CITY OF BLUE RIDGE, GEORGIA

ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2010

CITY OF BLUE RIDGE, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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PRINCIPAL OFFICERS

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

MAYOR – Donna Whitener

COUNCIL MEMBERS:

Wayne Huffman
Rhonda Thomas
Rodney Kendall
Michael Eaton
Harold Herndon

OFFICE PERSONNEL:

City Administrator – Bill Sowers
Deputy Clerk - Faye Stepp

E. RENE BIDEZ
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1179 • COPPERHILL, TN 37317 • (706) 964-9000
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the City Council
City of Blue Ridge, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Blue Ridge, Georgia, as of and for the year ended December 31, 2010 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Blue Ridge, Georgia, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City of Blue Ridge, Georgia, as of December 31, 2010, and the respective changes in financial position and cash flows and budgetary comparison, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of Special Local Option Sales Tax is presented for purposes of additional analysis as required by the official code of Georgia section 48-8-121 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Accounting principles generally accepted in the United States of America require that the managment's discussion and analysis and budgetary comparison information on pages 2 through 6 and 32 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of managment about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2011 on our consideration of the City of Blue Ridge, Georgia's internal control over financial reporting and on its compliance with laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

E. Rene Bidez

May 23, 2011
McCaysville, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Blue Ridge, Georgia (City) basic financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government Unless otherwise noted, component units, related organizations, and joint ventures reported seperately from the primary government are not included.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The City has two kinds of funds:

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

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

Budgetary comparison statements are included in the basic required supplementary information for the general fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budgets.

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

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

The City as a Whole

Condensed Statement of Net Assets

Table 1 below presents the City's condensed Statement of Net Assets as of December 31, 2010 and 2009.

Table 1: Condensed Statement of Net Assets

	Governmental Activities			Business-type Activities		
	2009	2010	Change	2009	2010	Change
Assets						
Current and other assets	$1,200,754	$1,291,011	$90,257	$943,177	$1,206,026	$262,849
Capital assets	2,577,361	2,563,599	(13,762)	8,686,685	10,260,896	1,574,211
Total Assets	3,778,115	3,854,610	76,495	9,629,862	11,466,922	1,837,060
Liabilities						
Other liabilities	437,335	513,378	76,043	389,489	367,861	(21,628)
Long-term liabilities	-	14,940	14,940	3,619,093	5,452,048	1,832,955
Total Liabilities	437,335	528,318	90,983	4,008,582	5,819,909	1,811,327
Net Assets						
Invested in capital assets, net of related debt	2,577,361	2,563,589	(13,772)	5,047,456	4,808,848	(238,608)
Restricted	-	-	-	84,872	217,501	132,629
Unrestricted	763,419	762,703	(718)	488,952	620,664	131,712

Total Net Assets	3,340,780	3,326,292	(14,490)	5,621,280	5,647,013	25,733
Total Liab. and Net Assets	3,778,115	3,854,610	76,495	9,629,862	11,466,922	(1,837,060)

The largest component of the City's net assets is its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and other), less any related debt outstanding that was needed to acquire or construct the assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net assets are not available for future spending. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion of net assets is unrestricted, which can be used to finance government operations.

Condensed Statement of Activites

Table 2 below presents the City's condensed Statement of Activities for the years ended December 31, 2009 and 2010. Over time, increases and decreases in net assets measure whether the City's financial position is improving or deteriorating.

Table 2: Condensed Statement of Activities

	Governmental Activities 2010	Governmental Activities 2009	Changes
Revenues:			
Program Revenues:			
Charges for services	$628,528	$592,922	$35,606
Capital grants & contributions	288,689	521,293	(232,604)
Operating grants & contribuitions	-	-	-
General Revenues:			
Property taxes	490,956	404,550	86,406
Sales taxes	374,849	417,121	(42,272)
Other reveunues and taxes	528,547	561,815	(33,268)
Total reveunues	2,311,569	2,497,701	(186,132)
Expenses:			
General government	440,785	488,452	(47,667)
Public safety	724,793	716,112	8,681
Streets	567,239	401,095	166,144
Parks	236,148	191,926	44,222
Sanitation	293,559	318,186	(24,627)
Tourism	49,517	18,409	31,108
Farmers Market	12,640	6,378	6,262
Depot	1,376	1,375	1
Total Expenses	2,326,057	2,141,933	184,124
Change in net assets	(14,488)	355,768	370,256
Beginning net assets	3,340,780	2,985,012	(355,768)
Ending net assets	3,326,292	3,340,781	(14,488)

	Business Activities 2010	Business Activities 2009	Changes
Business-type actual Revenue:			
Program Revenues:			
Charges for services	2,109,699	1,811,494	298,205
Grants	-	467,000	(467,000)
Investment income	3,442	4,230	(788)
Other income	-	-	-
Total Revenue	2,113,141	2,282,724	(169,583)
Expense:			
Water and Sewer	2,087,408	1,831,714	(255,694)
Change in net assets	25,733	451,010	(425,277)
Beginning net assets	5,621,280	5,170,270	451,010
Ending net assets	5,647,013	5,621,280	25,733

During the year ending December 31, 2010, the net assets of the government activities decreased $14,488, while the business-type activities net assets increased $25,733.

Approximately 21% of the City's revenues came from property taxes and approximately 39% came from sales taxes and other revenues and taxes. 27% of the City's revenue was derived from charges for services. The City's expenses cover a range of services with 24% related to public works, 31% related to public safety, and 19% related to general government activities.

The City's business-type activities are made up of the water and sewer fund. As of the close of the year the City's business-type activities reported a fund balance of $5,647,013 with $620,664 reported as unreserved and the remaining $5,026,349 reserved for specific purposes.

Financial Analysis of the City's Funds

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

As of the close of the year, the City's governmental funds reported a combined ending fund balance of $3,326,292 with $762,703 reported as unreserved fund balance and the remaining amount of $2,563,589 reserved for specific purposes.

General Fund Budgetary Highlights

During 2010, the City adopted a budget of $2,220,488 in revenues and expenditures. The City did not revise this budget at any time during the year.

The actual operating revenues of the General Fund were less than budgeted amounts by $208,992. The major factors contributing to this decrease were that actual sales taxes received were $34,628 less than the budgeted amount of $400,000. In addition, beverage tax revenues were $275,791 compared to a budgeted amount of $350,000. The factors contributing to the decreae in revenues are mainly attributable to the current downturn in the economy.

The actual operating expenditures of the General Fund were less than budgeted amounts by $195,634. The primary cause for this was due to the fact that actual expenditures for capital improvements were $80,269 less than budgeted.

Capital Asset and Long-term Debt Activity

At December 31, 2010, the City reported $2,563,590 in capital assets for governmental activities and $10,260,896 in capital assets for the business-type activities. Major capital asset transactions during the year included the construction of water lines. Refer to Note 5 to the financial statements for additional information on capital assets.

At December 31, 2010, the City reported long-term debt of $14,940 for governmental activities and $5,452,048 for business-type activities. The debt includes water line and sewer improvements. Refer to Note 6 to the financial statments for additional information on long-term debt.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional infomration, contact:

City of Blue Ridge
Telephone: 706-632-2091

City of Blue Ridge, Georgia
Statement of Net Assets
December 31, 2010

	Primary Government Activities	Business Type Activities	Total
ASSETS			
Cash	$632,540	$801,410	$1,433,950
Receivables (net)			
Internal Balances	(162,867)	162,867	-
Taxes	473,794	-	473,794
Accounts	58,673	122,225	180,898
Due from other governments	58,548	-	58,548
Inventory	-	95,173	95,173
Prepaid expenditure	-	4,897	4,897
Land	76,065	1,383	77,448
Capital assets (net)	2,487,524	10,259,513	12,747,037
Other assets	-	19,454	19,454
Total Assets	3,624,277	11,466,922	15,091,199
LIABILITIES			
Accounts payable	42,641	71,878	114,519
Accrued expenses	17,922	10,459	28,381
Accrued interest payable	-	112,096	112,096
Customer deposits	-	173,428	173,428
Long term liabilities:			
Due within one year	3,367	862,044	865,411
Due in more than one year	11,573	4,590,004	4,601,577
Deferred Property Tax	208,437	-	208,437
Deferred Revenue	14,045	-	14,045
	297,985	5,819,909	6,117,894
NET ASSETS			
Invested in capital assets net of related debt	2,563,589	4,808,848	7,372,437
Restricted for:			
Debt Service	-	217,501	217,501
Unrestricted	762,703	620,664	1,383,367
	$3,326,292	$5,647,013	$8,973,305

The accompanying notes are an integral part of this statement

City of Blue Ridge, Georgia
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	440,785	74,336	-	-	(366,449)		(366,449)
Police	700,931	189,322	-	-	(511,609)		(511,609)
Fire	23,862	-	-	-	(23,862)		(23,862)
Streets	567,239	-	-	288,689	(278,550)		(278,550)
Parks	236,148	33,843	-	-	(202,305)		(202,305)
Sanitation	293,559	331,027	-	-	37,468		37,468
Depot	1,376	-	-	-	(1,376)		(1,376)
Farmers Market	12,640	-	-	-	(12,640)		(12,640)
Tourism	49,517	-	-	-	(49,517)		(49,517)
Total Governmental Activities	2,326,057	628,528	-	288,689	(1,408,840)		(1,408,840)
Business-Type Activities							
Water and Sewer	2,087,408	2,109,699		-		22,291	22,291
Total Business Type Activities	2,087,408	2,109,699	-	-	-	22,291	22,291
Total Primary Government	4,413,465	2,738,227	-	288,689	(1,408,840)	22,291	(1,386,549)
General Revenues							
Taxes:							
Property Tax for General Purposes					490,956		490,956
Sales Tax					374,849		374.849
Franchise Tax					77,198		77,198
Beverage Tax					275,791		275,791
Other Taxes					79,995		79,995
Interest					4,901	3,442	8,343
Miscellaneous					90,662	-	90,662
Total General Revenues					1,394,352	3,442	1,397,794
Change in Net Assets					(14,488)	25,733	11,245
Net Assets - Beginning					3,340,780	5,621,280	8,962,060
Net Assets - Ending					3,326,292	5,647,013	8,973,305

The accompanying notes to the financial statements are an integral part of this statement

City of Blue Ridge, Georgia
Balance Sheet
Governmental Funds
December 31, 2010

	General	Special Sales Tax	Hotel Motel Tax	Total Governmental Funds
Assets				
Cash	$392,308	$122,737	$117,495	$632,540
Receivables, net				
Taxes	422,439	51,355	-	473,794
Accounts	58,673	-	-	58,673
Due from other government	58,548	-	-	58,548
Due from other funds	67,466	-	-	67,466
Total Assets	999,434	174,092	117,495	1,291,021
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$34,684	$-	7,957	$42,641
Accrued expense	17,922	-	-	17,922
Deferred Property Tax	208,437		-	208,437
Deferred Revenue	14,045	-	-	14,045
Due to other Funds	162,867	-	67,466	230,333
Total Liabilities	437,955	-	75,423	513,378
Fund Balance				
Unreserved reported in				
General Fund	561,479	-	-	561,479
Capital Projects Fund	-	174,092	-	174,092
Special Revenues Fund	-	-	42,072	42,072
Total Fund Balance	561,479	174,092	42,072	777,643
Total Liabilities and Fund Balance	999,434	174,092	117,495	1,291,021

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BLUE RIDGE, GEORGIA
Reconciliation of Net Assets Governmental Funds in the Statement of Net Assets
To Total Fund Balance Governmental Funds on the Balance Sheet
For the Year Ended December 31, 2010

Fund Balance – Total Governmental Funds	$777,643
Amounts reported for governmental activities In the statement of net assets are different because:	
Capital assets used in governmental activities are Not financial resources and therefore are not reported In the funds	2,563,589
Long-term Liabilities are not due and payable in the current period and therefore are not reported in the fund	(14,940)
Net assets of governmental activities	$3,326,292

The accompanying notes are an integral part of this statement.

CITY OF BLUE RIDGE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
ALL GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

Revenues:	General	Special Sales Tax	Hotel Motel Tax	Total Governmental Funds
Taxes	$1,289,312	$-	$48,664	$1,337,976
Licenses and permits	74,336	-	-	74,336
Intergovernmental revenues	-	248,787	-	248,787
Charges for services	364,870	-	-	364,870
Fines and forfeits	189,322	-	-	189,322
Miscellaneous revenues	93,656	2,028	594	96,278
Total Revenues	2,011,496	250,815	49,258	2,311,569
Expenditures:				
Current:				
General government	386,336	-	-	386,336
Police department	667,485	-	-	667,485
Fire department	20,066	-	-	20,666
Street department	366,116	134,634	-	500,750
Park department	216,521	-	-	216,521
Sanitation department:	293,559		-	293,559
Depot	-	-	-	-
Farmers Market	12,640	-	-	12,640
Hotel / Motel	-	-	49,517	49,517
Capital outlays - General	37,113	-	-	37,113
Police Department	24,418	-	-	24,418
Park Department	-	-	44,410	44,410
Street Department	-	58,870	-	58,870
Debt service				
General government	-	-	-	-
Police department	-	-	-	-
Park department-Principal	-	-	-	-
Park department-Interest	-	-	-	-
Total Expenditures	2,024,854	193,504	93,927	2,312,285
Change in Fund Balance before	(13,358)	57,311	(44,669)	(716)
Other Financing Sources				
Loan Proceeds	14,940	-	-	14,940
Net Change in Fund Balance	1,582	57,311	(44,669)	14,224
Fund Balances - Beginning	559,897	116,781	86,741	763,419
Fund Balances - Ending	$561,479	174,092	42,072	777,643

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The accompanying notes are an integral part of this statement

CITY OF BLUE RIDGE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Net change in fund balances – Total Governmental Funds	14,224
Amount reported for governmental activities in the statement of activities are different because:	
Capital outlays reported as expenditure in governmental Funds are shown as capital assets in the Statement Of net assets as follows:	
Capital outlay	164,811
Depreciation expenses on governmental capital assets Are included in the governmental activities column In the statement of net assets, but are not shown in The governmental funds	(178,583)
The cost basis (cost minus accumulated depreciation) on sale of city property reduces the gain on sale of properties	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(14,940)
Change in net assets of governmental activities	($14,488)

The accompanying notes are an integral part of this statement.

CITY OF BLUE RIDGE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2010

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	$1,441,688	$1,289,312	($152,376)
Licenses and permits	63,200	74,336	11,136
Intergovernmental revenues	-	-	-
Charges for services	439,200	364,870	(74,330)
Fines and forfeits	186,000	189,322	3,322
Miscellaneous revenues	90,400	93,656	3,256
Total Revenues	2,220,488	2,011,496	(208,992)
Expenditures:			
Current:			
General government	465,073	386,336	78,737
Police department	656,315	667,485	(11,170)
Fire department	37,500	20,666	16,834
Street department	360,000	366,116	(6,116)
Sanitation	386,700	293,559	93,141
Parks	159,600	216,521	(56,921)
Depot	-	-	-
Farmers Market	13,500	12,640	860
Capital outlay - General	-	37,113	(37,113)
Police Department	25,000	24,418	582
Park department		-	-
Fire Department	-	-	-
Street	116,800	-	116,800
Debt Service:			
General government	-	-	-
Police department	-	-	-
Park department	-	-	-
Street department	-	-	-
Total Expenditures	2,220,488	2,024,854	195,634
Excess of Revenues over (under) Expenditures before other Financing Sources	-	(13,358)	(13,358)
Loan Proceeds	-	14,940	14,940
Net Change in Fund Balance		1,582	1,582
Fund Balances - Beginning	559,897	559,897	-
Fund Balances - Ending	559,897	561,479	1,582

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The accompanying notes are an integral part of this statement

CITY OF BLUE RIDGE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2010

ASSETS

Current Assets:	
Cash on deposit and on hand	$583,909
Accounts receivable – Customer (Less allowance for doubtful accounts – $111,467 in 2010	122,225
Inventory of supplies – at cost	95,173
Prepaid insurance	4,897
Due From General Fund	162,867
	969,071
Restricted Assets: (Note 4)	
Reserve Account:	91,559
Water Project Loan Reserve	125,942
Total Restricted Assets	217,501
Total Current Assets	1,186,572
Noncurrent Assets	
Property, Plant and Equipment:	
Land	1,383
Buildings, Plant and Pipelines	
Other equipment	14,094,746
	14,096,129
Less accumulated depreciation	3,835,233
Total Property, Plant And Equipment in Service	10,260,896
Other Assets:	
Unamortized bond expense (Note 7)	19,454
Total Noncurrent Assets	10,280,350
Total Assets	11,466,922

The accompanying notes are an integral part of this statement

CITY OF BLUE RIDGE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2010

LIABILITIES AND NET ASSETS

Current Liabilities, Payable from Current Assets:	
Accounts payable	$71,878
Accrued expenses	10,459
Accrued Loan Interest	109,000
Notes Payable (Note 6) (Current Portion)	842,982
Total Current Liabilities, Payable from Current Assets	1,034,319
Current Liabilities, Payable from Restricted Assets:	
Accrued revenue bond interest payable	3,096
Revenue bonds payable	19,062
Total Current Liabilities, Payable from Restricted Assets	22,158
Noncurrent Liabilities:	
Notes payable	4,484,019
Customer deposits	173,428
Revenue bonds payable	966,533
General Obligation Bonds	1,496
	5,625,476
Less current portion above	862,044
Total Noncurrent Liabilities	4,763,432
Total Liabilities	5,819,909
Net Assets	
Invested in capital assets net of related debt	4,808,848
Restricted for debt service	217,501
Unrestricted	620,664
Total Net Assets	5,647,013
Total Liabilities and Net Assets	11,466,922

The accompanying notes are an integral part of this statement.

CITY OF BLUE RIDGE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED DECEMBER 31, 2010

	Water & Sewer
Operating Revenues:	
Water revenues	$1,530,707
Sewerage revenues	503,797
Service charges	15,215
Sale of materials and supplies	1,082
Tap Fees	12,493
Penalties	46,405
Total Operating Revenues	2,109,699
Operating Expenses:	
Water Department	996,323
Sewer Department	558,441
Total Operating Expenses	1,554,764
Operating Income before Amortization and Depreciation	554,935
Less: Amortization	683
Depreciation	355,786
Operating Income (loss)	198,466
Non-Operating Revenues (Expenses):	
Interest income	3,442
Miscellaneous income	-
Interest on revenue bonds	(44,031)
Interest on loan	(132,144)
Total Non-Operating Revenues (Expenses)	(172,733)
Change in Net Assets	25,733
Total Net Assets – Beginning	5,621,280
Total Net Assets – Ending	5,647,013

The accompanying notes are an integral part of this statement.

CITY OF BLUE RIDGE, GEORGIA
WATER AND SEWERAGE FUND
STATEMENT OF OPERATING EXPENSES
For Fiscal Year Ended December 31, 2010

Water Department:	
Water Plant Salaries	$408,760
Payroll taxes	31,624
Employee benefits	118,165
Operating Supplies	55,547
Gasoline and Oil	27,195
Repairs & Maintenance truck	2,972
Repairs & Maintenance plant and equipment	29,044
Repairs & Maintenance building and grounds	4,915
Repairs & Maintenance water lines	82,027
Insurance and bonds	24,189
Telephone	5,549
Postage and printing	11,676
Office supplies and expense	3,405
Professional fees-Legal, audit & engineering	48,398
Contract services	2,072
Utilities	99,526
Schools, travel and training	8,389
Dues	3,514
Miscellaneous	4,436
Advertising	1,842
Computer Expense	2,885
Uniforms	3,847
Water Testing	7,294
Ga. Corrections	9,052
Bank Charges	-
	996,323

The accompanying notes are an integral part of this statement.

CITY OF BLUE RIDGE, GEORGIA
WATER AND SEWERAGE FUND
STATEMENT OF OPERATING EXPENSES
For Fiscal Year Ended December 31, 2010

Sewerage Department:	
Sewerage Plant Salaries	$118,095
Payroll taxes	9,176
Employee benefits	63,496
Operating Supplies	57,310
Repairs & Maintenance plant and equipment	64,918
Repairs & Maintenance building and grounds	1,330
Repairs & Maintenance sewer lines	30,023
Telephone	808
Postage and printing	9,880
Professional fees-Legal, audit & engineering	1,972
Contract services	40
Utilities	137,003
Schools, travel and training	590
Insurance and bonds	12,395
Gasoline and oil	3,581
GA Corrections	9,052
Sludge disposal	22,500
Miscellaneous	595
Uniforms	3,563
Computer Expenses	2,939
Sewer Pumping	9,175
	558,441

The accompanying notes are an integral part of this statement.

CITY OF BLUE RIDGE, GEORGIA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

Cash Flows From Operating Activities	
Cash received from customers	$2,115,572
Cash paid to suppliers	(1,235,971)
Cash paid to employees	(526,855)
Net cash provided (used) by operating activities	352,746
Cash Flows From Capital and Related Financing Activities	
Purchases/construction of properties, plant equipment	(1,987,245)
Principal payments on debt	(103,009)
Interest paid	(121,276)
Loan Proceeds	1,935,964
Sale of Asset	37,113
Net cash provided (used) by capital and related financing activities	(238,393)
Cash Flows from Investing Activities	
Interest income	3,442
Increase (decrease) in cash	117,795
Cash and cash equivalents beginning of year	683,615
Cash and cash equivalents end of year	801,410
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	198,466
Adjustments:	
Depreciation	356,469
Changes in assets and liabilities	
Decrease (increase in: Receivables	(1,253)
Inventory	(30,441)
Prepaids	3,800
Increase (decrease) in: Accounts payable/accrued expense	(83,715)
Deposits	7,126
Due To Other Funds	(97,706)
Net cash provided by operating activities	352,746

The accompanying notes are an integral part of this statement.

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. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Government-wide and Fund Financial Statements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34. This Statement 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 takes 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 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 assets and the statement of changes in net assets) 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.

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 Assets and a Statement of Activities and Changes in Net Assets. 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 Assets.

The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets 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 and Permanent funds 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 Sheets. 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, 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. Fines are not susceptible to accrual because generally they are not measurable until received in cash. The city considers taxes as available in the period for which they were levied if they are collected within 60 days of year end. A ninety (90) day availability period is used for revenue recognition for all other 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 hotel/motel tax for tourism related expenditures.

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:

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

E. Budgets

The budgetary data reflected in the financial statements are established and adopted by the City Council and Mayor and any change to original budgeted items must be approved by the Council. Detail of budgeted items extends to individual revenue and expenditure accounts.

Budgets have been legally adopted for the General Fund, Special Revenue Fund and the Water and Sewer Fund. Budgets for the General Fund , Special Revenue Fund and Water and Sewer Fund 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. Property Taxes and Other Receivables

Collection of current year property tax by the City Clerk is not completed until the succeeding year. Consequently, current year property taxes receivable are only measurable based on actual collections within sixty days of the fiscal year end. Those current and prior year property taxes which are collected within sixty days of fiscal year end are susceptible to accrual and therefore are accrued and reflected in revenue. In prior years the accrual was based on a 30 day collection period. The City determined that 60 days more clearly reflects the collection cycle and made the change in the current year. It is not practicable to measure delinquent taxes at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole. No allowance is made for uncollectible taxes since accruals are based on actual collections, and any collections of taxes previously not accrued are reflected as revenues when collected.

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 increase in the amount of receivables considered uncollectible is included in the financial statements in net revenue. The balance in the allowance for uncollectible accounts at December 31, 2010 is $111,467.

G. Inventories

Inventories in the Water and Sewer Fund are stated at cost. The City used 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 $250,000 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. Donations of roads by developers did not exceed the capitalization threshold for infrastructure assets during the current year. 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.

	Useful Life
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

Employee benefits such as vacation leave and sick leave are expensed as incurred with no liability for unused leave accrued at year end. The amounts are not considered material.

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 deferred charges and amortized over the terms of the related debt.

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 of Blue Ridge because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

L. Prepaids

Expenditures relating to prepaids are recognized when purchased or payment is due.

M. Cash and Cash Equivalents

Cash and Cash Equivalents for balance sheet purposes consist of demand deposits and certificates of deposits with original maturities of three months or less.

N. Operating and Non-operating Income

The city defines non-operating income as interest, rents and other investment type revenue. All other revenues that are primarily customer related are considered operating revenue. Non-operating expenses include interest. All other expenses are considered operating expenses.

O. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

P. Investments

The city limits their investments to certificates of Deposit thru local financial institutions.

2. Accounts Receivable

The allowance for uncollectible accounts receivable in the Water and Sewer Fund is computed as 1% of the current receivable balance and 100% of the seriously delinquent balances. The total allowance for 2010 is $111,467.

3. Cash on Deposit – General Fund

Cash on deposit – as presented on the General Fund Balance Sheet, is classified in the following manner:

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 institutions 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, 2010 all the City's deposits were category one deposits. The bank balance of all deposits was $1,520,102 and the carrying amount was $1,433,950.

All deposits were covered by FDIC Insurance. In addition deposits exceeding FDIC limits were secured thru a local government investment pool. "Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAA rated money market funds. However, the State of Georgia Office of Treasury operates Georgia Fund 1 in manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1.00 per share.

4. Restricted Assets and Sinking Fund Requirements

Assets totaling $91,559 in the Water and Sewerage System Fund are restricted in 2010, for a sinking fund related to Rural Development bonds. Assets totaling $125,942 were restricted as a loan reserve for a water expansion project.

5. Capital Assets – Governmental Activities

Changes in Capital Assets for governmental activities by major classes for 2010 are as follows:

	Balance Dec. 31, 2009	Additions	Retirements	Balance Dec. 31, 2010
Governmental Activities				
Non Depreciable Assets:				
Land	$76,065	$ -	$ -	$76,065
Depreciable Assets:				
Building improvements	1,172,678	35,285	-	1,207,963
Machinery and equipment	1,106,198	80,656	-	1,186,854
City Park & Improvements	466,248	-	-	466,248
Infrastructure	1,065,785	48,870	-	1,114,655
Total Depreciable Assets	3,810,909	164,811	-	3,975,720
Less Accumulated Deprecation for:				
Building	(154,810)	(38,439)	-	(193,249)
Equipment	(767,859)	(97,861)	-	(865,720)
City Park & Improvements	(351,695)	(14,961)	-	(366,656)
Infrastructure	(35,249)	(27,322)	-	(62,571)
Total Accumulated Deprecation	(1,309,613)	(178,583)	-	(1,488,196)
Capital Assets, net	2,577,361	(13,772)	-	2,563,589
Business Type Activities				
Non Depreciable Assets:				
Land	$1,383	$ -	$ -	$1,383
Depreciable Assets:				
Utility Plant & Pipelines	11,585,483	1,859,700	-	13,445,183
Other Equipment	559,131	127,545	37,113	649,563
Total Depreciable Assets	12,144,614	1,987,245	37,113	14,094,746
Less Accumulated Deprecation for:				
Utility Plant	(3,127,048)	(302,677)	-	(3,429,725)
Equipment	(352,400)	(53,111)	-	(405,511)
Total Accumulated Deprecation	(3,479,448)	(355,788)	-	(3,835,236)
Capital Assets, net	8,666,549	1,631,457	37,113	10,260,893

Depreciation was charged to functions / programs of the primary government as follows:

Depot	$1,376
General Government	54,449
Police	33,446
Streets	66,489
Park	19,627
Fire	3,196
Total governmental activities depreciation expense	178,583

6. Debt Service Requirements to Maturity

Bonds payable at December 31, 2010 are comprised of the following individual issues:
Revenue Bonds:
$1,150,250 November 5, 1997 Water and Sewerage Bonds with monthly payments totaling $62,136 per year through July 1, 2037 including interest at 4.5% payable to Rural Development for the construction of the sewer plant.
Debt Service requirements to maturity are as follows:

		1997 Issue	
	Principal	Interest	Total
2011	19,062	43,074	62,136
2012	19,937	42,198	62,135
2013	20,854	41,282	62,136
2014	21,811	40,325	62,136
2015	22,814	39,322	62,136
2016-2020	130,785	179,895	310,680
2021-2025	163,717	146,963	310,680
2026-2030	204,940	105,740	310,680
2031-2035	256,543	54,137	310,680
2036-2037	106,070	4,445	110,515
	966,533	697,381	1,663,914

Notes Payable and Long-Term Leases

Notes Payable and Long Term Leases consisted of the following:

	Water and Sewer Fund		
Due To	Amount	Maturity	Secured By
GMAC	$21,000	1-20-2020	Unsecured

Debt service requirements to maturity are as follows for the GMAC Note Payable: Interest Rate 5%, original amount $39,000 for water line extension

	Principal	Interest	Total
2011	1,886	1,214	3,100
2012	1,980	1,120	3,100
2013	2,079	1,021	3,100
2014	2,183	917	3,100
2015	2,292	808	3,100
2016-2020	10,580	2,202	12,782
	21,000	7,282	28,282

Due To	Amount	Maturity	Secured By
Alliant Bank	$22,813	3-1-2012	Equipment

Debit service requirements to maturity are as follows. Interest rate is 7.691%, original amount $69, 419 for purchase of equipment.

	Principal	Interest	Total
2011	18,074	1,126	19,200
2012	4,739	61	4,800
	22,813	1,187	24,000

Due To	Amount	Maturity	Secured By
Old National Bank	$658,150	3-10-2018	Equipment

Debt service requirements to maturity are as follows: Interest Rate 4.55%, original amount $788,880 for lines and system additions.

	Principal	Interest	Total
2011	69,911	29,159	99,070
2012	73,128	25,942	99,070
2013	76,493	22,577	99,070
2014	80,013	19,057	99,070
2015	83,695	15,375	99,070
2016-2018	274,910	22,380	297,298
	658,150	134,490	792,640

Due To	Amount	Maturity	Secured By
Ford Motor Credit	$131,800	1-11-2014	Vehicle

This loan is comprised of $98,879 for the water and sewer fund to purchase trucks and of $14,940 for the General Fund to purchase a police car. Interest rate at 6.20%.

	Water Sewer Fund			General Fund		
	Principal	Interest	Total	Principal	Interest	Total
2011	22,536	6,131	28,667	3,367	916	4,283
2012	23,933	4,734	28,667	3,576	707	4,283
2013	25,417	3,249	28,666	3,798	486	4,284
2014	26,993	1,674	28,667	4,199	250	4,449
	98,879	15,788	114,667	14,940	2,359	17,299

Georgia Environmental Facility $1,225,311 at 4.1% and $1,727,292 at 3.81% to be repaid over 20 years commencing upon project completion of capital improvements.

United Community Bank $730,575 loan at 2.6% maturity 12-11-2011.

Changes in Long- term Liabilities:

	Beginning Balance	Addition	Reduction	Ending Balance	Due Within One Year
Governmental activities					
Notes Payable	-	14,940	-	14,940	3,367
Business Type activities					
Revenue Bonds	983,964	-	17,431	966,533	19,062
Notes Payable	2,633,633	1,935,964	85,578	4,484,019	842,982
General Obligation Bond	1,496	-	-	1,496	-
	3,619,093	1,935,964	103,009	5,452,048	862,044

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

7. Water and Sewer Fund Other Assets

Other assets consist of deferred bond issue costs and certain premiums and interest paid to holders of bonds of the 1973 and 1997 issues. These costs and premiums are being amortized over the life of the bonds. Amortization for 2010 amounted to $683. A total of $8,245.71 was

paid to the holders of the 1973 issues and $12,491.78 was incurred as legal and other issued costs for that issue. A total of $27,330 was incurred as legal cost on the 1997 issue.

8. Budget Controls

Budgetary controls are established by the Mayor and council through the adoption of annual budgets, with detail of budget items extending to individual revenue and expenditure/expense accounts. During fiscal year 2010 some expenditures/expenses exceeded appropriated amounts as shown in the individual fund financial statements. In the General Fund the City's police department exceeded their budget by $11,170, the park department by $56,921 and the General Government exceeded their capital budgets by ($37,113). The City intends to monitor future revenues and expenditures compared to budget and adjust as necessary.

9. Property Taxes

The city of Blue Ridge's property tax calendar is as follows:

Lien date	January 1, 2010
Levy date	November 27, 2011
Due date	January 17, 2011
Delinquent date	February 1, 2011

Interest at nine per cent annually is added on the delinquent date, and fifa's are issued for the uncollected taxes. The total current levy at 12-31-10 was $448,872.

10. Pension Plans

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

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

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

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

The Plan is subject to the minimum funding standards of the Public Retirement System Standards Law (Georgia Code Section 47-20-10). According to the latest actuarial valuation, July 1, 2010, the estimated minimum annual contribution under these funding standards is $88,804.

According to the annual plan valuation dated July 1, 2010, the recommended contribution to the plan for 2010 is $88,804 ($0 employee and $88,804 employer; 0% employee and 9.47% employer of covered payroll respectively). Covered payroll for 2010 is $922,108.

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

Three-Year Trend Information

Fiscal Year Ending	Employer Annual Pension Cost (AFC)	Percentage of APC Contributed	Net (EQY) Pension Obligation
2010	$88,804	100.0%	$0
2009	80,977	100.0%	0
2008	80,026	100.0%	0

Schedule of Funding Progress

Actuarial Valuation For Plan Year Beginning Sept. 1	(1) Actuarial Value of Assets	(2) Actuarial Liability	(3) Unfunded Acturial Accrued Liability (excess) (2) – (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Unfunded Acturaial Accrued Liability as % of covered Payroll (3)/(5)
2010	683,871	976,280	292,409	70.0%	922,108	31.71%
2009	615,227	885,287	270,060	69.49%	795,184	33.96%
2008	533,456	796,127	262,671	67.01%	897,125	29.28%

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

Rate of return on investment 7.75% per year

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

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

Actuarial assumptions are the same as those used in the preceding year. The following change in plan features since the last valuation became effective September 1, 2001; normal retirement was changed to include retirement at age 55 with 25 years of service.

As of July 1, 2010, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	7
Number of terminated employees entitled to benefits, but not yet receiving them	1
Number of Active Plan Participants	
Vested	13
Nonvested	14
Total	35

11. Sanitation Contract

The City has entered into an agreement whereby a private contractor is responsible for the collection and removal of garbage from City customer's premises. Collection and billing functions are preformed by the City which retains 12% of collections as compensation.

12. Commitments and Contingencies

In the opinion of the City Attorneys, 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 nor liabilities considered material.

13. Risk Management

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage being required to pay and claim of loss. The city is also to allow investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protest the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against member in the member governments' contracts and in accordance with the workers' compensation laws of

Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

14. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in the North Georgia area, is a member of the North Georgia Regional Development Center(RDC) and is required to pay annual dues thereto. During its year ended December 31, 2010 The City paid $985 in such dues. Membership in an RDS is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDS Board 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 an RDS Separate financial statements may be obtained from:

North Georgia Regional Development Center
503 W. Waugh Street
Dalton, GA 30720

15. 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, Georgia 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.

16. Hotel/Motel Tax

Hotel Tax Collections	$48,664
Hotel Tax Expenditures	$93,927
Percentage Expended	100%

17. Interfund Balances

Payables and receivables between funds result from day to day expenditures being paid from a central source and these balances are periodically reconciled.

	Due From	
Due To:	Hotel / Motel	General Fund
General Fund	$67,466	
Water Sewer Fund		$162,867

CITY OF BLUE RIDGE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON AND SCHEDULE - GENERAL FUND
For Fiscal Year Ended December 31, 2010

Revenues:	Original and Final Budgeted Amount	Actual	Variance – with Final Budget Positive (Negative)
Taxes:			
Ad valorem taxes	525,588	490,956	(34,632)
Vehicle and mobile home taxes	13,100	10,372	(2,728)
Lodging Tax	-	-	-
Local option sales tax	400,000	365,372	(34,628)
Real estate transfer	2,000	1,461	(539)
Utilities franchise	80,000	77,198	(2,802)
Malt beverage & wine	350,000	275,791	(74,209)
Penalties and interest	6,000	-	(6,000)
Insurance premium tax	65,000	65,136	136
Intangible Tax	-	3,026	3,026
	1,441,688	1,289,312	(152,376)
Licenses and Permits:			
Business Licenses	30,000	50,766	20,766
Beverage licenses	25,200	22,205	(2,995)
Building permits	8,000	1,365	(6,635)
	63,200	74,336	11,136
Intergovernmental Revenue:			
Dpt of Ntl Resources	-	-	-
State of Georgia - Department of		-	-
Community Affairs		-	-
Law Enforcement Block Grant	-	-	-
State Dept of Transp.	-	-	-
	-	-	-

CITY OF BLUE RIDGE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON AND SCHEDULE - GENERAL FUND
For Fiscal Year Ended December 31, 2010

Revenues:	Original and Final Budgeted Amount	Actual	Variance – with Final Budget Positive (Negative)
Charges for Services:			
Sanitation fees	403,200	331,027	(72,173)
Park revenue	36,000	33,843	(2,157)
	439,200	364,870	(74,330)
Probation Fees	-	-	-
Fines and forfeitures	186,000	189,322	3,322
	186,000	189,322	3,322
Miscellaneous:			
Interest income	4,000	4,307	307
Gas Leak Reimbursement	-	8,141	8,141
Accident reports	1,000	1,510	510
Administration Fees	4,000	-	(4,000)
Rental of City property	74,800	64,301	(10,499)
Sale of City property	-	-	-
Other	5,600	15,112	9,512
Donations	-	-	-
Registration Fees	-	-	-
Vending Machine	1,000	285	(715)
	90,400	93,656	3,256
Total Revenues	2,220,488	2,011,496	(208,992)

CITY OF BLUE RIDGE, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
For Fiscal Year Ended December 31, 2010

Current:	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (negative)
General Government:			
Salaries	236,468	179,390	57,078
Payroll taxes	18,090	13,989	4,101
Employee Benefits	33,500	30,376	3,124
Cleaning supplies	4,000	1,176	2,824
Printing, postage & office supplies	10,000	16,133	(6,133)
Repairs & maintenance	5,000	7,659	(2,659)
Office supplies	-	-	-
Repairs & maintenance City Hall	1,000	6,955	(5,955)
Utilities & telephone	31,000	24,566	6,434
Election expenditure	-	712	(712)
Professional fees – legal accounting & engineers	57,500	49,115	8,385
Dues & subscriptions	16,000	2,964	13,036
Insurance	15,200	19,512	(4,312)
Training	2,000	1,223	777
Materials & supplies	10,000	9,769	231
Computer expenditure	2,000	8,199	(6,199)
Contracted services	1,000	500	500
Travel	1,000	1,117	(117)
Advertising	2,000	2,698	(698)
Cleaning	12,315	-	12,315
Bank Charges	1,000	304	696
Gas, oil & auto supplies	1,000	1,341	(341)
Donations	4,000	3,100	900
Miscellaneous	1,000	5,538	(4,538)
	465,073	386,336	78,737
Police Department:			
Salaries	379,624	367,794	11,830
Payroll taxes	29,041	28,558	483
Employee Benefits	78,499	97,154	(18,655)
Dues	2,500	1,550	950
Telephone & utilities	16,000	17,720	(1,720)
Gasoline & oil	20,000	32,405	(12,405)
City Judge	3,600	3,600	0

CITY OF BLUE RIDGE, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
For Fiscal Year Ended December 31, 2010

	Original and Final Budget Amounts	Actual	Variance with Final Budget Positive (Negative)
Police Department (concluded)			
Automobile repairs & Maintenance	8,000	8,032	(32)
Maintenance - building & grounds	2,000	540	1,460
Contracted services	5,000	-	5,000
Uniforms	5,000	3,399	1,601
Prisoner expenditures	7,000	8,410	(1,410)
Office supplies	7,000	9,647	(2,647)
Materials & supplies	6,000	10,447	(4,447)
Peace officer's A&B Fund	35,000	41,117	(6,117)
Training	2,000	1,559	441
Travel	-	763	(763)
Equipment maintenance	10,000	3,398	6,602
Insurance	37,551	26,793	10,758
Advertising	-	-	-
Legal & Accounting	1,500	1,972	(472)
Miscellaneous	1,000	2,627	(1,627)
	656,315	667,485	(11,170)
Fire Department:			
Salaries	-	-	-
Equipment maintenance	5,000	-	5,000
Truck repairs & maintenance	5,000	-	5,000
Insurance	9,000	7,346	1,654
Interest	-	-	-
Materials & supplies	2,000	510	1,490
Gasoline & oil	1,500	-	1,500
Support payment	-	-	-
Professional Fees	-	-	-
Miscellaneous	-	-	-
Fire Calls	15,000	12,810	2,190
	37,500	20,666	16,834

CITY OF BLUE RIDGE, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
For Fiscal Year Ended December 31, 2010

	Original and Final Budget Amounts	Actual	Variance with Final Budget Positive (Negative)
Sanitation Department:			
Payments to subcontractor	360,000	293,559	66,441
Collection fees	-	-	-
	360,000	293,559	66,441
Street Department:			
Salaries	103,235	94,997	8,238
Payroll taxes	7,898	7,317	581
Employee Benefits	54,500	59,604	(5,104)
Operating supplies	60,149	72,773	(12,624)
Gasoline & oil	8,000	13,016	(5,016)
Repairs & maintenance building grounds	5,000	6,858	(1,858)
Repairs & maintenance trucks	2,000	3,969	(1,969)
Repairs & maintenance equipment	5,000	4,139	861
Contracted services	1,000	-	1,000
Professional fees	11,500	15,136	(3,636)
Street lighting & traffic control	55,000	46,171	8,829
Insurance	30,500	25,956	4,544
GA Corrections	37,000	9,052	27,948
Miscellaneous	1,500	5,036	(3,536)
Medical payments for employees	1,418	311	1,107
Uniforms	3,000	1,781	1,219
	386,700	366,116	20,584
Parks & Recreation Dept.			
Salaries	40,000	44,492	(4,492)
Payroll taxes	3,100	3,441	(341)
Interest	-	-	-
Employee Benefits	10,000	25,884	(15,884)

CITY OF BLUE RIDGE, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
For Fiscal Year Ended December 31, 2010

	Original and Final Budget Amounts	Actual	Variance with Final Budget Positive (Negative)
Parks & Recreation Dept. (Concluded):			
Repairs & maintenance	37,000	51,388	(14,388)
Chemicals & supplies	16,000	18,780	(2,780)
Telephone & utilities	26,000	36,990	(10,990)
Concessions	5,500	4,776	724
Contracted labor	1,000	9,052	(8,052)
Insurance	11,000	12,525	(1,525)
Miscellaneous	2,500	1,288	1,212
Gasoline & oil	5,000	5,933	(933)
Legal, Acctg. & Enginer.	2,500	1,972	528
	159,600	216,521	(56,921)
Blue Ridge Farmers Market			
Utilities	3,000	2,972	28
Repairs & Maintenance	-	2,322	(2,322)
Insurance	9,000	7,346	1,654
Miscellaneous	1,500	-	1,500
	13,500	12,640	860
Capital Outlay:			
General Government:			
Other	-	-	-
Equipment	-	37,113	(37,113)
Police Department:	-	-	-
Equipment	25,000	24,418	582
Street Department:	-	-	-
Equipment	116,800	-	116,800
Other	-	-	-
Fire Department:	-	-	-
Equipment	-	-	-
Park Department: Equipment		-	-
Debt Service:		-	-
Park & Recreation	-	-	-
Interest	-	-	-
	141,800	61,531	80,269
Total Expenditures	2,220,488	2,024,854	195,634

CITY OF BLUE RIDGE, GEORGIA

INTERNAL CONTROL AND COMPLIANCE SECTION

E. RENE BIDEZ
CERTIFIED PUBLIC ACCOUNTANT
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MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERRFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, the business-type activities ,and each major fund of City of Blue Ridge, Georgia, as of and for the year ended December 31, 2010, which collectively comprise the City of Blue Ridge, Georgia's basic financial statements and have issued our report thereon dated May 23, 2011. 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.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to idenify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in interal control over financial report that we consider to be material weanesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of finding and question costs that we consider to be significant deficiencies in interal control over financial reporting. A significant deficiency is a deficiency, or a combination of defciencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Blue Ridge, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 questioned costs as items numbers 1 and 2.

City of Blue Ridge, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Blue Ridge, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

E. Rene Bidez

McCaysville, Georgia
May 23, 2011

CITY OF BLUE RIDGE, GEORGIA
FINDINGS AND RECOMMENDATIONS AND MANAGEMENT RESPONSE
For the Fiscal Year Ended December 31, 2010

1. During the year several expenditures exceeded budgeted amounts. The city should monitor expenditures during the year and amend the budget if needs.

   Management response: The City plans to monitor budget variances during the upcoming year.

2. The State of Georgia requires Hotel/Motel tax funds to be administered through a separate fund. While the tax revenues are segregated in a separate fund the City has not prepared a detailed budget for that fund. A detailed budget for that fund should be prepared to insure funds are spent in accordance OCGA 48-13-51.

   Management response: The City plans to prepare a separate detailed budget for the Motel/Hotel tax revenues.

3. Presently the City is carrying account balances on Water and Sewer customers who have left the system, in some cases several years. The City should consider what collection activity is appropriate and any uncollectible account should be written off.

   Management response: The City plans to pursue collection activity against delinquent water account customers.

4. Presently the City accounting system does not seperate penalties and interest on delinquent property taxes, but instead posts them to the property tax revenue account. In prior years penalties and interest have been reported as a separate item. It is recommended that penality and interest be reported separately in the general ledger.

   Managment response: The City plans to initiate procedures separately report penalities and interest.

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
Year Ended December 31, 2010

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Prior Years	Expenditures Current Years	Total	Estimated % of Completion
Paid From Special Revenue Fund:						
Road & Bridge Improvements	$900,000	$3,501,540	$3,308,036	$193,504	$3,501,540	100%

Note A: The SPLOST schedule has been prepared on the mofified accual bases of accounting.