	<u>1,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,478)</u>	<u>128,515</u>	<u>127,037</u>
Other Financing Sources (Uses)			
Transfers out	-	(128,515)	(128,515)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(128,515)</u>	<u>(128,515)</u>
Net Change in Fund Balances	(1,478)	-	(1,478)
Fund Balances Beginning of Year	<u>4,464</u>	<u>-</u>	<u>4,464</u>
Fund Balances (Deficits) End of Year	<u>\$ 2,986</u>	<u>\$ -</u>	<u>\$ 2,986</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Confiscations	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Expenditures				
Current				
Public safety	<u>1,500</u>	<u>1,500</u>	<u>1,478</u>	<u>22</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(1,478)	<u>\$ (1,478)</u>
Fund Balances Beginning of Year			<u>4,464</u>	
Fund Balances End of Year			<u>\$ 2,986</u>	

City of Blue Ridge, Georgia
American Rescue Plan Act Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
For the year ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Intergovernmental	\$ -	\$ -	\$ 128,515	\$ 128,515
Expenditures				
Current	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	128,515	128,515
Other Financing Sources (Uses)				
Transfers out	-	-	(128,515)	(128,515)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balances Beginning of Year			-	
Fund Balances End of Year			<u>\$ -</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Intergovernmental	\$ 468,820	\$ 468,820	\$ 671,932	\$ 203,112
Investment earnings	500	500	859	359
Restitution	-	-	4,000	4,000
Total Revenues	<u>469,320</u>	<u>469,320</u>	<u>676,791</u>	<u>207,471</u>
Expenditures				
Public works	319,320	319,320	274,732	44,588
Capital Outlay				
Housing and Economic Development	-	-	45,500	(45,500)
Total Expenditures	<u>319,320</u>	<u>319,320</u>	<u>320,232</u>	<u>(912)</u>
Excess of Revenues Over Expenditures	150,000	150,000	356,559	208,383
Other Financing Sources (Uses)				
Transfers out	(150,000)	(150,000)	-	-
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	356,559	<u>\$ 208,383</u>
Fund Balances Beginning of Year			<u>782,316</u>	
Fund Balances End of Year			<u>\$ 1,138,875</u>	

City of Blue Ridge, Georgia
*Schedule for Projects Constructed with
Special Purpose Local Option Sales Tax
For the year ended December 31, 2021*

Project	Referendum Authorized Amount	Original Estimated Cost	Prior Years' Expenditures	Current Year Expenditures	Cumulative Total	Estimated Percentage of Completion
2017 SPLOST						
Maintenance, repair, and construction of roads, streets, bridges and sidewalks	\$ 1,470,000	\$ 1,470,000	\$ 1,199,750	\$ 320,232	\$ 1,519,982	103%
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>\$ 1,199,750</u>	<u>\$ 320,232</u>	<u>\$ 1,519,982</u>	

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

Note B: Current year expenditures include \$37,246 of Georgia Department of Transportation Local Maintenance and grant funds from the Georgia Department of Transportation, and \$4,000 of restitution. This inflow of resources of \$41,246 is included in expenditures in the SPLOST statements on page 12.

CITY OF BLUE RIDGE, GEORGIA
INTERNAL CONTROL AND COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining funds, and discretely presented component unit information of City of Blue Ridge, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Blue Ridge, Georgia's basic financial statements and have issued our report thereon dated December 22, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Blue Ridge, Georgia's internal control over financial reporting (internal control) as a basis for designing 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 City of Blue Ridge, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Blue Ridge, Georgia's internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses as item 2021-003 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-004.

City of Blue Ridge, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Blue Ridge, Georgia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Blue Ridge, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 PC CPA

East Ellijay, Georgia
December 22, 2022

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended December 31, 2021

MATERIAL WEAKNESS:

None noted.

SIGNIFICANT DEFICIENCIES:

2021-001 – Segregation of Duties

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of certain duties.

Condition/Context: During the course of our testing procedures, we noted several areas in which the segregation of duties could be improved. Ideally, the duties of cash handling and bookkeeping should be segregated in order to prevent those handling cash from having access to the accounting records. Also, the duties of posting detailed transactions to the general ledger system should be segregated from other functions, such as cash reconciliation, accounts receivable, accounts payable and/or purchasing.

Cause: The limited number of employees involved in these functions and the resulting overlapping of duties causes segregation of duties to be difficult.

Effect: Without segregation of duties within these functions, there is increased exposure that City assets could be intentionally or unintentionally misappropriated.

Recommendation: We recommend the City continue their efforts in the design of their internal controls in order to operate with effective segregation of duties. Having adequate segregation of duties will ensure the proper recording and recognition of accounting transactions and will lessen the potential for misappropriation of City assets.

Response: This is a reoccurring item. Due to the size of the City's administration, total segregation of duties is not practical at this time. The City will continue to realign job descriptions of those closely involved in financial reporting where possible, and management will continue to provide oversight as practical in order to mitigate risk of misappropriation of assets.

2021-002 – Material Adjustments and Maintenance of General Ledger

Criteria: The City is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Timely recording all transactions on a modified accrual basis is in accordance with GAAP and provides more meaningful financial information.

Condition/Context: Although the year-end financial statements are prepared on the appropriate modified accrual basis, the City did not maintain its general ledger on a modified cash basis throughout the year. The reconciliation of cash account activity on the general ledger to the bank statements was not performed monthly in the last quarter of the calendar year. Reconciliation of other transaction classes, such as accounts payable and accounts receivable, were not being prepared monthly.

Cause: Routine reconciliation of all subsidiary ledgers within the general ledger is not being performed. Entries to convert the financial information from cash to modified accrual are not prepared when closing the books at the end of the fiscal year.

Effect: Failure to properly account for and reconcile revenue, receivables, expenditures, payables, cash, and other general ledger transactions will distort financial information provided to management and the City Council and could result in financial decisions being made in consideration of incomplete and inaccurate data.

Recommendation: We recommend that general ledger account balances be reconciled on a timely and routine basis by the external consultant in addition to the bank reconciliation and cash receipt review. These practices will enable the City to prepare accurate interim financial reports for monthly reporting to Council and for ongoing decision-making purposes.

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended December 31, 2021

Response: The City agrees with this finding and will continue their efforts for accurate financial reporting in the future.

2021-003: Protection of confiscated assets

Criteria: It is the responsibility of the City to protect and safeguard assets from misplacement or the threat of theft.

Condition/Context: As is customary for the City, vehicles in the past have been confiscated through legal procedures and held by the City for potential resale at a later date. When staff inventoried such assets for sale in 2021, one vehicle could not be located.

Cause: Lack of controls related to physical custody of tangible assets created an opportunity and increased risk for property to be removed from the premises or misplaced.

Effect: While the revenue lost from the sale of the forfeited asset was likely immaterial based on sales of similar assets, the opportunity and increased risk of a similar event happening to a more valuable asset exists.

Recommendation: It is our recommendation that the City designate appropriate personnel to implement and execute internal controls for the protection and safeguarding of physical assets in all departments.

Response: Upon current management being notified of this issue in 2022, steps were taken to interview employees by public safety officials and a report from the police department was issued as a result. The City agrees with this finding and will analyze and implement internal controls to further protect assets in city custody.

Instances of Noncompliance with State Law:

2021-004: Budget Adoption

Criteria: OCGA 36-81-3(b) requires that an annual balanced budget be adopted for each special revenue fund.

Condition/Context: There were no budgeted appropriations for the special revenue fund in 2021.

Cause: The American Rescue Plan Act Fund did not have a legally adopted budget for 2021.

Effect: The omission of budgeted appropriations for this fund caused the City to be in violation of OCGA 36-81-3(b).

Recommendation: It is our recommendation that the City include a balanced budget for the General Fund and all special revenue funds. Project length budgets should also be adopted for all capital project funds.

Response: The City agrees with this finding and will adopt budgets for all funds in the future.