CITY OF BLUE RIDGE, GEORGIA

ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2012

CITY OF BLUE RIDGE, GEORGIA
FINANCIAL REPORT
For the Year Ended December 31, 2012

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PRINCIPAL OFFICERS

The City operates under the direction of the Mayor and Council with the daily operations carried out by the 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, CPA

CITY ATTORNEY

R. David Syfan
Hulsey, Oliver & Mahar, LLP

INDEPENDENT AUDITOR
E. Rene Bidez, CPA

E. RENE BIDEZ

CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 999 • MCCAYSVILLE, GA 30555• (706) 964-9000• FAX (706) 964-9001

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Blue Ridge, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free form material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blue Ridge, Georgia, as of December 31, 2012, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 thru 6 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, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

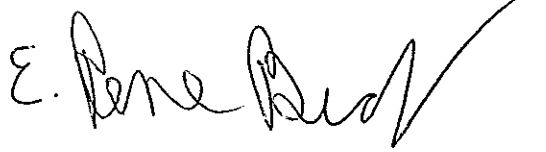
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blue Ridge, Georgia's basic financial statements. The combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of 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 also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of Special Local Option Sales Tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of Special Local Option Sales Tax are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2013, on our consideration of the City of Blue Ridge, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Blue Ridge, Georgia's internal control over financial reporting and compliance.



June 13, 2013

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, 2012. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government unless otherwise noted, component units, related organizations, and joint ventures reported separately from the primary government are not included.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, 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, judicial, public safety, 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.

A budgetary comparison statement is included in the basic financial statements for the General Fund. This statement demonstrates compliance with the City's adopted and final revised budgets.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. The City utilizes only enterprise funds. Enterprise funds essentially encompass the same functions 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 or discretely presented component units.

The City as a Whole

Condensed Statement of Net Assets

The table below presents the City's condensed Statement of Net Position as of December 31, 2011 and 2012.

	Governmental Activites			Business-type Activities		
Assets	2011 *as restated*	2012	Change	2011	2012	Change
Current assets	$ 1,487,268	$ 1,603,317	$ 116,049	$ 1,119,315	$ 843,685	$(275,630)
Noncurrent Assets	2,484,964	3,162,271	677,307	10,196,896	10,437,848	240,952
Total Assets	3,972,232	4,765,588	793,356	11,316,211	11,281,533	(34,678)
Liabilities						
Current liabilities	405,431	675,774	270,343	905,233	899,326	(5,907)
Long-term liabilities	30,120	27,379	(2,741)	4,792,399	4,558,017	(234,382)
Total Liabilities	435,551	703,153	267,602	5,697,632	5,457,343	(240,289)
Net Position						
Net investment in capital assets	2,441,089	3,114,857	673,768	4,413,249	4,581,334	168,085
Restricted	238,628	33,616	(205,012)	405,446	359,507	(45,939)
Unrestricted	856,964	913,962	56,998	799,884	883,349	83,465
Total Net Position	$ 3,536,681	$ 4,062,435	$ 525,754	$ 5,618,579	$ 5,824,190	$ 205,611

The largest component of the City's net position is its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and other), less any related debt outstanding that was needed to acquire or construct the assets. 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 position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The decrease in governmental activities restricted net position is due to the net decrease in fund balance of the capital projects funds. The remaining portion of net position 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, 2011 and 2012. Over time, increases and decreases in net assets measure whether the City's financial position is improving or deteriorating.

	Governmental Activities			Business-type Activities		
Revenues:	2011 *as restated*	2012	Change	2011	2012	Change
Program						
Charges for services	$ 718,131	$ 751,576	$ 33,445	$ 2,150,958	$ 2,206,011	$ 55,053
Operating grants & contributions	3,100	-	(3,100)	-	-	-
Capital grants & contributions	227,682	688,280	460,598	5,000	34,960	29,960
General			-	-	-	-
Property taxes	687,169	507,195	(179,974)	-	-	-
Sales taxes	371,466	417,032	45,566	-	-	-
Other revenues and taxes	490,753	788,934	298,181	5,138	3,539	(1,599)
Total revenues	2,498,301	3,153,017	654,716	2,161,096	2,244,510	83,414
Expenses:						
General government	482,793	528,282	45,489	-	-	-
Judicial	-	48,210	48,210			
Public safety	701,310	717,978	16,668	-	-	-
Public works	591,979	705,764	113,785	-	-	-
Culture and recreation	227,633	220,141	(7,492)	-	-	-
Economic development	115,818	150,110	34,292	-	-	-
Sanitation	289,420	291,891	2,471	-	-	-
Interest	3,523	2,721	(802)	-	-	-
Water and sewerage system	-	-	-	2,189,530	2,001,065	(188,465)
Total expenses	2,412,476	2,665,097	252,621	2,189,530	2,001,065	(188,465)
Excess (deficiency) before transfers	85,825	487,920	402,095	(28,434)	243,445	271,879
Transfers	-	37,834	37,834	-	(37,834)	(37,834)
Change in net position	85,825	525,754	439,929	(28,434)	205,611	234,045
Beginning net position	3,326,292	3,536,681	210,389	5,647,013	5,618,579	(28,434)
Prior period adjustment	124,564	-	(124,564)	-	-	-
Ending net position	$ 3,536,681	$ 4,062,435	$ 525,754	$ 5,618,579	$ 5,824,190	$ 205,611

During the year ending December 31, 2012, the net position of the government activities increased $525,754 and the business-type activities net assets increased $205,611.

Approximately 16% of the City's revenues came from property taxes and approximately 13% came from sales taxes and 25% from other revenues and taxes. Charges for services provided 24% of the City's revenue. The City's expenses cover a range of services with 27% related to public safety, 26% related to public works, 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 $5,824,190 with $883,349 reported as unreserved and the remaining $4,940,841 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 $542,685 with $456,547 reported as unassigned fund balance and the remaining amount of $86,138 restricted or nonspendable for specific purposes. This includes $60,318 restricted for SPLOST capital projects for road improvements, a decrease of $148,492 from last year.

Road improvements and maintenance was a priority during the year and fund balance from prior years was used to complete road projects.

General Fund Budgetary Highlights

During 2012, the City adopted a budget of $2,038,042 in revenues and expenditures. The City did three budget amendments during the year making the amended budget $2,390,142. The first budget amendment added the insurance recovery for damage done to the drive-in screen owned by the City along with other small adjustments. The second amendment increased consulting and legal expenditures for the City's SPLOST negotiations by increasing sales tax and fine revenue plus several other minor adjustments. The final amendment adjusted police wages for overtime and other general fund departments slightly over budget for the year by increasing fine revenues.

The actual operating revenues of the General Fund were more than budgeted amounts by $3,354. The actual operating expenditures of the General Fund were less than budgeted amounts by $4,330. The budget was closely monitored during the year and budget amendments done to keep expenditures in line with collected and projected revenues.

Capital Asset and Long-term Debt Activity

At December 31, 2012, the City reported $3,162,271 in capital assets for governmental activities and $10,147,235 in capital assets for the business-type activities. Major capital asset transactions during the year included the upgrade of the drive-in screen and Streetscape improvements for governmental activities and construction of water and sewer lines for business-type activities. Refer to Note 5 to the financial statements for additional information on capital assets.

At December 31, 2012, the City reported long-term debt of $47,414 for governmental activities and $5,565,901 for business-type activities. The debt includes water line and sewer improvements and capital leases for the City's vehicle fleet. Refer to Note 6 to the financial statements for additional information on long-term debt.

Economic Conditions Affecting the City

The City is anticipating the opening of Wal-Mart in 2014 to increase sales tax revenues by 25-30%. The store will be located within the City limits and will be supplied water and sewer utilities by the City. The increase in water and sewer usage and property taxes will significantly increase the City's revenues in future years.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information contact Alicia Stewart, Finance Director at City of Blue Ridge, 480 West First Street, Blue Ridge Georgia, or (706)632-2091.

City of Blue Ridge, Georgia
Statement of Net Position
December 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 495,245	$ 482,564	$ 977,809
Investments	215,988	-	215,988
Restricted assets			
Cash and cash equivalents	-	86,982	86,982
Receivables			
Accounts	47,135	152,891	200,026
Property taxes	440,585	-	440,585
Franchise taxes	20,775	-	20,775
Fines	169,733	-	169,733
Intergovernmental	188,036	-	188,036
Inventory	-	106,440	106,440
Prepaid items	25,820	14,808	40,628
Total Current Assets	1,603,317	843,685	2,447,002
Noncurrent Assets			
Restricted assets			
Cash and cash equivalents	-	272,525	272,525
Unamortized bond expense	-	18,088	18,088
Capital assets			
Nondepreciable	220,674	1,383	222,057
Depreciable, net	2,941,597	10,145,852	13,087,449
Total Noncurrent Assets	3,162,271	10,437,848	13,600,119
Total Assets	4,765,588	11,281,533	16,047,121
Liabilities			
Current Liabilities			
Accounts payable	57,360	46,728	104,088
Contracts payable	-	172,475	172,475
Accrued payroll liabilities	20,169	9,753	29,922
Internal balances	564,153	(564,153)	-
Accrued interest payable	-	23,865	23,865
Unearned revenue	12,105	6,040	18,145
Other	1,952	-	1,952
Capital leases payable	20,035	14,608	34,643
Notes payable	-	972,422	972,422
Payable from restricted assets			
Revenue bonds payable	-	20,854	20,854
Cutomer deposits	-	196,734	196,734
Total Current Liabilities	675,774	899,326	1,575,100
Long-Term Liabilities (net of current portion)			
Capital leases payable	27,379	15,512	42,891
Notes payable	-	3,634,995	3,634,995
Revenue bonds payable	-	906,014	906,014
General obligation bonds payable	-	1,496	1,496
Total Long-Term Liabilities	27,379	4,558,017	4,585,396
Total Liabilities	703,153	5,457,343	6,160,496
Net Position			
Net investment in capital assets	3,114,857	4,581,334	7,696,191
Restricted for			
Debt service	-	359,507	359,507
Capital projects	60,318	-	60,318
Unrestricted	887,260	883,349	1,770,609
Total Net Position	$ 4,062,435	$ 5,824,190	$ 9,886,625

See accompanying notes to the basic financial statements

City of Blue Ridge, Georiga
Statement of Activities
For the Year Ended December 31, 2012

Function/Program	Expenses	Program Revenues: Charges for Services, Sales and Fines	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	$ 528,282	$ 2,558	$ -	$ (525,724)	$ -	$ (525,724)
Judicial	48,210	208,847	-	160,637	-	160,637
Public safety	717,978	4,580	-	(713,398)	-	(713,398)
Public works	705,764	-	688,280	(17,484)	-	(17,484)
Culture and recreation	220,141	48,836	-	(171,305)	-	(171,305)
Economic development	150,110	154,803	-	4,693	-	4,693
Sanitation	291,891	331,952	-	40,061	-	40,061
Interest	2,721	-	-	(2,721)	-	(2,721)
Total Governmental Activities	2,665,097	751,576	688,280	(1,225,241)	-	(1,225,241)
Business-Type Activities						
Water and sewerage system	2,001,065	2,206,011	34,960	-	239,906	239,906
Total Business-Type Activities	2,001,065	2,206,011	34,960	-	239,906	239,906
Total - Primary Government	$ 4,666,162	$ 2,957,587	$ 723,240	(1,225,241)	239,906	(985,335)
General Revenues						
Property taxes levied for general government purposes				507,195	-	507,195
Sales taxes				417,032	-	417,032
Franchise taxes				50,936	-	50,936
Insurance premium taxes				64,268	-	64,268
Business and occupation taxes				39,877	-	39,877
Real estate and intangible taxes				6,436	-	6,436
Other taxes				344,857	-	344,857
Unrestricted intergovernmental				2,770	-	2,770
Investment earnings				1,888	1,200	3,088
Miscellaneous				277,902	2,339	280,241
Total General Revenues				1,713,161	3,539	1,716,700
Transfers				37,834	(37,834)	-
Total General Revenues and Transfers				1,750,995	(34,295)	1,716,700
Change in Net Position				525,754	205,611	731,365
Net Position Beginning of Year				3,412,117	5,618,579	9,030,696
Prior Period Adjustment				124,564	-	124,564
Net Position End of Year				$ 4,062,435	$ 5,824,190	$ 9,886,625

See accompanying notes to the basic financial statements

City of Blue Ridge, Georgia
Balance Sheet
Governmental Funds
December 31, 2012

	General Fund	SPLOST	Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	$ 404,747	$ 87,683	$ 2,815	$ 495,245
Investments	215,988	-	-	215,988
Receivables (net)				
Accounts	45,826	-	1,309	47,135
Property taxes	440,585	-	-	440,585
Franchise taxes	20,775	-	-	20,775
Fines	169,733	-	-	169,733
Intergovernmental				
State	36,782	-	27,191	63,973
County	-	124,063	-	124,063
Interfund	90,793	-	4,793	95,586
Prepaid items	20,070	-	5,750	25,820
Total Assets	$ 1,445,299	$ 211,746	$ 41,858	$ 1,698,903
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 40,996	$ 1,164	$ 15,200	$ 57,360
Accrued payroll liabilities	20,169	-	-	20,169
Other	1,952	-	-	1,952
Interfund payable	568,946	63,602	27,191	659,739
Deferred revenue	303,145	86,662	27,191	416,998
Total Liabilities	935,208	151,428	69,582	1,156,218
Fund Balances				
Nonspendable				
Prepaid items	20,070	-	5,750	25,820
Restricted				
Capital projects	-	60,318	-	60,318
Unassigned, reported in				
General fund	490,021	-	-	490,021
Special revenue funds	-	-	(6,772)	(6,772)
Capital projects fund	-	-	(26,702)	(26,702)
Total Fund Balances	510,091	60,318	(27,724)	542,685
Total Liabilities and Fund Balances	$ 1,445,299	$ 211,746	$ 41,858	$ 1,698,903

See accompanying notes to the basic financial statements

City of Blue Ridge, Georgia
Reconciliation of the Governmental Funds' Balance Sheet
to the Statement of Net Position
December 31, 2012

Total Governmental Fund Balances			$ 542,685
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.			
Cost of capital assets	$ 4,973,849		
Less accumulated depreciation	(1,811,578)		3,162,271
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes	147,614		
Intergovernmental	113,853		
Fines	143,426		404,893
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			(47,414)
Net Position Of Governmental Activities			$ 4,062,435

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, 2012

	General Fund	SPLOST	Nonmajor Governmental Funds	Total
Revenues				
Property taxes	$ 536,951	$ -	$ -	$ 536,951
Sales taxes	417,032	-	-	417,032
Other taxes	425,334	-	81,040	506,374
Licenses and permits	76,658	-	-	76,658
Intergovernmental	2,770	489,763	84,365	576,898
Charges for services	387,926	-	4,437	392,363
Fines and forfeitures	187,762	-	2,223	189,985
Contributions	-	-	15,810	15,810
Investment earnings	1,806	299	82	2,187
Miscellaneous	65,857	-	-	65,857
Total Revenues	2,102,096	490,062	187,957	2,780,115
Expenditures				
Current				
General government	475,560	-	-	475,560
Judicial	48,210	-	-	48,210
Public safety				
Police	716,703	-	4,606	721,309
Fire	15,495	-	-	15,495
Public works	323,449	-	-	323,449
Culture and recreation	218,692	-	-	218,692
Sanitation	291,891	-	-	291,891
Economic development	295,812	-	134,997	430,809
Capital Outlay				
Public works	-	677,360	163,055	840,415
Total Expenditures	2,385,812	677,360	302,658	3,365,830
(Deficiency) of Revenues (Under) Expenditure	(283,716)	(187,298)	(114,701)	(585,715)
Other Financing Sources (Uses)				
Capital lease inception	23,776	-	-	23,776
Insurance recovery	273,132	-	-	273,132
Transfers in	-	40,069	57,159	97,228
Transfers out	(58,131)	(1,263)	-	(59,394)
Total Other Financing Sources	238,777	38,806	57,159	334,742
Net Change in Fund Balances	(44,939)	(148,492)	(57,542)	(250,973)
Fund Balances Beginning of Year	555,030	208,810	29,818	793,658
Fund Balances End of Year	$ 510,091	$ 60,318	$ (27,724)	$ 542,685

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, 2012

Net Changes In Fund Balances - Total Governmental Funds			$ (250,973)
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	$ (170,102)	
	Capital outlay	847,409	677,307
Capital leases are reported as other financing at the fund level but are reported as a liability on the government-wide statement of activities.			(23,776)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.			
	Property taxes:		
	Deferred @ 12/31/11	$ (177,370)	
	Deferred @ 12/31/12	147,614	(29,756)
	Intergovernmental:		
	Deferred @ 12/31/11	$ -	
	Deferred @ 12/31/12	113,853	113,853
	Fines:		
	Deferred @ 12/31/11	$ (124,564)	
	Deferred @ 12/31/12	143,426	18,862
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.			20,237
Change In Net Position of Governmental Activities			$ 525,754

See accompanying notes to the basic financial statements

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

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Property taxes	$ 490,192	$ 508,692	$ 536,951	$ 28,259
Sales taxes	387,000	410,000	417,032	7,032
Other taxes	436,250	436,250	425,334	(10,916)
Licenses and permits	61,000	72,000	76,658	4,658
Intergovernmental	2,000	2,000	2,770	770
Charges for services	384,100	390,600	387,926	(2,674)
Fines and forfeitures	130,000	187,700	187,762	62
Investment earnings	1,000	1,000	1,806	806
Miscellaneous	96,500	90,500	65,857	(24,643)
Total Revenues	1,988,042	2,098,742	2,102,096	3,354
Expenditures				
General government	434,804	475,704	475,560	144
Judicial	3,600	48,300	48,210	90
Public safety				
Police	698,150	716,750	716,703	47
Fire	16,000	16,000	15,495	505
Public works	322,207	323,707	323,449	258
Culture and recreation	242,281	221,781	218,692	3,089
Sanitation	290,000	292,000	291,891	109
Economic development	31,000	295,900	295,812	88
Total Expenditures	2,038,042	2,390,142	2,385,812	4,330
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,000)	(291,400)	(283,716)	7,684
Other Financing Sources (Uses)				
Capital lease inception	50,000	25,000	23,776	(1,224)
Insurance reimbursement	-	266,400	273,132	6,732
Transfers out	-	-	(58,131)	(58,131)
Total Other Financing Sources (Uses)	50,000	291,400	238,777	(52,623)
Net Change in Fund Balances	$ -	$ -	(44,939)	$ (44,939)
Fund Balances Beginning of Year			555,030	
Fund Balances End of Year			$ 510,091	

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Net Assets
Proprietary Fund
December 31, 2012

	Water & Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	$ 482,564
Receivables (net)	
Accounts	152,891
Interfund	564,153
Inventory	106,440
Prepaid items	14,808
Restricted assets	
Cash and cash equivalents	86,982
Total Current Assets	$1,407,838
Noncurrent Assets	
Restricted assets	
Cash and cash equivalents	272,525
Unamortized bond expense	18,088
Capital assets	
Nondepreciable	1,383
Depreciable, net	10,145,852
Total Noncurrent Assets	10,437,848
Total Assets	11,845,686
Liabilities	
Current Liabilities	
Accounts payable	46,728
Contracts payable	172,475
Accrued payroll liabilities	9,753
Accrued interest	23,865
Unearned revenue	6,040
Notes payable	972,422
Capital lease payable	14,608
Payable from Restricted Assets:	
Revenue bonds payable	20,854
Customer deposits	196,734
Total Current Liabilities	1,463,479
Long-Term Liabilities	
Notes payable (net of current portion)	3,634,995
Revenue bonds payable (net of current portion)	906,014
General obligation bonds	1,496
Capital lease payable (net of current portion)	15,512
Total Long-Term Liabilities	4,558,017
Total Liabilities	6,021,496
Net Assets	
Invested in capital assets, net of related debt	4,581,334
Restricted for debt service	359,507
Unrestricted	883,349
Total Net Assets	$ 5,824,190

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, 2012

	Water & Sewer Fund
Operating Revenues	
Charges for services	
Water revenues	$ 1,584,135
Sewer revenues	547,788
Service charges	19,775
Tap fees	17,973
Connection fees	10,825
Penalties	25,515
Miscellaneous	2,339
Total Operating Revenues	2,208,350
Operating Expenses	
Water department	
Personnel services	565,177
Contractual services	91,759
Supplies	203,464
Sewer department	
Personnel services	155,618
Contractual services	100,358
Supplies	285,343
Total Operating Expenses	1,401,719
Operating Income before Amortization and Depreciation	806,631
Depreciation	381,445
Amortization	683
Operating Income	424,503
Non-Operating Revenues (Expenses)	
Intergovernmental revenue	34,960
Interest income	1,200
Interest on revenue bonds	(41,533)
Interest on loans	(175,685)
Total Non-Operating (Expenses)	(181,058)
Income Before Contributions and Transfers	243,445
Transfers out	(37,834)
Change in Net Assets	205,611
Net Assets Beginning of Year	5,618,579
Net Assets End of Year	$ 5,824,190

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, 2012

	Water & Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	$ 2,223,480
Cash payments for personal services	(720,369)
Cash payments for goods and services	(1,008,018)
Other cash receipts	2,339
Net Cash Provided by (Used in) Operating Activities	497,432
Cash Flows from Noncapital Financing Activities	
Transfers out	(37,834)
Cash Flows from Capital and Related Financing Activities	
Proceeds from debt	20,120
Principal paid on revenue bonds	(20,603)
Interest paid on revenue bonds	(41,041)
Principal paid on leases and notes	(198,492)
Interest paid on leases and notes	(154,793)
Proceeds from grants	41,000
Payments for capital acquisitions and construction	(178,080)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(531,889)
Cash Flows from Investing Activities	
Investments earnings	1,200
Net Increase (Decrease) in Cash and Cash Equivalents	(71,091)
Cash and Cash Equivalents Beginning of Year	913,162
Cash and Cash Equivalents End of Year	$ 842,071
Reconciliation of total cash and cash equivalents:	
Cash and cash equivalents	$ 482,564
Current restricted assets-cash and cash equivalents	86,982
Noncurrent restricted assets- cash and cash equivalents	272,525
Total cash and cash equivalents	$ 842,071

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, 2012

	Water & Sewer Fund
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities	
Operating Income	$ 424,503
Adjustments	
Depreciation	381,445
Amortization	683
(Increase) Decrease in Assets	
Accounts receivable	4,895
Inventories	(72,643)
Interfund receivables	(251,182)
Prepaid expenses	(238)
Increase (Decrease) in Liabilities	
Accounts payable	(3,031)
Accrued payroll liabilities	426
Deposits payable	12,574
Net Cash Provided by (Used in) Operating Activities	$ 497,432

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.

A. Government-wide and Fund Financial Statements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34 which establishes new financial reporting requirements for state and local governments throughout the United States. Its implementation creates new information and restructures much of the information that governments have presented in the past. The GASB's intent is to make annual reports more comprehensive and easier to understand.

GASB 34 took effect for entities the size of the City of Blue Ridge during the fiscal year ending December 31, 2004. One of the changes required by GASB 34 is the presentation of current and accumulated depreciation by activity. Another important change is the requirement to present the original adopted budget as well as the final amended budget in the budgetary comparison statements.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City.

These statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets, as well as current year infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type

activities, which are presented as internal balances and eliminated in the total primary government column. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, fines, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. The City considers taxes as available in the period for which they were levied if they are collected within 90 days of year end. A sixty (60) 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.

The City reports the following major proprietary funds:

Water and Sewer Fund – to provide for the operation, maintenance, and improvement of the city's water and sewer system.

Additionally the City reports the following fund types:

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Hotel/Motel and Confiscated Assets funds are special revenue funds.

Capital Projects Funds account for financial resources to be used for the acquisition of major capital projects which are not financed by the General Fund. The SPLOST fund and nonmajor Streetscape fund are capital projects funds.

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Enterprise Funds account for activities that are usually self-sustaining, principally through user charges for services rendered. The Water and Sewer Fund is an enterprise fund.

D. The Reporting Entity

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

E. Budgets

The budgetary data reflected in the financial statements are established and adopted by the City Council and Mayor at the department level. Any change to the original budget for a department must be approved by the Council.

An annual budget is required to be adopted for the general fund and each special revenue fund according to Georgia law. A project-length budget is required for capital projects funds. Annual budgets were adopted for the General Fund, special revenue funds, and the Water and Sewer Fund. Budgets are adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies.

F. 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 to ninety days of the fiscal year end. Those current and prior year property taxes which are collected within this time period are susceptible to accrual and therefore are accrued and reflected in revenue. The City determined that 90 days more clearly reflects the collection cycle for property taxes because the bills were not due until March 1, 2013. The City believes 90 days more accurately reflects property tax revenue for the year based on the due date and actual collection patterns. 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.

Fines receivable is estimated as 13% of the outstanding balance of non-probation cases and 100% of probation cases. No allowance is made for fines receivable since warrants are taken out on uncollected cases and probation cases are rarely written off.

Accounts receivable in the Water and Sewer Fund are stated at gross amounts receivable less an allowance for estimated uncollectible accounts. The allowance is computed as a percentage of the receivable balance at year end based primarily on the age of the indebtedness. The allowance for uncollectible accounts receivable in the Water and Sewer Fund is computed as 2% of the current receivable balance and 100% of the seriously delinquent balances. The total allowance for 2012 is $186,312. The increase in the amount of receivables considered uncollectible is included in the financial statements in net revenue.

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 $25,000 for infrastructure assets. Infrastructure assets acquired prior to the implementation of GASB 34 have not been capitalized. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City patched and resurfaced several roads during the current year that are considered general maintenance.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Deprecation on capital assets is calculated on the straight-line basis over the following estimated useful lives.

	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 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. When an expenditure is incurred for purposes for which amounts in committed, assigned, or unassigned fund balance could be used, it is the government's policy to first use committed and then assigned fund balance if available. Unassigned fund balance would be used for remaining expenditures from unrestricted fund balance.

P. Investments

The City generally limits their investments to certificates of deposit through local financial institutions. However, upon approval by Mayor and Council, any investment authorized by Georgia code would be acceptable.

2. Cash on Deposit and Investment Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be recovered. State statutes require all deposits to be collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia or bonds of public or development authorities, counties, or municipalities of the State of Georgia. It is the City's policy that any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S. Obligations. Deposits exceeding FDIC limits secured thru the local government investment pool, "Georgia Fund 1," created by O.C.G.A. 36-83-8 or a collateral pool are acceptable securities.

At December 31, 2012 the bank balance of all deposits was $1,542,381 and the carrying amount was $1,579,859. All deposits were covered by FDIC insurance. Deposits exceeding FDIC limits were secured thru the Georgia Collateral Pool and met the Georgia law. Administered by the Georgia Bankers Association Services, Inc. (GBASI) and coordinated by the Office of Treasury and Fiscal Services, the Pool came into effect on January 1, 1999. Through monthly reporting, GBASI ensures the banks participating in the pool meet Georgia state law regarding collateral levels of 110%. As of December 31, 2012, United Community Bank pooled deposits totaled $538,393,323.69 and the total market value of the securities pledged as collateral to the Pool totaled $547,802,909.40. The collateral to deposit ratio is 117%.

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

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

3. Restricted Assets and Sinking Fund Requirements

Assets totaling $104,507 in the Water and Sewerage System Fund are restricted in 2012, for a sinking fund related to Rural Development bonds. Assets totaling $255,000 were restricted as a loan reserve for a water expansion project.

4. Deficit Fund Balances

The City anticipates that future revenues will fund the Hotel/Motel and Confiscated Assets deficit fund balances of $4,389 and $2,383, respectively. The recognition of deferred revenue will provide for the deficit fund balance of the Streetscape capital projects fund to be reduced when the grant revenue is received.

5. Capital Assets – Governmental Activities

Changes in capital assets by major classes for 2012 are as follows:

Governmental Activities:	Balance 12/31/2011	Adjustment	Additions	Deductions	Balance 12/31/2012
Nondepreciable capital assets					
Land	$ 76,065	$ -	$ -	$ -	$ 76,065
Construction in progress	-	-	144,609	-	144,609
Total nondepreciable capital assets	76,065	-	144,609	-	220,674
Depreciable capital assets					
Buildings	1,207,963	-	-	-	1,207,963
Machinery and equipment	1,241,097	-	47,503	37,525	1,251,075
City park & improvements	475,795	-	7,194	-	482,989
Infrastructure	1,163,045	-	648,103	-	1,811,148
Total depreciable assets	4,087,900	-	702,800	37,525	4,753,175
Total capital assets	4,163,965	-	847,409	37,525	4,973,849
Accumulated depreciation					
Buildings	231,537	(8,784)	38,881	-	261,634
Machinery and equipment	974,976	9,348	81,532	37,525	1,028,331
City park & improvements	381,620	(564)	16,337	-	397,393
Infrastructure	90,868	-	33,352	-	124,220
Total accumulated depreciation	1,679,001	-	170,102	37,525	1,811,578
	$ 2,484,964	$ -	$ 677,307	$ -	$ 3,162,271

Governmental activities depreciation expense is as follows:

Geneal government	$ 52,722
Public safety	18,596
Public works	68,513
Culture and recreation	26,694
Economic development	3,577
	$ 170,102

Business-type Activities:	Balance 12/31/2011	Adjustment	Additions	Deductions	Balance 12/31/2012
Nondepreciable capital assets					
Land	$ 1,383	$ -	$ -	$ -	$ 1,383
Construction in progress	-	-	258,916	-	258,916
Total nondepreciable capital assets	1,383	-	258,916	-	260,299
Depreciable capital assets					
Infrastructure and pipelines	13,782,725	(5,350,251)	81,084	-	8,513,558
Buildings and improvements	-	5,354,038	-	-	5,354,038
Machinery and equipment	595,320	(3,787)	10,555	126,750	475,338
Total depreciable assets	14,378,045	-	91,639	126,750	14,342,934
Total capital assets	14,379,428	-	350,555	126,750	14,603,233
Accumulated depreciation					
Infrastructure and pipelines	3,728,491	(2,091,089)	213,487	-	1,850,889
Buildings and improvements	-	2,100,456	129,699	-	2,230,155
Machinery and equipment	472,812	(9,367)	38,259	126,750	374,954
Total accumulated depreciation	4,201,303	-	381,445	126,750	4,455,998
	$ 10,178,125	$ -	$ (30,890)	$ -	$ 10,147,235

6. Long-term Debt

The City has obtained the following capital lease for governmental activities:

A lease payable to Ford Motor Credit in the amount of $23,776 for the purchase of a police car matures July 2015 and carries an interest rate of 6.10%.

	Principal	Interest	Total
2013	$ 5,427	$ 1,055	$ 6,482
2014	5,758	724	6,482
2015	6,109	373	6,482
	$ 17,294	$ 2,152	$ 19,446

The asset aquired through this capital lease is as follows:

Machinery and equipment	$ 26,821
Accumulated depreciation	(2,235)
Book value	$ 24,586

A capital lease 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 lease purchased four vehicles for governmental activities and four vehicles for business-type activities.

	Governmental Activities			Busines-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	$ 14,608	$ 1,867	$ 16,475	$ 14,608	$ 1,867	$ 16,475
2014	15,512	962	16,474	15,512	962	16,474
	$ 30,120	$ 2,829	$ 32,949	$ 30,120	$ 2,829	$ 32,949

The assets aquired through this capital lease are as follows:

	Governmental Activities	Busines-type Activities
Machinery and equipment	$ 78,660	$ 73,302
Accumulated depreciation	(46,789)	(43,980)
Book value	$ 31,871	$ 29,322

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

Bonds payable at December 31, 2012 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
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	24,958	37,178	62,136
2018-2022	143,078	167,602	310,680
2023-2027	179,105	131,575	310,680
2028-2032	224,202	86,478	310,680
2033-2037	266,183	30,072	296,255
	$ 926,868	$ 612,107	$ 1,538,975

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
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	2,000	573	2,573
2018-2020	6,500	935	7,435
	$ 16,500	$ 4,947	$ 21,447

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

	Principal	Interest	Total
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	91,575	7,495	99,070
2018	95,790	3,281	99,071
	$ 515,112	$ 79,309	$ 594,421

A 2007 loan from Georgia Environmental Facility (GEFA) to finance system additions for $1,534,299 at 4.1% was matures February 2032. An additional loan, GEFA 2010, in the amount of $1,871,706 at 3.81% 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
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	61,645	50,898	112,543	76,996	56,872	133,868	246,411
2018-2022	349,078	213,638	562,716	432,143	237,196	669,339	1,232,055
2023-2027	428,352	134,364	562,716	522,672	146,667	669,339	1,232,055
2028-2032	430,389	38,542	468,931	495,936	39,535	535,471	1,004,402
	$1,492,294	$ 664,784	$2,157,078	$1,808,045	$ 735,443	$2,543,488	$4,700,566

A loan from United Community Bank in the amount of $775,466 at 2.6% matures January 27, 2013 for water system improvements. Fiscal year 2012 interest due is $19,639. General obligation bonds of $1,496 have not been presented for redemption. These bonds are payable when requested.

Changes in long-term Debt:

	Beginning Balance 12/31/11	Adjustment	Additions	Reductions	Ending Balance 12/31/12	Due Within One Year
Governmental activities						
Capital lease payable	$ 43,875	$ -	$ 23,776	$ 20,237	$ 47,414	$ 20,035
Business-type activities						
Revenue bonds	947,471	-	-	20,603	926,868	20,854
Capital lease payable	-	43,875	-	13,755	30,120	14,608
Notes payable	4,815,909	(43,875)	20,120	184,737	4,607,417	972,422
General obligation bond	1,496	-	-	-	1,496	-
	$ 5,764,876	$ -	$ 20,120	$ 219,095	$ 5,565,901	$ 1,007,884

Interest costs of $221,605 were incurred in 2012, with $25,718 capitalized as construction in progress.

7. Water and Sewer Fund Unamortized Bond Asset

Other assets consist of deferred bond issue costs and certain premiums and interest paid to holders of bonds of the 1997 issues. These costs and premiums are being amortized over the life of the bonds. Amortization for 2012 amounted to $683. 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 the legal level of control being department level. During fiscal year 2012 no department expenditures exceeded appropriated amounts as shown in the budgetary comparison statement.

9. Property Taxes

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

Lien date	January 1, 2012
Levy date	November 5, 2012
Due date	March 1, 2013
Delinquent date	March 4, 2013

Interest at nine per cent annually is added on the delinquent date and fifa's can be for uncollected taxes. The total current levy at December 31, 2012 was $586,980.

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, 2012, the estimated minimum annual contribution under these funding standards is $63,019.

According to the annual plan valuation dated July 1, 2012, the recommended contribution to the plan for 2013 is $84,137 ($0 employee and $84,137 employer; 0% employee and 7.85% employer of covered payroll respectively). Covered payroll for 2013 is $1,053,447.

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 (APC)	Percentage of APC Contributed	Net (EQY) Pension Obligation
2012	$74,099	100.0%	$0
2011	88,804	100.0%	0
2010	80,977	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)
7/1/2012	$ 882,587	$ 1,126,095	$ 243,508	78.38%	$ 1,053,447	23.12%
7/1/2011	786,807	997,092	210,285	78.91%	995,363	21.13%
7/1/2010	683,871	976,280	292,409	70.0%	922,108	31.71%

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, 2012, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	8
Number of terminated employees entitled to benefits, but not yet receiving them	1
Number of Active Plan Participants	
Vested	14
Not vested	19
Total	42

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, 2012 the City paid $1,291 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	$ 81,040
Hotel Tax Expenditures	$134,997
Percentage Expended	100%

17. Interfund Balances

Payables and receivables between the general fund and the hotel/motel and water and sewerage system funds result from day to day expenditures being paid from a central source and these balances are periodically reconciled. Payables from SPLOST and nonmajor funds to the general fund are the product of grant receivables and will be reimbursed when the grant funds are received. Following is the interfund balances at December 31, 2012.

	Payable from			
Payable to	General fund	SPLOST	Nonmajor	Total
General fund	$ -	$ 63,602	$ 27,191	$ 90,793
Hotel/motel	4,793	-	-	4,793
Water & sewerage system fund	564,153	-	-	564,153
Total	$ 568,946	$ 63,602	$ 27,191	$ 659,739

Transfers from the general fund to nonmajor funds provide match funds for the Streetscape grant. Transfers from water and sewerage system fund to SPLOST cover expenditures for road improvements due to water and sewer repairs. Following is the interfund balances at December 31, 2012.

	Transfers in		
Transfers out	SPLOST	Nonmajor	Total
General fund	$ 2,235	$ 55,896	$ 58,131
SPLOST	-	1,263	1,263
Water & sewerage system fund	37,834	-	37,834
Total	$ 40,069	$ 57,159	$ 97,228

18. Prior Period Adjustment

A prior period adjustment was made to record fines receivable as of December 31, 2011. Fines receivable has not been recorded in the past, but as the total outstanding balance has grown and collections of prior outstanding balances were analyzed, it was deemed necessary to record a receivable. This adjustment has no effect to the fund balance or change in fund balance of the general fund due to the deferral of fines receivable at the fund level. Following is the effect of the prior period adjustment to the government-wide statements.

Change in Net Position at December 31, 2011	$ 85,825
Prior period adjustment	124,564
Change in Net Position at December 31, 2011, as restated	210,389
Net Position Beginning of Year	3,326,292
Net Position End of Year at December 31, 2011, as restated	$ 3,536,681

CITY OF BLUE RIDGE, GEORGIA

SUPPLEMENTARY INFORMATION

City of Blue Ridge, Georgia
Balance Sheet
Nonmajor Governmental Funds
December 31, 2012

	Special Revenue Funds		Captial Projects Fund	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	Streetscape	Funds
Assets				
Cash and cash equivalents	$ 103	$ 2,223	$ 489	$ 2,815
Receivables (net)				
Accounts	1,309	-	-	1,309
Intergovernmental	-	-	27,191	27,191
Interfund	4,793	-	-	4,793
Prepaid items	-	-	5,750	5,750
Total Assets	$ 6,205	$ 2,223	$ 33,430	$ 41,858
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 10,594	$ 4,606	$ -	$ 15,200
Interfund payable	-	-	27,191	27,191
Deferred revenue	-	-	27,191	27,191
Total Liabilities	10,594	4,606	54,382	69,582
Fund Balances				
Nonspendable				
Prepaid items	-	-	5,750	5,750
Unassigned, reported in				
Special revenue funds	(4,389)	(2,383)	-	(6,772)
Capital projects fund	-	-	(26,702)	(26,702)
Total Fund Balances	(4,389)	(2,383)	(20,952)	(27,724)
Total Liabilities and Fund Balances	$ 6,205	$ 2,223	$ 33,430	$ 41,858

City of Blue Ridge, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2012

	Special Revenue Funds		Capital Projects Fund	Total Governmental
	Hotel/Motel	Confiscated Assets	Streetscape	Funds
Revenues				
Other taxes	$ 81,040	$ -	$ -	81,040
Intergovernmental	-	-	84,365	84,365
Charges for services	3,887	-	550	4,437
Fines and forfeitures	-	2,223	-	2,223
Contributions	15,810	-	-	15,810
Investment earnings	53	-	29	82
Total Revenues	100,790	2,223	84,944	187,957
Expenditures				
Current				
Police	-	4,606	-	4,606
Economic development	134,997	-	-	134,997
Capital Outlay				
Public works	-	-	163,055	-
Total Expenditures	134,997	4,606	163,055	139,603
(Deficiency) of Revenues (Under) Exp	(34,207)	(2,383)	(78,111)	48,354
Other Financing Sources (Uses)				
Transfers in	-	-	57,159	57,159
Net Change in Fund Balances	(34,207)	(2,383)	(20,952)	105,513
Fund Balances Beginning of Year	29,818	-	-	29,818
Fund Balances (Deficits) End of Year	$ (4,389)	$ (2,383)	$ (20,952)	$ 135,331

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Blue Ridge, Georgia, as of the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise The City of Blue Ridge, Georgia's basic financial statements and have issued our report thereon dated June 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City of Blue Ridge, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The City of Blue Ridge, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Blue Ridge, Georgia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given theses limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist

that have not been identified. We did indentify certain deficiencies in internal control, described in the accompanying schedule of findings and managements response that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Blue Ridge, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The City of Blue Ridge, Georgia's Response to Findings

The City of Blue Ridge's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Blue Ridge, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

E. Rene Bridges

June 13, 2013

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF FINDINGS
AND MANAGEMENT RESPONSE
For the Fiscal Year Ended December 31, 2012

1. During the year cash collections at the City pool for admissions and food sales did not include adequate documentation for the daily collection to be reconciled to the daily deposit. As a result there were not adequate checks and balances between the funds collected and the funds deposited.

   Management response: Presently for 2013 the City has implemented the use of a cash register and daily collections are reconciled to each day's collection and subsequent deposit.

City of Blue Ridge, Georgia
Schedule for Projects Constructed with
Special Purpose Local Option Sales Tax
For the year ended December 31, 2012

Project	Referendum Authorized Amount	Original Estimated Cost	Prior Years' Expenditures	Current Year Expenditures	Cumulative Total	Estimated Percentage of Completion
2011 SPLOST						
Maintenance, repair, and construction of roads, streets, brindges and sidewalks	$ 1,575,000	$1,575,000	$ -	$ 295,657	$ 295,657	19%

Note A: The SPLOST schedule has been prepared on the modified accrual basis of accounting.
Note B: Streetscape grant expenditures in the SPLOST fund of $381,703 have not been included.