CITY OF BLUE RIDGE, GEORGIA

ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2011

CITY OF BLUE RIDGE, GEORGIA
FINANCIAL REPORT
For the Year Ended December 31, 2011

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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. 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
Finance Director- Alicia Stewart

E. RENE BIDEZ
CERTIFIED PUBLIC ACCOUNTANT
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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, 2011 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, 2011, 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 5 and 29 through 34 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 June 11, 2012 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

June 11, 2012
McCaysville, Georgia

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, 2011. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government unless otherwise noted, component units, related organizations, and joint ventures reported separately from the primary government are not included.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The first of these government-wide statements is the *Statement of Net 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, public safety, and public works, culture and recreation, economic development and sanitation. Business-type activities include water and sewer system utilities.

Fund Financial Statements

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

The City has two kinds of funds:

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

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

Budgetary comparison schedules are included in the basic financial statements for the general fund. These statements 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

The table below presents the City's condensed Statement of Net Assets as of December 31, 2010 and 2011.

	Governmental Activites			Business-type Activities		
Assets	2010	2011	Change	2010	2011	Change
Current assets	$ 1,060,688	$ 1,362,704	$ 302,016	$ 1,186,572	$ 1,119,315	$ (67,257)
Noncurrent Assets	2,563,589	2,484,964	(78,625)	10,280,350	10,196,896	(83,454)
Total Assets	3,624,277	3,847,668	223,391	11,466,922	11,316,211	(150,711)
Liabilities						
Current liabilities	286,412	405,431	119,019	1,229,905	905,233	(324,672)
Long-term liabilities	11,573	30,120	18,547	4,590,004	4,792,399	202,395
Total Liabilities	297,985	435,551	137,566	5,819,909	5,697,632	(122,277)
Net Assets						
Invested in capital assets, net of related debt	2,563,589	2,441,089	(122,500)	4,808,848	4,818,695	9,847
Restricted	-	238,628	238,628	217,501	405,446	187,945
Unrestricted	762,703	732,400	(30,303)	620,664	394,438	(226,226)
Total Net Assets	$ 3,326,292	$ 3,412,117	$ 85,825	$ 5,647,013	$ 5,618,579	$ (28,434)

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 Activities

The following table presents the City's condensed Statement of Activities for the years ended December 31, 2010 and 2011. Over time, increases and decreases in net assets measure whether the City's financial position is improving or deteriorating.

	Governmental Activities			Business-type Activities		
	2010	2011	Change	2010	2011	Change
Revenues:						
Program						
Charges for services	$ 628,528	$ 718,131	$ 89,603	$2,109,699	$2,150,958	$ 41,259
Operating grants & contributions	-	230,180	230,180	-	-	-
Capital grants & contributions	288,689	-	(288,689)	-	5,000	5,000
General			-	-	-	-
Property taxes	490,956	687,169	196,213	-	-	-
Sales taxes	374,849	371,466	(3,383)	-	-	-
Other revenues and taxes	528,547	491,355	(37,192)	3,442	5,138	1,696
Total revenues	2,311,569	2,498,301	186,732	2,113,141	2,161,096	47,955
Expenses:						
General government	440,785	482,793	42,008	-	-	-
Public safety	724,793	701,310	(23,483)	-	-	-
Public works	567,239	591,979	24,740	-	-	-
Culture and recreation	236,148	227,633	(8,515)	-	-	-
Economic development	63,533	115,818	52,285	-	-	-
Sanitation	293,559	289,420	(4,139)	-	-	-
Interest	-	3,523	3,523	-	-	-
Water and sewerage system	-	-	-	2,087,408	2,189,530	102,122
Total expenses	2,326,057	2,412,476	86,419	2,087,408	2,189,530	102,122
Change in net assets	(14,488)	85,825	100,313	25,733	(28,434)	(54,167)
Beginning net assets	3,340,780	3,326,292	(14,488)	5,621,280	5,647,013	25,733
Ending net assets	$3,326,292	$3,412,117	$ 85,825	$5,647,013	$5,618,579	$ (28,434)

During the year ending December 31, 2011, the net assets of the government activities increased $85,825 and the business-type activities net assets decreased $24,434.

Approximately 28% of the City's revenues came from property taxes and approximately 15% came from sales taxes and 20% from other revenues and taxes. Charges for services provided 29% of the City's revenue. The City's expenses cover a range of services with 25% related to public works, 29% related to public safety, and 20% 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 $5,618,579 with $394,438 reported as unreserved and the remaining $5,224,141 restricted or 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the year, the City's governmental funds reported a combined ending fund balance of $793,658 with $535,732 reported as unassigned fund balance and the remaining amount of $257,926 reserved for specific purposes.

General Fund Budgetary Highlights

During 2011, the City adopted a budget of $2,062,684 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 $46,670. The major factors contributing to this decrease were that actual property taxes received were $22,099 less than the budgeted amount of $531,000

and beverage tax revenues were $242,354 compared to a budgeted amount of $280,000. The factors contributing to the decrease 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 $40,221. The primary cause for this was due to the fact that actual expenditures for public works capital improvements were almost$55,000 less than budgeted.

Capital Asset and Long-term Debt Activity

At December 31, 2011, the City reported $2,484,964 in capital assets for governmental activities and $10,196,896 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, 2011, the City reported long-term debt of $43,875 for governmental activities and $5,764,876 for business-type activities. The debt includes water line and sewer improvements. Refer to Note 6 to the financial statements 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 information contact Alicia Stewart, Finance Director at City of Blue Ridge, 480 West First Street, Blue Ridge Georgia, or (706)632-2091.

City of Blue Ridge, Georgia
Statement of Net Assets
December 31, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 442,796	$ 507,716	$ 950,512
Investments	215,067	-	215,067
Restricted assets			
Cash and cash equivalents	-	405,446	405,446
Receivables			
Accounts	29,334	157,786	187,120
Property taxes	523,706	-	523,706
Franchise taxes	20,864	-	20,864
Other taxes	19,539	-	19,539
Fines	-	-	-
Intergovernmental	92,100	-	92,100
Inventory	-	33,797	33,797
Prepaid items	19,298	14,570	33,868
Total Current Assets	1,362,704	1,119,315	2,482,019
Noncurrent Assets			
Unamortized bond expense	-	18,771	18,771
Capital assets			
Nondepreciable	76,065	1,383	77,448
Depreciable, net	2,408,899	10,176,742	12,585,641
Total Noncurrent Assets	2,484,964	10,196,896	12,681,860
Total Assets	3,847,668	11,316,211	15,163,879
Liabilities			
Current Liabilities			
Accounts payable	42,960	49,759	92,719
Accrued payroll liabilities	3,060	9,327	12,387
Accrued expenses	12,921	-	12,921
Internal balances	312,971	(312,971)	-
Accrued interest payable	-	2,481	2,481
Unearned revenue	13,300	-	13,300
Other	6,464	-	6,464
Notes payable	13,755	952,539	966,294
Payable from restricted assets			
Revenue bonds payable	-	19,938	19,938
Cutomer deposits	-	184,160	184,160
Total Current Liabilities	405,431	905,233	1,310,664
Long-Term Liabilities (net of current portion)			
Notes payable	30,120	3,863,370	3,893,490
Revenue bonds payable	-	927,533	927,533
General obligation bonds payable	-	1,496	1,496
Total Long-Term Liabilities	30,120	4,792,399	4,822,519
Total Liabilities	435,551	5,697,632	6,133,183
Net Assets			
Invested in capital assets, net of related debt	2,441,089	4,818,695	7,259,784
Restricted for			
Debt service	-	405,446	405,446
Capital projects	208,810	-	208,810
Program purposes			
Economic development	29,818	-	29,818
Unrestricted	732,400	394,438	1,126,838
Total Net Assets	$ 3,412,117	$ 5,618,579	$ 9,030,696

See accompanying notes to the basic financial statements

City of Blue Ridge, Georiga
Statement of Activities
For the Year Ended December 31, 2011

Function/Program	Expenses	Program Revenues: Charges for Services, Sales and Fines	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government							
Governmental Activities							
General government	$ 482,793	$ 118,070	$ -	$ -	$ (364,723)	$ -	$ (364,723)
Public safety	701,310	132,011	3,100	-	(566,199)	-	(566,199)
Public works	591,979	-	227,080	-	(364,899)	-	(364,899)
Culture and recreation	227,633	68,504	-	-	(159,129)	-	(159,129)
Economic development	115,818	71,884	-	-	(43,934)	-	(43,934)
Sanitation	289,420	327,662	-	-	38,242	-	38,242
Interest	3,523	-	-	-	(3,523)	-	(3,523)
Total Governmental Activities	2,412,476	718,131	230,180	-	(1,464,165)	-	(1,464,165)
Business-Type Activities							
Water and sewerage system	2,189,530	2,150,958	-	5,000	-	(33,572)	(33,572)
Total Business-Type Activities	2,189,530	2,150,958	-	5,000	-	(33,572)	(33,572)
Total - Primary Government	$ 4,602,006	$ 2,869,089	$ 230,180	$ 5,000	(1,464,165)	(33,572)	(1,497,737)
General Revenues							
Property taxes levied for general government purposes					687,169	-	687,169
Sales taxes					371,466	-	371,466
Franchise taxes					75,121	-	75,121
Insurance premium taxes					60,506	-	60,506
Real estate and intangible taxes					3,088	-	3,088
Other taxes					317,667	-	317,667
Unrestricted intergovernmental					5,078	-	5,078
Investment earnings					3,923	2,550	6,473
Miscellaneous					25,972	2,588	28,560
Total General Revenues					1,549,990	5,138	1,555,128
Change in Net Assets					85,825	(28,434)	57,391
Net Assets Beginning of Year					3,326,292	5,647,013	8,973,305
Net Assets End of Year					$ 3,412,117	$ 5,618,579	$ 9,030,696

See accompanying notes to the basic financial statements

City of Blue Ridge, Georgia
Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	Hotel/Motel	SPLOST	Total
Assets				
Cash and cash equivalents	$ 252,601	$ 27,709	$ 162,486	$ 442,796
Investments	215,067	-	-	215,067
Receivables (net)				
Accounts	26,997	2,337	-	29,334
Property taxes	523,706	-	-	523,706
Franchise taxes	20,864	-	-	20,864
Other taxes	19,539	-	-	19,539
Intergovernmental				
State	36,969	-	-	36,969
County	-	-	55,131	55,131
Interfund	2,031	5,343	-	7,374
Prepaid items	19,298	-	-	19,298
Total Assets	$ 1,117,072	$ 35,389	$ 217,617	$ 1,370,078
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 30,613	$ 5,571	$ 6,776	$ 42,960
Accrued payroll liabilities	3,060	-	-	3,060
Accrued expenditures	12,921	-	-	12,921
Other	6,464			6,464
Interfund payable	318,314	-	2,031	320,345
Deferred revenue	190,670	-	-	190,670
Total Liabilities	562,042	5,571	8,807	576,420
Fund Balances				
Nonspendable				
Prepaid items	19,298	-	-	19,298
Restricted				
Capital projects	-	-	208,810	208,810
Program purposes				
Economic development	-	29,818	-	29,818
Unassigned, reported in				
General fund	535,732	-	-	535,732
Total Fund Balances	555,030	29,818	208,810	793,658
Total Liabilities and Fund Balances	$ 1,117,072	$ 35,389	$ 217,617	$ 1,370,078

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 Assets
December 31, 2011

Total Governmental Fund Balances		$ 793,658
Amounts reported for governmental activities in the statement of net assets 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	$ 4,163,965	
Less accumulated depreciation	(1,679,001)	2,484,964
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes		177,370
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 assets.		
Notes payable		(43,875)
Net Assets Of Governmental Activities		$ 3,412,117

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, 2011

	General Fund	Hotel/Motel	SPLOST	Total
Revenues				
Property taxes	$ 509,799	$ -	$ -	$ 509,799
Sales taxes	371,466	-	227,080	598,546
Other taxes	381,854	74,528	-	456,382
Intergovernmental	5,078	-	-	5,078
Licenses and permits	119,779	-	-	119,779
Charges for services	396,796	2,337	-	399,133
Fines and forfeitures	125,214	-	-	125,214
Contributions	3,100	-	-	3,100
Investment earnings	2,951	370	602	3,923
Miscellaneous	99,977	-	-	99,977
Total Revenues	2,016,014	77,235	227,682	2,320,931
Expenditures				
Current				
General government	426,759	-	-	426,759
Public safety				
Police	665,005	-	-	665,005
Fire	12,740	-	-	12,740
Public works	385,392	-		385,392
Culture and recreation	217,731	-	-	217,731
Sanitation	289,420	-	-	289,420
Economic development	25,416	89,489	-	114,905
Capital Outlay				
Public works	-	-	192,964	192,964
Total Expenditures	2,022,463	89,489	192,964	2,304,916
Net Change in Fund Balances	(6,449)	(12,254)	34,718	16,015
Fund Balances Beginning of Year	561,479	42,072	174,092	777,643
Fund Balances End of Year	$ 555,030	$ 29,818	$ 208,810	$ 793,658

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, 2011

Net Changes In Fund Balances - Total Governmental Funds		$ 16,015
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		
Depreciation expense	$ (179,956)	
Capital outlay	57,937	(122,019)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.		177,370
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.		12,952
Adjustment to reclass note payable and capital assets between governmental and business-type activities		1,507
Change In Net Assets of Governmental Activities		$ 85,825

See accompanying notes to the basic financial statements

City of Blue Ridge, Georgia
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2011

	Original & Final Budget	Actual	Variance With Budget
Revenues			
Property taxes	$ 531,898	$ 509,799	$ (22,099)
Sales taxes	368,000	371,466	3,466
Other taxes	480,136	381,854	(98,282)
Intergovernmental	5,000	5,078	78
Licenses and permits	59,000	119,779	60,779
Charges for services	368,650	396,796	28,146
Fines and forfeitures	172,000	125,214	(46,786)
Contributions	-	3,100	3,100
Investment earnings	1,000	2,951	1,951
Miscellaneous	77,000	99,977	22,977
Total Revenues	2,062,684	2,016,014	(46,670)
Expenditures			
General government	424,411	426,759	(2,348)
Public safety			
Police	646,353	665,005	(18,652)
Fire	28,271	12,740	15,531
Public works	458,571	385,392	73,179
Culture and recreation	181,182	217,731	(36,549)
Sanitation	290,000	289,420	580
Economic development	33,896	25,416	8,480
Total Expenditures	2,062,684	2,022,463	40,221
Net Change in Fund Balances	$ -	(6,449)	$ (6,449)
Fund Balances Beginning of Year		561,479	
Fund Balances End of Year		$ 555,030	

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Net Assets
Proprietary Fund
December 31, 2011

	Water & Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	$ 507,716
Receivables (net)	
Accounts	157,786
Interfund	312,971
Inventory	33,797
Prepaid items	14,570
Restricted assets	
Reserve account	97,574
Water project loan reserve	307,872
Total Restricted Assets	405,446
Total Current Assets	$1,432,286
Noncurrent Assets	
Unamortized bond expense	18,771
Capital assets	
Nondepreciable	1,383
Depreciable, net	10,176,742
Total Noncurrent Assets	10,196,896
Total Assets	11,629,182
Liabilities	
Current Liabilities	
Accounts payable	49,759
Accrued payroll liabilities	9,327
Accrued interest	2,481
Notes payable	952,539
Payable from Restricted Assets:	
Revenue bonds payable	19,938
Customer deposits	184,160
Total Current Liabilities	1,218,204
Long-Term Liabilities	
Notes payable (net of current portion)	3,863,370
Revenue bonds payable (net of current portion)	927,533
General obligation bonds	1,496
Total Long-Term Liabilities	4,792,399
Total Liabilities	6,010,603
Net Assets	
Invested in capital assets, net of related debt	4,818,695
Restricted for debt service	405,446
Unrestricted	394,438
Total Net Assets	$ 5,618,579

See accompanying notes to the basic financial statements

City of Blue Ridge, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the year ended December 31, 2011

	Water & Sewer Fund
Operating Revenues	
Charges for services	
Water revenues	$ 1,514,765
Sewer revenues	530,267
Service charges	9,225
Tap fees	12,664
Connection fees	10,385
Penalties	73,652
Miscellaneous	2,588
Total Operating Revenues	2,153,546
Operating Expenses	
Water department	
Personnel services	587,681
Contractual services	101,240
Supplies	339,998
Sewer department	
Personnel services	166,057
Contractual services	95,761
Supplies	274,982
Total Operating Expenses	1,565,719
Operating Income before Amortization and Depreciation	587,827
Depreciation	376,916
Amortization	683
Operating Income	210,228
Non-Operating Revenues (Expenses)	
Intergovernmental revenue	5,000
Interest income	2,550
Interest on revenue bonds	(43,074)
Interest on loans	(203,138)
Total Non-Operating (Expenses)	(238,662)
Change in Net Assets	(28,434)
Net Assets Beginning of Year	5,647,013
Net Assets End of Year	$ 5,618,579

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, 2011

		Water & Sewer Fund
Cash Flows from Operating Activities		
Cash received from customers	$	2,126,129
Cash payments for personal services		(754,870)
Cash payments for goods and services		(932,501)
Other cash receipts		2,588
Net Cash Provided by (Used in) Operating Activities		441,346
Cash Flows from Capital and Related Financing Activities		
Proceeds from debt		478,174
Principal paid on revenue bonds		(19,062)
Interest paid on revenue bonds		(43,074)
Principal paid on loans		(104,232)
Interest paid on loans		(311,412)
Proceeds from grants		5,000
Payments for capital acquisitions and construction		(337,538)
Net Cash Provided by (Used in) Capital and Related Financing Activities		(332,144)
Cash Flows from Investing Activities		
Investments earnings		2,550
Net Increase (Decrease) in Cash and Cash Equivalents		111,752
Cash and Cash Equivalents Beginning of Year		801,410
Cash and Cash Equivalents End of Year	$	913,162
Reconciliation of total cash and cash equivalents:		
Cash and cash equivalents	$	507,716
Current restricted assets-cash and cash equivalents		405,446
Total cash and cash equivalents	$	913,162

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, 2011

	Water & Sewer Fund
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities	
Operating Income	$ 210,228
Adjustments	
Depreciation	376,916
Amortization	683
(Increase) Decrease in Assets	
Accounts receivable	(35,561)
Inventories	61,376
Interfund receivables	(150,104)
Prepaid expenses	(9,673)
Increase (Decrease) in Liabilities	
Accounts payable	(22,119)
Accrued expenses and payroll liabilities	(1,132)
Deposits payable	10,732
Net Cash Provided by (Used in) Operating Activities	$ 441,346

See accompanying notes to the basic financial statements

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 the prior year the accrual was based on a 60 day collection period. The City determined that 90 days more clearly reflects the collection cycle for year 2011 because the bills were not due until March 30, 2012. The City considered this an unusual occurrence and believes 90 days more accurately reflects property tax revenue for the 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, 2011 is $174,275.

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 unnecessary 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 through local financial institutions.

2. Accounts Receivable

The allowance for uncollectible accounts receivable in the Water and Sewer Fund is computed as 2% of the current receivable balance and 100% of the seriously delinquent balances. The total allowance for 2011 is $174,275.

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, 2011 all the City's deposits were category one deposits. The bank balance of all deposits was $1,565,527 and the carrying amount was $1,571,025.

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 $97,574 in the Water and Sewerage System Fund are restricted in 2011, for a sinking fund related to Rural Development bonds. Assets totaling $307,872 were restricted as a loan reserve for a water expansion project.

5. Capital Assets – Governmental Activities

Changes in capital assets by major classes for 2011 are as follows:

Governmental Activities:	Balance 12/31/2010	Adjustment	Additions	Deductions	Balance 12/31/2011
Nondepreciable capital assets					
Land	$ 76,065	$ -	$ -	$ -	$ 76,065
Depreciable capital assets					
Buildings	1,207,963	-	-	-	1,207,963
Machinery and equipment	1,186,854	54,243	-	-	1,241,097
City park & improvements	466,248	-	9,547	-	475,795
Infrastructure	1,114,655	-	48,390	-	1,163,045
Total depreciable assets	3,975,720	54,243	57,937	-	4,087,900
Total capital assets	4,051,785	54,243	57,937	-	4,163,965
Accumulated depreciation					
Buildings	193,249	-	38,288	-	231,537
Machinery and equipment	865,720	10,849	98,407	-	974,976
City park & improvements	366,656	-	14,964	-	381,620
Infrastructure	62,571	-	28,297	-	90,868
Total accumulated depreciation	1,488,196	10,849	179,956	-	1,679,001
	$ 2,563,589	$ 43,394	$ (122,019)	$ -	$ 2,484,964

Governmental activities depreciation expense is as follows:

Geneal government	$ 56,034
Public safety	28,060
Public works	71,005
Culture and recreation	23,944
Economic development	913
	$ 179,956

Business-type Activities:	Balance 12/31/2010	Adjustment	Additions	Deductions	Balance 12/31/2011
Nondepreciable capital assets					
Land	$ 1,383	$ -	$ -	$ -	$ 1,383
Depreciable capital assets					
Utility plant and pipelines	13,445,183	-	337,542	-	13,782,725
Machinery and equipment	649,563	(54,243)	-	-	595,320
Total depreciable assets	14,094,746	(54,243)	337,542	-	14,378,045
Total capital assets	14,096,129	(54,243)	337,542	-	14,379,428
Accumulated depreciation					
Utility plant and pipelines	3,429,725	-	298,766	-	3,728,491
Machinery and equipment	405,511	(10,849)	78,150	-	472,812
Total accumulated depreciation	3,835,236	(10,849)	376,916	-	4,201,303
	$ 10,260,893	$ (43,394)	$ (39,374)	$ -	$ 10,178,125

6. Long-term Debt

Bonds payable at December 31, 2011 is comprised of Water and Sewerage revenue bonds issued November 5, 1997 for $1,150,250. Monthly payments totaling $62,136 per year through July 1, 2037 including interest at 4.5% are payable to Rural Development for the construction of the sewer plant. Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2012	$ 19,938	$ 42,198	$ 62,136
2013	20,854	41,282	62,136
2014	21,812	40,324	62,136
2015	22,814	39,322	62,136
2016	23,862	38,274	62,136
2017-2021	136,793	173,887	310,680
2022-2026	171,238	139,442	310,680
2027-2031	214,355	96,325	310,680
2032-2036	268,328	42,352	310,680
2037	47,477	900	48,377
	$ 947,471	$ 654,306	$1,601,777

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

Unsecured note payable to GMAC for $39,000, maturing January 2020 at an interest rate of 5% to finance a water line extension. Annual debt service requirements are as follows:

	Principal	Interest	Total
2012	$ 2,000	$ 1,120	$ 3,120
2013	2,000	1,021	3,021
2014	2,000	917	2,917
2015	2,000	808	2,808
2016	2,000	693	2,693
2017-2020	9,000	1,509	10,509
	$ 19,000	$ 6,068	$ 25,068

Note payable to Alliant Bank for $69,419 for the purchase of equipment. This note matures March 2012 and carries an interest rate of 7.691%. Debit service requirements to maturity are as follows:

	Principal	Interest	Total
2012	$ 2,644	$ 557	$ 3,201

Note payable to Old National Bank in the amount of $788,880, maturing March 2018 at an interest rate of 4.55% for lines and system additions is secured by equipment. Debt service requirements to maturity are as follows:

	Principal	Interest	Total
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	87,546	11,524	99,070
2017-2018	188,164	10,776	198,940
	$ 589,039	$ 105,251	$ 694,290

A 2007 loan from Georgia Environmental Facility (GEFA) to finance system additions for $1,534,299 at 4.1% was finalized in February 2012 and matures February 2032. An additional loan, GEFA 2010, in the amount of $1,871,706 at 3.81% was converted to a fixed loan on December 1, 2011 and will mature December 2031. Both of these loans finance line expansions. Annual debt service requirements are as follows:

	GEFA 2007			GEFA 2010			
	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Total
2012	$ 42,006	$ 51,780	$ 93,786	$ 63,660	$ 70,208	$ 133,868	$ 227,654
2013	52,335	60,208	112,543	66,128	67,740	133,868	246,411
2014	54,522	58,021	112,543	68,692	65,176	133,868	246,411
2015	56,800	55,743	112,543	71,356	62,512	133,868	246,411
2016	59,173	53,370	112,543	74,122	59,745	133,867	246,410
2017-2021	335,078	227,637	562,715	416,013	253,326	669,339	1,232,054
2022-2026	411,173	151,542	562,715	503,164	166,176	669,340	1,232,055
2027-2031	504,549	58,166	562,715	608,571	60,768	669,339	1,232,054
2032	18,663	96	18,759	-	-	-	18,759
	$1,534,299	$ 716,563	$2,250,862	$1,871,706	$ 805,651	$2,677,357	$4,928,219

A note payable to Ford Motor Credit in the amount of $146,604 for the purchase of eight vehicles matures January 2014 and carries an interest rate of 6.2%. The loan purchase four vehicles for governmental activities and four vehicles for business-type activities.

	Governmental Activities			Busines-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	$ 13,755	$ 2,720	$ 16,475	$ 13,755	$ 2,720	$ 16,475
2013	14,608	1,867	16,475	14,608	1,867	16,475
2014	15,512	962	16,474	15,512	962	16,474
	$ 43,875	$ 5,549	$ 49,424	$ 43,875	$ 5,549	$ 49,424

A loan from United Community Bank in the amount of $755,346 at 2.6% matures January 27, 2012 for water system improvements. Fiscal year 2012 interest due is $19,639.

Changes in long-term Debt:

	Beginning Balance	Adjustment	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities						
Notes payable	$ 14,940	$ 41,887	$ -	$ 12,952	$ 43,875	$ 13,755
Business-type activities						
Revenue bonds	966,533	-	-	19,062	947,471	19,938
Notes payable	4,484,019	(42,052)	478,174	104,232	4,815,909	952,539
General obligation bond	1,496	-	-	-	1,496	-
	$ 5,452,048	$ (42,052)	$ 478,174	$ 123,294	$ 5,764,876	$ 972,477

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 2011 amounted to $683. A total of $8,246 was paid to the holders of the 1973 issues and $12,492 was incurred as legal and other 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 2011 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 $18,652, the park department by $36,549 and the General Government exceeded their budget by $2,348. 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, 2011
Levy date	January 19, 2012
Due date	March 31, 2012
Delinquent date	April 3, 2012

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 December 31, 2011 was $575,871.

10. Pension Plan

Plan Description. The City has a non-contributory defined benefit plan covering all full time employees. The City of Blue Ridge Retirement Plan (the 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 contacting 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 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, 2011, the estimated minimum annual contribution under these funding standards is $88,804.

According to the annual plan valuation dated July 1, 2011, the recommended contribution to the plan for 2012 is $74,099 ($0 employee and $74,099 employer; 0% employee and 7.32% employer of covered payroll respectively). Covered payroll for 2011 is $995,363.

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
2011	$88,804	100.0%	$0
2010	80,977	100.0%	0
2009	80,026	100.0%	0

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) – (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	UAAL as a % of Covered Payroll (3)/(5)
07/1/2011	786,807	997,092	210,285	78.91%	995,363	21.13%
07/1/2010	683,871	976,280	292,409	70.0%	922,108	31.71%
10/1/2009	615,227	885,287	270,060	69.49%	795,184	33.96%

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
Actuarial Methods:	
Normal Costs and Actuarial Accrued Liability	Projected Unit 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, 2011, 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	15
Not vested	15
Total	38

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 customers' premises. Collection and billing functions are performed by the City which retains 12% of collections as compensation.

12. 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.

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 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, 2011 the City paid $1,290 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.

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 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	$74,528
Hotel Tax Expenditures	$89,489
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. Following is the interfund balances at December 31, 2011.

	Payable from		
Payable to	General fund	SPLOST	Total
General fund	$ -	$ 2,031	$ 2,031
Hotel/motel	5,343	-	5,343
Water & sewerage system fund	312,971	-	312,971
Total	$ 318,314	$ 2,031	$ 320,345

CITY OF BLUE RIDGE, GEORGIA

SUPPLEMENTARY INFORMATION

City of Blue Ridge, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2011

	Original & Final Budget	Actual	Variance With Budget Over (Under)
REVENUE:			
AD VALOREM TAX 2003	151	-	(151)
AD VALOREM TAX 2004	-	36	36
AD VALOREM TAX 2005	896	181	(715)
AD VALOREM TAX 2006	1,678	157	(1,521)
AD VALOREM TAX 2007	7,236	2,677	(4,559)
AD VALOREM TAX 2008	20,826	4,135	(16,691)
AD VALOREM TAX 2009	44,578	11,292	(33,286)
2010 AD VALOREM TAX	439,533	479,398	39,865
AUTO TAG TAX	10,000	10,876	876
MOBILE HOME TAX	1,000	163	(837)
PENALTIES AND INTEREST	6,000	884	(5,116)
PROPERTY TAXES	531,898	509,799	(22,099)
SALES TAX	368,000	371,466	3,466
REALESTATE TRANSFER TAX	1,000	779	(221)
INTANGIBLE TAX	1,000	2,309	1,309
TRANSFER TAX	1,000	-	(1,000)
FRANCHISE TAX	80,000	75,121	(4,879)
HOTEL/MOTEL TAX	52,000	-	(52,000)
BEVERAGE TAX	280,000	242,354	(37,646)
LIQUOR POURING TAX	-	785	785
INSURANCE PREM. TAX	65,136	60,506	(4,630)
OTHER TAXES	480,136	381,854	(98,282)
INTERGOVERNMENTAL	5,000	5,078	78
BUSINESS LICENSE	38,000	50,232	12,232
BEVERAGE LICENSE	8,000	22,070	14,070
ADMINISTRATIVE FEES	1,000	600	(400)
POURING LICENSE FEE	12,000	43,245	31,245
LIQUOR LICENSE FEE	-	1,000	1,000
BUILDING PERMITS/ZONING	-	2,632	2,632
LICENSES AND PERMITS	59,000	119,779	60,779
COPIES/USE OF FAX MACHINE	100	171	71
SANITATION FEES	340,200	327,662	(12,538)
BP-GAS REBATE	950	987	37
PARK REVENUES	4,300	1,150	(3,150)
BALL PARK CONCESSIONS	3,000	20,574	17,574
LIGHT TOKENS	100	-	(100)
VENDOR PERMIT/APPLICATION	3,000	16,540	13,540

(continued)

	Original & Final Budget	Actual	Variance With Budget Over (Under)
PARK/POOL CONCESSION	10,000	26,352	16,352
POOL PASS	3,000	1,700	(1,300)
POOL PARTY	3,000	1,660	(1,340)
RETURNED CHECKS FEE	1,000	-	(1,000)
CHARGES FOR SERVICES	368,650	396,796	28,146
FINES & FORFEITURES	172,000	125,214	(46,786)
CONTRIBUTIONS	-	3,100	3,100
INVESTMENT EARNINGS	1,000	2,951	1,951
CITY PROP RENTAL/LEASES	60,000	66,681	6,681
MISCELLANEOUS	9,000	25,973	16,973
ACCIDENT REPORTS	1,000	1,080	80
COCA-COLA INCOMING MONEY	1,000	528	(472)
POLICE DPT OTHER THAN FIN	6,000	5,717	(283)
MISCELLANEOUS	77,000	99,978	22,978
TOTAL REVENUE	2,062,684	2,016,014	(46,670)
EXPENDITURES			
1500 GENERAL ADMINISTRATION			
SALARIES & WAGES	194,506	187,787	(6,719)
GROUP INSURANCE	51,588	42,500	(9,088)
FICA EXPENSE	14,880	16,618	1,738
RETIREMENT	12,088	13,654	1,566
WORKMEN'S COMP	2,000	6,178	4,178
MISCELLANEOUS	-	671	671
LEGAL	55,000	35,817	(19,183)
ENGINEERING	1,000	2,600	1,600
AUDIT	1,849	1,742	(107)
MAINT. BLDG&GROUNDS/TRIST	1,000	27,923	26,923
MAINTENANCE EQUIPMENT	5,000	4,520	(480)
MAINTENANCE VEHICLES	500	-	(500)
INSURANCE & BONDS	8,500	8,356	(144)
TELEPHONE	9,000	7,889	(1,111)
POSTAGE	2,000	899	(1,101)
ADVERTISING	2,000	2,805	805
PRINTING	1,000	153	(847)
TRAVEL	1,500	2,860	1,360
PROFESSIONAL DUES	1,000	1,549	549
TRAINING EXPENSE	1,000	2,462	1,462
CONTRACTED SERVICES	1,000	11,654	10,654
NGAPDC/NORTH GA REG DEV	15,000	131	(14,869)
PMT FOR CITY TRASH CANS	-	(399)	(399)
BACKGROUND REPORT	-	1,421	1,421
OFFICE SUPPLIES & EXPENSE	7,000	8,489	1,489
MATERIALS & SUPPLIES	7,500	3,778	(3,722)
CLEANING & PAPER SUPPLIES	2,500	993	(1,507)
UTILITIES/PROPANE GAS	17,000	17,116	116

(continued)

	Original & Final Budget	Actual	Variance With Budget Over (Under)
GAS, OIL, & AUTO SUPPLIES	1,000	3,439	2,439
MISCELLANEOUS	1,000	6,062	5,062
UNIFORMS	-	234	234
COMPUTER EXPENSE	2,000	-	(2,000)
DONATIONS	4,000	6,950	2,950
OVER/SHORT	-	(194)	(194)
BANK CHARGES	1,000	100	(900)
TOTAL GENERAL GOVERNMENT	424,411	426,759	2,348
2100 JUDICIAL ADMINSTRATION			
CITY JUDGE	3,600	3,600	-
TOTAL EXPENDITURE	3,600	3,600	-
3200 POLICE			
PEACE OFFICERS' A & B	42,636	30,147	(12,489)
AUDIT	1,849	1,742	(107)
MAINT. BLDG&GROUNDS/TRIST	2,000	6,890	4,890
MAINTENANCE EQUIPMENT	5,000	6,484	1,484
MAINTENANCE VEHICLES	8,000	3,356	(4,644)
INSURANCE & BONDS	8,000	5,231	(2,769)
TELEPHONE	5,500	4,326	(1,174)
ADVERTISING	-	483	483
TRAVEL	2,000	1,402	(598)
TRAINING EXPENSE	1,000	968	(32)
CONTRACTED SERVICES	1,000	580	(420)
JAIL EXPENSE	8,500	8,850	350
EMPLOYEE DRUG TEST	500	80	(420)
OFFICE SUPPLIES & EXPENSE	5,000	6,302	1,302
MATERIALS & SUPPLIES	5,000	4,265	(735)
CLEANING & PAPER SUPPLIES	1,000	246	(754)
UTILITIES/PROPANE GAS	12,000	7,450	(4,550)
GAS, OIL, & AUTO SUPPLIES	34,000	35,922	1,922
SMALL EQUIPMENT	-	2,149	2,149
MISCELLANEOUS	1,000	2,188	1,188
UNIFORMS	4,000	6,402	2,402
CAPITAL OUTLAY - OTHER	7,500	-	(7,500)
DEBT SERVICE	-	4,119	4,119
TOTAL EXPENDITURE	155,485	139,579	(15,906)
3210 POLICE ADMINISTRATION			
SALARIES & WAGES	316,111	354,609	38,498
GROUP INSURANCE	105,348	111,315	5,967
FICA EXPENSE	24,183	26,988	2,805
RETIREMENT	19,426	20,991	1,565
WORKMEN'S COMP	19,000	6,178	(12,822)
POSTAGE	200	123	(77)
PRINTING	1,000	93	(907)
PROFESSIONAL DUES	2,000	225	(1,775)
OFFICE SUPPLIES & EXPENSE	-	1,304	1,304
TOTAL EXPENDITURE	487,268	521,825	34,557

(continued)

	Original & Final Budget	Actual	Variance With Budget Over (Under)
TOTAL POLICE	646,353	665,005	18,652
3520 FIRE FIGHTING			
INSURANCE & BONDS	8,000	715	(7,285)
CONTRACTED SERVICES	7,271	11,280	4,009
MATERIALS & SUPPLIES	1,000	-	(1,000)
UTILITIES/PROPANE GAS	-	244	244
GAS, OIL, & AUTO SUPPLIES	1,000	25	(975)
SERVICE EXTINGUISHERS	1,000	42	(959)
MAINTENANCE EQUIPMENT	5,000	-	(5,000)
MAINTENANCE VEHICLES	5,000	435	(4,565)
TOTAL FIRE	28,271	12,740	(15,531)
4210 HIGHWAYS & STREETS ADMINI			
SALARIES & WAGES	113,647	99,971	(13,676)
GROUP INSURANCE	30,324	62,574	32,250
FICA EXPENSE	8,694	7,648	(1,046)
RETIREMENT	15,645	17,211	1,566
WORKMEN'S COMP	17,000	6,178	(10,822)
MEDICAL PMTS - INJURIES	1,000	-	(1,000)
MISCELLANEOUS	500	1,369	869
AUDIT	1,849	1,742	(107)
LEGAL	4,000	382	(3,618)
ENGINEERING	5,000	-	(5,000)
GEORGIA CORRECTIONS (WD)	37,000	12,618	(24,382)
RENTAL OF EQUIP & VEHICLES	-	160	160
INSURANCE & BONDS	8,000	8,480	480
TELEPHONE	1,000	704	(296)
POSTAGE	-	378	378
ADVERTISING	500	1,544	1,044
PRINTING	500	57	(443)
CONTRACTED SERVICES	1,000	1,014	14
MEDICAL PMTS FOR INJURIES	-	352	352
EMPLOYEE DRUG TEST	500	80	(420)
MATERIALS & SUPPLIES	69,000	61,600	(7,400)
UTILITIES/PROPANE GAS	60,000	48,566	(11,434)
GAS, OIL, & AUTO SUPPLIES	12,000	16,867	4,867
SMALL EQUIPMENT	1,000	-	(1,000)
UNIFORMS	2,000	3,302	1,302
MAINT. BLDG&GROUNDS/TRIST	5,000	593	(4,407)
MAINTENANCE EQUIPMENT	5,000	21,960	16,960
MAINTENANCE VEHICLES	3,912	1,806	(2,106)
CAPITAL OUTLAY - EQUIP	15,000	-	(15,000)
CAPITAL OUTLAY - OTHER	39,500	-	(39,500)
DEBT SERVICE	-	8,237	8,237
TOTAL PUBLIC WORKS	458,571	385,392	(73,179)
6210 PARKS ADMINISTRATION			
SALARIES & WAGES	50,000	56,328	6,328
GROUP INSURANCE	25,008	25,415	407
FICA EXPENSE	3,825	4,354	529

(continued)

	Original & Final Budget	Actual	Variance With Budget Over (Under)
WORKMEN'S COMP	3,500	6,178	2,678
PROFESSIONAL SERVICES	1,849	1,742	(107)
LEGAL	1,000	-	(1,000)
TECHNICAL SERVICES	6,500	12,618	6,118
INSURANCE & BONDS	8,000	1,413	(6,587)
TELEPHONE	2,000	1,722	(278)
ADVERTISING	500	-	(500)
PRINTING	1,000	57	(943)
TRAVEL	500	-	(500)
TRAINING EXPENSE	1,000	-	(1,000)
MATERIALS & SUPPLIES	5,000	7,033	2,033
UTILITIES/PROPANE GAS	35,000	30,907	(4,093)
POOL CONCESSION	500	10,210	9,710
MISCELLANEOUS	-	642	642
MAINT. BLDG&GROUNDS/TRIST	-	11,595	11,595
CAPITAL OUTLAY - OTHER	5,000	5,000	-
TOTAL EXPENDITURE	150,182	175,214	25,032
6220 PARK AREAS			
CONTRACTED SERVICES	1,000	200	(800)
MATERIALS & SUPPLIES	-	9,978	9,978
CLEANING & PAPER SUPPLIES	-	216	216
GAS, OIL, & AUTO SUPPLIES	7,500	4,415	(3,085)
CHEMICALS	5,000	2,379	(2,621)
BALLFIELD CONCESSIONS	500	14,955	14,455
UNIFORMS	1,000	565	(435)
MAINT. BLDG&GROUNDS/TRIST	9,000	4,444	(4,556)
MAINTENANCE EQUIPMENT	6,000	905	(5,095)
MAINTENANCE VEHICLES	1,000	341	(659)
DEBT SERVICE	-	4,119	4,119
TOTAL EXPENDITURE	31,000	42,517	11,517
TOTAL CULTURE AND RECREATION	181,182	217,731	36,549
SANITATION	290,000	289,420	(580)
7550 DOWNTOWN DEVELOPMENT			
RENTAL EQUIP & VEHCILES	-	119	119
MATERIALS AND SUPPLIES	24,407	4,246	(20,161)
UTILITIES/ PROPANE GAS	-	117	117
MAINT. BLDG & GROUNDS	-	1,459	1,459
TOTAL EXPENDITURE	24,407	5,941	(18,466)
7565 SPECIAL FACILITIES- RENTA			
MAINT. BLDG & GROUNDS	-	4,836	4,836
INSURANCE & BONDS	-	(632)	(632)
TOTAL EXPENDITURE	-	4,204	4,204
1507 FARMER'S MARKET			
AUDIT	1,489	-	(1,489)
MAINT. BLDG&GROUNDS/TRIST	-	3,942	3,942

(continued)

	Original & Final Budget	Actual	Variance With Budget Over (Under)
INSURANCE & BONDS	5,000	-	(5,000)
ADVERTISING	-	410	410
MATERIALS & SUPPLIES	-	611	611
UTILITIES/PROPANE GAS	-	8,568	8,568
UTILITIES/PROPANE GAS	3,000	-	(3,000)
MAINTENANCE EQUIPMENT	-	1,740	1,740
TOTAL EXPENDITURE	9,489	15,271	5,782
TOTAL ECONOMIC DEVELOPMENT	33,896	25,416	(8,480)
TOTAL EXPENDITURES	2,062,684	2,022,463	(40,221)
NET CHANGE IN FUND BALANCES	$ -	(6,449)	$ (6,449)
FUND BALANCE BEGINNING OF YEAR		561,479	
FUND BALANCE END OF YEAR		$ 555,030	

CITY OF BLUE RIDGE, GEORGIA

INTERNAL CONTROL AND COMPLIANCE SECTION

E. RENE BIDEZ
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1179 • COPPERHILL, TN 37317 • (706) 964-9000
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, 2011, which collectively comprise the City of Blue Ridge, Georgia's basic financial statements and have issued our report thereon dated June 11, 2012. 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, as Item 3, 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.

June 11, 2012
McCaysville, Georgia

E. Rene Bidez

CITY OF BLUE RIDGE, GEORGIA
FINDINGS AND RECOMMENDATIONS AND MANAGEMENT RESPONSE
For the Fiscal Year Ended December 31, 2011

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

   Management response: The City plans to monitor budget variances during the upcoming year and prepare budget amendments as necessary.

2. In July 2011 the City adopted and implemented a 5% Hotel/Motel Tax. Prior to this time the City maintained a 3% Hotel/Motel Tax. Under the 5% tax the City is required to expend 40% of the tax (the restricted amount) with a contracting party. In addition the City is required to prepare an annual budget for the Hotel/ Motel Fund, to require the contracting party to submit a budget of their intended use of the funds and for the contracting party to provide audit verification that the contracting party makes use of such funds in accordance with the requirements of OCGA 48-13-51.

   During the partial year that the 5% tax was in place the City expended 65% of the restricted amount thru contracting parties, however, as of year end the City had not required audit verification of the use of the funds.

   In addition the City did not prepare an annual budget for the Hotel/Motel Fund.

   Management response: Since this was the initial year of the 5% tax the City had not adequately anticipated how much the restricted amount would be and as a result did not expend all of the restricted amount thru the contracting party. The City plans to expend the remainder of the required amount during 2012. In addition they have prepared a 2012 budget for the Hotel/Motel fund and they will require audit verification from contracting parties.

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.

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
For the Year Ended December 31, 2011

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	$3,501,540	$192,964	$3,694,504	100%

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