CITY OF BLUE RIDGE, GEORGIA

ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2013

CITY OF BLUE RIDGE, GEORGIA
FINANCIAL REPORT
For the Year Ended December 31, 2013

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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, 2013, 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, 2013, 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.

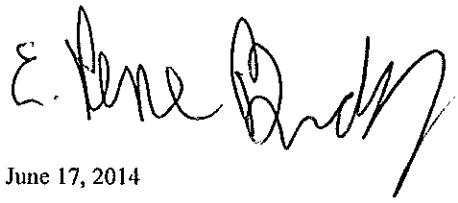
Other Information

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 17, 2014, 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 17, 2014

McCaysville, GA

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, 2013. 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 Position

The table below presents the City's condensed Statement of Net Position as of December 31, 2012 and 2013.

	Governmental Activites			Business-type Activities		
	2012	2013	Change	2012, *as restated*	2013	Change
Assets						
Current assets	$ 1,603,317	$ 1,429,284	$ (174,033)	$ 843,685	$ 713,515	$ (130,170)
Other assets	-	-	-	272,525	220,963	(51,562)
Capital assets	3,162,271	3,106,800	(55,471)	10,147,235	10,745,824	598,589
Total assets	4,765,588	4,536,084	(229,504)	11,263,445	11,680,302	416,857
Liabilities						
Current liabilities	675,774	454,649	(221,125)	899,326	1,322,693	423,367
Long-term liabilities	27,379	21,412	(5,967)	4,558,017	4,314,966	(243,051)
Total liabilities	703,153	476,061	(227,092)	5,457,343	5,637,659	180,316
Deferred inflows of resources	-	21,771	21,771	-	-	-
Net Position						
Net investment in capital assets	3,114,857	3,056,807	(58,050)	4,581,334	5,646,042	1,064,708
Restricted	33,616	161,988	128,372	359,507	365,988	6,481
Unrestricted	913,962	819,457	(94,505)	865,261	30,613	(834,648)
Total net position	$ 4,062,435	$ 4,038,252	$ (24,183)	$ 5,806,102	$ 6,042,643	$ 236,541

The largest component of the City's net position is its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and other), less any related debt outstanding that was needed to acquire or construct the assets. Approximately 75% of the governmental activities' net position is invested in capital assets at December 31, 2013; this is only a 1% decrease from the prior year due to depreciation as the City had no major asset additions for governmental funds during 2013. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net assets are not available for future spending. For business-type activities, the City has invested 93% of its net position in capital assets for 2013, as compared to 78% during 2012. This is the result of additions to construction in progress for upgrade of the water plant, the extension of water lines and the addition of a water storage tank. Capital assets in the business-type activities provide utility service and generate revenues for the water and sewer fund. Restricted net position represents resources that are

subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The increase in restricted net position of $128,372 in governmental funds is due to the accumulation SPLOST of resources for future road and street maintenance. The remaining portion of net position is unrestricted, which can be used to finance government operations. Unrestricted net position shows a 10% and 96% reduction from the prior year in governmental and business-type activities, respectively, due to increases in the other portions of net position previously mentioned.

Condensed Statement of Activities

The following table presents the City's condensed Statement of Activities for the years ended December 31, 2012 and 2013.

	Governmental Activities			Business-type Activities		
	2012	2013	Change	2012, *as restated*	2013	Change
Revenues:						
Program						
Charges for services	$ 751,576	$ 610,154	$ (141,422)	$ 2,206,011	$ 2,161,628	$ (44,383)
Operating grants & contributions	-	33,099	33,099	-	-	-
Capital grants & contributions	688,280	234,643	(453,637)	34,960	304,372	269,412
General			-	-	-	-
Property taxes	507,195	506,822	(373)	-	-	-
Sales taxes	417,032	454,862	37,830	-	-	-
Other revenues and taxes	788,934	649,539	(139,395)	3,539	55,478	51,939
Total revenues	3,153,017	2,489,119	(663,898)	2,244,510	2,521,478	276,968
Expenses:						
General government	528,282	482,190	(46,092)	-	-	-
Judicial	48,210	120,900	72,690			
Public safety	717,978	749,836	31,858	-	-	-
Public works	705,764	590,491	(115,273)	-	-	-
Culture and recreation	220,141	219,656	(485)	-	-	-
Economic development	150,110	193,988	43,878	-	-	-
Sanitation	291,891	162,882	(129,009)	-	-	-
Interest	2,721	2,922	201	-	-	-
Water and sewerage system	-	-	-	2,000,382	2,275,374	274,992
Total expenses	2,665,097	2,522,865	(142,232)	2,000,382	2,275,374	274,992
Excess (deficiency) before transfers	487,920	(33,746)	(521,666)	244,128	246,104	1,976
Transfers	37,834	9,563	(28,271)	(37,834)	(9,563)	28,271
Change in net position	525,754	(24,183)	(549,937)	206,294	236,541	30,247
Beginning net position	3,536,681	4,062,435	525,754	5,618,579	5,806,102	187,523
Prior period adjustment	-	-	-	(18,771)	-	18,771
Ending net position	$ 4,062,435	$ 4,038,252	$ (24,183)	$ 5,806,102	$ 6,042,643	$ 236,541

Over time, increases and decreases in net position measure whether the City's financial position is improving or deteriorating. During the year ending December 31, 2013, the net position of the government activities decreased $24,183 and the business-type activities net position increased $236,541.

Approximately 20% of the City's revenues came from property taxes, 18% from sales taxes and 26% from other revenues and taxes during 2013. All of these percentages are an increase from the prior year as the City is heavily reliant on property, sales and franchise taxes to support governmental operations. Charges for services provided 24% of the City's revenue in 2013 versus 23% in 2012. The City's expenses cover a range of services with 29% related to public safety in 2013 and 26% in 2012

due to the addition of part-time officers. Public works expense makes up 23% of 2013 expense, a decrease from 26% in the prior year. General government activities expense remained at 19% from the prior year.

There was a slight 2% decrease in operating revenues for business-type activities because of reduced collections of water revenues and penalties and interest. The City intends to increase water revenue in 2014 by implementing rates that do not allow any minimum in the base rate. Users will be charged for the all water usage starting with the first gallon used and it is expected to generate an increase in water revenues of approximately 5%. Business-type expense increased $274,309 or 13% due mostly to increased water department supplies for maintenance of the system along with a large decrease in inventory also creating an increase in supplies expense as the inventory was used.

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 $584,854 with $246,068 reported as unassigned fund balance, $11,175 as nonspendable for prepaid items and $161,988 restricted for specific purposes. This includes $130,790 restricted for SPLOST capital projects for road improvements, an increase of $79,472 from last year as assets are accumulating in the fund for future projects. The remaining amount of $182,436 is assigned for working capital and contingencies according to the City’s fund balance policy.

Governmental Funds

The general fund balance decreased $70,412 due to transfers out to help finance the nonmajor Streetscape fund. Total revenues decreased $50,155 or 2% due to a decrease in charges for services since the City discontinued billing sanitation fees during 2013. General fund expenditures decreased $293,085 or 12% again because of the discontinued contract for sanitation collection and a decrease in economic development expenditures. Those expenditures decreased because the prior year included a large capital outlay expenditure for repair of the drive-in screen that was financed by insurance recovery.

Intergovernmental revenue for the SPLOST fund decreased $183,302 because the prior year included $253,338 of grant revenue from a Department of Transportation Streetscape grant that was matched with SPLOST funds and completed during 2012. Sales tax revenue received from the County only increased 2% so it was consistent from the prior year. Fund expenditures also decreased 66% because of the effect of the Streetscape grant included in the fund during the prior year.

The fund balance of nonmajor governmental funds increased $33,109 due mainly to an accumulation of unrestricted hotel/motel revenues that will be spent in future years.

Proprietary Fund

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Therefore, the analysis is presented above.

General Fund Budgetary Highlights

Before the start of 2013, the City adopted a budget of $2,087,338 in revenues and expenditures. The City did four budget amendments during the year making the amended budget $2,142,358. The first budget amendment added a grant received for video surveillance in police cars and consulting fees for LOST negotiations along with other small adjustments. The second amendment added a capital lease for a police car and deleted the remaining revenue budgeted for solid waste collection. The new outsourced garbage collectors bill and collect fees directly instead charges being on the City’s water and sewer bills. The third adjustment took into account a couple of part-time employees hired in various departments during the year along with other minor adjustments. The final amendment adjusted police and public works wages for overtime and vacation/holiday pay and other general fund departments slightly over budget for the year by increasing fines, sales tax and beverage tax revenues to actual collections for the year.

The actual operating revenues of the General Fund were less than budgeted amounts by $59,797. The actual operating expenditures of the General Fund were less than budgeted amounts by $14,631. 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, 2013, the City reported $3,106,800 in capital assets for governmental activities and $10,745,824 in capital assets for the business-type activities. Major capital asset transactions during the year included additions to construction in progress for engineering to begin a water plant upgrade and extend water lines and add storage tank for business-type activities. Refer to Note 5 to the financial statements for additional information on capital assets.

At December 31, 2013, the City reported long-term debt of $49,993 for governmental activities and $5,099,782 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 are expected to 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, 2013

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Total**
Assets			
Current Assets			
Cash and cash equivalents	$ 390,038	$ 22,131	$ 412,169
Investments	182,436	-	182,436
Restricted assets			
Cash and cash equivalents	-	362,219	362,219
Receivables			
Accounts	26,508	154,896	181,404
Property taxes	454,384	-	454,384
Franchise taxes	11,351	-	11,351
Fines	183,962	-	183,962
Intergovernmental	166,555	92,000	258,555
Inventory	-	74,216	74,216
Prepaid items	14,050	8,053	22,103
Total Current Assets	1,429,284	713,515	2,142,799
Noncurrent Assets			
Restricted assets			
Cash and cash equivalents	-	220,963	220,963
Capital assets			
Nondepreciable	223,936	1,217,354	1,441,290
Depreciable, net	2,882,864	9,528,470	12,411,334
Total Noncurrent Assets	3,106,800	10,966,787	14,073,587
Total Assets	4,536,084	11,680,302	16,216,386
Liabilities			
Current Liabilities			
Accounts payable	42,680	46,220	88,900
Contracts payable	-	578,825	578,825
Accrued payroll liabilities	27,519	15,051	42,570
Unearned revenue	4,815	-	4,815
Internal balances	340,270	(340,270)	-
Accrued interest payable	-	20,857	20,857
Other	10,784	-	10,784
Capital leases payable	28,581	15,513	44,094
Notes payable	-	624,278	624,278
Payable from restricted assets			
Notes payable	-	123,214	123,214
Revenue bonds payable	-	21,811	21,811
Cutomer deposits	-	217,194	217,194
Total Current Liabilities	454,649	1,322,693	1,777,342
Long-Term Liabilities (net of current portion)			
Capital leases payable	21,412	-	21,412
Notes payable	-	3,429,266	3,429,266
Revenue bonds payable	-	884,204	884,204
General obligation bonds payable	-	1,496	1,496
Total Long-Term Liabilities	21,412	4,314,966	4,336,378
Total Liabilities	476,061	5,637,659	6,113,720
Deferred Inflows of Resources			
Unavailable revenues	21,771	-	21,771
Net Position			
Net investment in capital assets	3,056,807	5,646,042	8,702,849
Restricted for			
Debt service	-	365,988	365,988
Capital projects	139,790	-	139,790
Program purposes			
Public safety	1,553	-	1,553
Housing and economic development	20,645	-	20,645
Unrestricted	819,457	30,613	850,070
Total Net Position	$ 4,038,252	$ 6,042,643	$ 10,080,895

See accompanying notes to the basic financial statements

City of Blue Ridge, Georiga
Statement of Activities
For the Year Ended December 31, 2013

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 Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government							
Governmental Activities							
General government	$ 482,190	$ 67,954	$ -	$ -	$ (414,236)	$ -	$ (414,236)
Judicial	120,900	221,013	-	-	100,113	-	100,113
Public safety	749,836	13,058	12,563	-	(724,215)	-	(724,215)
Public works	590,491	3,298	20,536	234,643	(332,014)	-	(332,014)
Culture and recreation	219,656	49,710	-	-	(169,946)	-	(169,946)
Housing and development	193,988	99,552	-	-	(94,436)	-	(94,436)
Sanitation	162,882	155,569	-	-	(7,313)	-	(7,313)
Interest	2,922	-	-	-	(2,922)	-	(2,922)
Total Governmental Activities	2,522,865	610,154	33,099	234,643	(1,644,969)	-	(1,644,969)
Business-Type Activities							
Water and sewerage system	2,275,374	2,161,628	-	304,372	-	190,626	190,626
Total - Primary Government	$ 4,798,239	$ 2,771,782	$ 33,099	$ 539,015	(1,644,969)	190,626	(1,454,343)
General Revenues							
Property taxes levied for general government purposes					506,822	-	506,822
Sales taxes					454,862	-	454,862
Franchise taxes					99,607	-	99,607
Insurance premium taxes					66,543	-	66,543
Business and occupation taxes					41,450	-	41,450
Real estate and intangible taxes					30,490	-	30,490
Other taxes					401,822	-	401,822
Investment earnings					1,417	865	2,282
Miscellaneous					8,210	54,613	62,823
Total General Revenues					1,611,223	55,478	1,666,701
Transfers					9,563	(9,563)	-
Total General Revenues and Transfers					1,620,786	45,915	1,666,701
Change in Net Position					(24,183)	236,541	212,358
Net Position Beginning of Year					4,062,435	5,824,190	9,886,625
Prior Period Adjustment					-	(18,088)	(18,088)
Net Position End of Year					$ 4,038,252	$ 6,042,643	$ 10,080,895

See accompanying notes to the basic financial statements

City of Blue Ridge, Georgia
Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	SPLOST	Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	$ 287,444	$ 100,948	$ 1,646	$ 390,038
Investments	182,436	-	-	182,436
Receivables (net)				
Accounts	26,508	-	-	26,508
Property taxes	454,384	-	-	454,384
Franchise taxes	11,351	-	-	11,351
Fines	183,962	-	-	183,962
Intergovernmental				
State	43,224	-	19,741	62,965
County	-	103,590	-	103,590
Interfund	39,709	-	24,272	63,981
Prepaid items	11,175	-	2,875	14,050
Total Assets	$ 1,240,193	$ 204,538	$ 48,534	$ 1,493,265
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 36,871	$ 2,142	$ 3,667	$ 42,680
Accrued payroll liabilities	27,519	-	-	27,519
Unearned revenue	4,815	-	-	4,815
Other	10,784	-	-	10,784
Interfund payable	364,542	19,968	19,741	404,251
Total Liabilities	444,531	22,110	23,408	490,049
Deferred Inflows of Resources				
Unavailable revenue	355,983	42,638	19,741	418,362
Fund Balances				
Nonspendable				
Prepaid items	11,175	-	2,875	14,050
Restricted				
Capital projects	-	139,790	-	139,790
Economic development	-	-	20,645	20,645
Public safety	-	-	1,553	1,553
Assigned				
Working capital/contingencies	182,436	-	-	182,436
Unassigned, reported in				
General fund	246,068	-	-	246,068
Capital projects fund	-	-	(19,688)	(19,688)
Total Fund Balances	439,679	139,790	5,385	584,854
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,240,193	$ 204,538	$ 48,534	$ 1,493,265

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, 2013

Total Governmental Fund Balances			$ 584,854
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	$ 5,094,095		
Less accumulated depreciation	(1,987,295)		3,106,800
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes	171,594		
Intergovernmental	62,943		
Fines	162,054		396,591
Liabilities not due and payable in the current period are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net position.			
Notes payable			(49,993)
Net Position Of Governmental Activities			$ 4,038,252

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, 2013

	General Fund	SPLOST	Nonmajor Governmental Funds	Total
Revenues				
Property taxes	$ 482,842	$ -	$ -	$ 482,842
Sales taxes	454,862	-	-	454,862
Other taxes	522,310	-	117,602	639,912
Licenses and permits	101,294	-	-	101,294
Intergovernmental	12,000	306,461	-	318,461
Charges for services	203,325	-	13,447	216,772
Fines and forfeitures	200,715	-	1,670	202,385
Contributions	-	-	3,700	3,700
Investment earnings	1,408	191	9	1,608
Miscellaneous	73,185	-	2,400	75,585
Total Revenues	2,051,941	306,652	138,828	2,497,421
Expenditures				
Current				
General government	448,924	-	-	448,924
Judicial	120,900	-	-	120,900
Public safety	-			
Police	764,422	-	134	764,556
Fire	13,493	-	-	13,493
Public works	313,333	-	-	313,333
Culture and recreation	196,084	-	-	196,084
Housing and economic development	72,689	-	118,298	190,987
Sanitation	162,882	-	-	162,882
Capital Outlay				
Public works	-	227,180	-	227,180
Housing and economic development	-	-	57,096	57,096
Total Expenditures	2,092,727	227,180	175,528	2,495,435
(Deficiency) of Revenues (Under) Expenditures	(40,786)	79,472	(36,700)	1,986
Other Financing Sources (Uses)				
Capital lease inception	30,620	-	-	30,620
Transfers in	-	-	69,809	69,809
Transfers out	(60,246)	-	-	(60,246)
Total Other Financing Sources	(29,626)	-	69,809	40,183
Net Change in Fund Balances	(70,412)	79,472	33,109	42,169
Fund Balances Beginning of Year	510,091	60,318	(27,724)	542,685
Fund Balances End of Year	$ 439,679	$ 139,790	$ 5,385	$ 584,854

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, 2013

Net Changes In Fund Balances - Total Governmental Funds			$ 42,169
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	$ (175,717)		
Capital outlay	120,246		(55,471)
Capital leases are reported as other financing at the fund level but are reported as a liability on the government-wide statement of activities.			(30,620)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.			
Property taxes:			
Deferred at 12/31/12	$ (147,614)		
Deferred at 12/31/13	171,594		23,980
Intergovernmental:			
Deferred at 12/31/12	$ (113,853)		
Deferred at 12/31/13	62,943		(50,910)
Fines:			
Deferred at 12/31/12	$ (143,426)		
Deferred at 12/31/13	162,054		18,628
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.			28,041
Change In Net Position of Governmental Activities			$ (24,183)

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, 2013

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Property taxes	$ 511,198	$ 557,598	$ 482,842	$ (74,756)
Sales taxes	420,000	450,000	454,862	4,862
Other taxes	436,500	501,500	522,310	20,810
Licenses and permits	71,000	91,500	101,294	9,794
Intergovernmental	2,000	14,000	12,000	(2,000)
Charges for services	395,940	228,940	203,325	(25,615)
Fines and forfeitures	156,000	196,400	200,715	4,315
Investment earnings	1,000	1,000	1,408	408
Miscellaneous	68,700	70,800	73,185	2,385
Total Revenues	2,062,338	2,111,738	2,051,941	(59,797)
Expenditures				
General government	416,345	450,845	448,924	1,921
Judicial	96,506	120,906	120,900	6
Public safety				
Police	685,032	764,752	764,422	330
Fire	16,000	16,000	13,493	2,507
Public works	293,680	313,680	313,333	347
Culture and recreation	200,528	201,028	196,084	4,944
Sanitation	290,000	163,000	162,882	118
Economic development	89,247	77,147	72,689	4,458
Total Expenditures	2,087,338	2,107,358	2,092,727	14,631
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,000)	4,380	(40,786)	(45,166)
Other Financing Sources (Uses)				
Capital lease inception	25,000	30,620	30,620	-
Transfers out	-	(35,000)	(60,246)	(25,246)
Total Other Financing Sources (Uses)	25,000	(4,380)	(29,626)	(25,246)
Net Change in Fund Balances	$ -	$ -	(70,412)	$ (70,412)
Fund Balances Beginning of Year			555,030	
Fund Balances End of Year			$ 484,618	

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Net Position
Proprietary Fund
December 31, 2013

	Water & Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	$ 22,131
Receivables (net)	
Accounts	154,896
Interfund	340,270
Intergovernmental	92,000
Inventory	74,216
Prepaid items	8,053
Restricted assets	
Cash and cash equivalents	362,219
Total Current Assets	1,053,785
Noncurrent Assets	
Restricted assets	
Cash and cash equivalents	220,963
Capital assets	
Nondepreciable	1,217,354
Depreciable, net	9,528,470
Total Noncurrent Assets	10,966,787
Total Assets	12,020,572
Liabilities	
Current Liabilities	
Accounts payable	46,220
Contracts payable	578,825
Accrued payroll liabilities	15,051
Accrued interest	20,857
Capital lease payable	15,513
Notes payable	624,278
Payable from Restricted Assets:	
Notes payable	123,214
Revenue bonds payable	21,811
Customer deposits	217,194
Total Current Liabilities	1,662,963
Long-Term Liabilities	
Notes payable (net of current portion)	3,429,266
Revenue bonds payable (net of current portion)	884,204
General obligation bonds	1,496
Total Long-Term Liabilities	4,314,966
Total Liabilities	5,977,929
Net Position	
Net invested in capital assets	5,646,042
Restricted for debt service	365,988
Unrestricted	30,613
Total Net Position	$ 6,042,643

See accompanying notes to the basic financial statements

City of Blue Ridge, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Fund
For the year ended December 31, 2013

	Water & Sewer Fund
Operating Revenues	
Charges for services	
Water revenues	$ 1,560,304
Sewer revenues	547,176
Service charges	19,900
Tap fees	11,993
Connection fees	8,825
Penalties	13,430
Miscellaneous	54,613
Total Operating Revenues	2,216,241
Operating Expenses	
Water department	
Personnel services	576,554
Contractual services	107,764
Supplies	421,199
Sewer department	
Personnel services	220,461
Contractual services	109,037
Supplies	272,354
Total Operating Expenses	1,707,369
Operating Income before Depreciation	508,872
Depreciation	376,577
Operating Income	132,295
Non-Operating Revenues (Expenses)	
Intergovernmental revenue	304,372
Interest income	865
Interest on revenue bonds	(41,214)
Interest on leases and notes payable	(150,214)
Total Non-Operating (Expenses)	113,809
Income Before Contributions and Transfers	246,104
Transfers out	(9,563)
Change in Net Position	236,541
Net Position Beginning of Year	5,824,190
Prior period adjustment	(18,088)
Net Position end of Year	$ 6,042,643

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, 2013

	Water & Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	$ 2,180,083
Cash payments for personal services	(791,717)
Cash payments for goods and services	(648,000)
Other cash receipts	54,613
Net Cash Provided by (Used in) Operating Activities	794,979
Cash Flows from Noncapital Financing Activities	
Transfers out	(9,563)
Cash Flows from Capital and Related Financing Activities	
Principal paid on revenue bonds	(20,854)
Interest paid on revenue bonds	(41,214)
Principal paid on leases and notes	(445,264)
Interest paid on leases and notes	(153,222)
Proceeds from grants	206,332
Payments for capital acquisitions and construction	(568,817)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,023,039)
Cash Flows from Investing Activities	
Investments earnings	865
Net Increase (Decrease) in Cash and Cash Equivalents	(236,758)
Cash and Cash Equivalents Beginning of Year	842,071
Cash and Cash Equivalents End of Year	$ 605,313
Reconciliation of total cash and cash equivalents:	
Cash and cash equivalents	$ 22,131
Current restricted assets-cash and cash equivalents	362,219
Noncurrent restricted assets- cash and cash equivalents	220,963
Total cash and cash equivalents	$ 605,313

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, 2013

		Water & Sewer Fund
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating Income	$	132,295
Adjustments		
Depreciation		376,577
(Increase) Decrease in Assets		
Accounts receivable		(2,005)
Inventories		32,224
Interfund receivables		223,883
Prepaid expenses		6,755
Increase (Decrease) in Liabilities		
Accounts payable		(508)
Accrued payroll liabilities		5,298
Deposits payable		20,460
Net Cash Provided by (Used in) Operating Activities	$	794,979

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. The City does not allocate indirect expenses to functions in the statement of activities.

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

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

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

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

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

Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, fines, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. 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 April 1, 2014. 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 75% of probation cases. No allowance is made for fines receivable since warrants are taken out on uncollected cases and probation cases are rarely written off.

Accounts receivable in the Water and Sewer Fund are stated at gross amounts receivable less an allowance for estimated uncollectible accounts. The allowance is computed as a percentage of the receivable balance at year end based primarily on the age of the indebtedness. The allowance for uncollectible accounts receivable in the Water and Sewer Fund is computed as 5% of the current receivable balance and 100% of the delinquent balances of inactive accounts. The total allowance for 2013 is $152,304. 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. Fund Balance Policy and Restricted and Unrestricted Resources

The fund balance of governmental funds can be classified into five different categories which are nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance are resources that are not in spendable form or are legally or contractually required to be maintained intact, such as inventory or prepaid assets. Some constraints on the use of resources are externally enforceable, imposed by law or enabling legislation and are classified as restricted. An example includes hotel/motel tax resources. Portions of fund balance can be committed if constraints are formally imposed by the government's highest level of decision-making authority by no later than the end of the reporting period. The Mayor and Council are required to formally commit fund balance by resolution. Assigned fund balance is a resource earmarked for particular purposes and can be designated by the Mayor or City Administrator with written authorization. The remaining fund balance not classified in any of the previous categories is labeled unassigned.

The City shall strive to establish a fund balance reserve in all operating funds for working capital. The purpose of working capital is to cover the cost of expenditures caused by unforeseen emergencies, cover shortfalls caused by revenue declines, and to eliminate any short-term borrowing for cash flow purposes. This reserve shall accumulate and then be maintained at an amount that represents no less than three (3) months of operating and debt expenditures (approximately 25% of budgeted expenditures.) Non-operating funds do not need a reserve for working capital.

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

P. Investments

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

Q. Unearned Revenue and Deferred Outflows/Inflows of Resources

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as unearned revenue (i.e., they are measurable but not available) rather than as revenue.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, if applicable. This element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes, fines and other receivables not collected within 60 days of year-end have been recorded as deferred revenue at the fund reporting level. Imposed nonexchange tax revenue received in advance is also classified as a deferred inflow at the fund and government-wide reporting levels.

2. Cash on Deposit and Investment Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be recovered. State statutes require all deposits to be collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia or bonds of public or development authorities, counties, or municipalities of the State of Georgia. It is the City's policy that any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S. Obligations. Deposits exceeding FDIC limits secured thru the local government investment pool, "Georgia Fund 1," created by O.C.G.A. 36-83-8 or a collateral pool are acceptable securities. The amount of the total bank balance is classified into three categories of credit risk: (1) FDIC insured or collateralized with securities held by the City or its agent in its name; (2) collateralized with securities held by the pledging institution's trust department in the City's name; (3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

At December 31, 2013 the bank balance of all deposits was $1,295,509 and the carrying amount was $1,177,804. All deposits were covered by FDIC insurance with deposits exceeding FDIC limits secured thru the Georgia Collateral Pool according to Georgia law. Administered by the Georgia Bankers Association Services, Inc. (GBASI) and coordinated by the Office of State Treasurer, 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, 2013, the amount covered by depository insurance was $327,183 and the amount with securities held by United Community Bank or by its trust department or agent, but not in the City's name was $1,065,159. The collateral to deposit ratio is 110%.

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

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

3. Restricted Assets and Sinking Fund Requirements

Assets totaling $110,937 in the Water and Sewerage System Fund are restricted for a sinking fund related to Rural Development bonds along with $255,051 as a loan reserve for a water expansion project. Assets totaling $217,194 were restricted for customer deposits for total restricted assets of $583,182.

4. Deficit Fund Balances

The recognition of deferred revenue will provide for the deficit fund balance of $16,813 of the Streetscape capital projects fund to be reduced when grant revenue is received.

5. Capital Assets – Governmental Activities

Changes in capital assets by major classes for 2013 are as follows:

Governmental Activities:	Balance 12/31/2012	Adjustment	Additions	Deductions	Balance 12/31/2013
Nondepreciable capital assets					
Land	$ 76,065	$ -	$ -	$ -	$ 76,065
Construction in progress	144,609	-	21,768	18,506	147,871
Total nondepreciable capital assets	220,674	-	21,768	18,506	223,936
Depreciable capital assets					
Buildings	1,207,963	-	58,044	-	1,266,007
Machinery and equipment	1,251,075	-	42,740	8,730	1,285,085
City park & improvements	482,989	-	-	-	482,989
Infrastructure	1,811,148	-	16,200	-	1,827,348
Total depreciable assets	4,753,175	-	116,984	8,730	4,861,429
Total capital assets	4,973,849	-	138,752	27,236	5,085,365
Accumulated depreciation					
Buildings	261,634	9,375	39,461	-	310,470
Machinery and equipment	1,028,331	(10,091)	77,067	8,730	1,086,577
City park & improvements	397,393	716	16,637	-	414,746
Infrastructure	124,220	-	42,552	-	166,772
Total accumulated depreciation	1,811,578	-	175,717	8,730	1,978,565
	$ 3,162,271	$ -	$ (36,965)	$ 18,506	$ 3,106,800

Governmental activities depreciation expense is as follows:

General government	$ 44,577
Public safety	21,823
Public works	74,805
Culture and recreation	27,691
Economic development	6,821
	$ 175,717

Business-type Activities:	Balance 12/31/2012	Adjustment	Additions	Deductions	Balance 12/31/2013
Nondepreciable capital assets					
Land	$ 1,383	$ -	$ 21,000	$ -	$ 22,383
Construction in progress	258,916	-	936,055	-	1,194,971
Total nondepreciable capital assets	260,299	-	957,055	-	1,217,354
Depreciable capital assets					
Infrastructure and pipelines	8,513,558	-	-	12,710	8,500,848
Buildings and improvements	5,354,038	-	-	4,406	5,349,632
Machinery and equipment	475,338	-	18,111	4,012	489,437
Total depreciable assets	14,342,934	-	18,111	21,128	14,339,917
Total capital assets	14,603,233	-	975,166	21,128	15,557,271
Accumulated depreciation					
Infrastructure and pipelines	1,850,889	-	208,936	12,710	2,047,115
Buildings and improvements	2,230,155	-	129,699	4,406	2,355,448
Machinery and equipment	374,954	-	37,942	4,012	408,884
Total accumulated depreciation	4,455,998	-	376,577	21,128	4,811,447
	$ 10,147,235	$ -	$ 598,589	$ -	$ 10,745,824

6. Long-term Debt

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

A lease payable to Georgia Municipal Association in the amount of $30,620 for the purchase of a police car matures July 2016 and carries an interest rate of 3.08%.

	Principal	Interest	Total
2014	$ 7,310	$ 696	$ 8,006
2015	7,535	471	8,006
2016	7,768	238	8,006
	$ 22,613	$ 1,405	$ 24,018

The asset aquired through this capital lease is as follows:

Machinery and equipment	$ 31,429
Accumulated depreciation	(3,143)
Book value	$ 28,286

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
2014	$ 5,758	$ 724	$ 6,482
2015	6,109	372	6,481
	$ 11,867	$ 1,096	$ 12,963

The asset aquired through this capital lease is as follows:

Machinery and equipment	$ 26,821
Accumulated depreciation	(5,364)
Book value	$ 21,457

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
2014	$ 15,513	$ 961	$ 16,474	$ 15,513	$ 961	$ 16,474

The assets aquired through this capital lease are as follows:

	Governmental Activities	Busines-type Activities
Machinery and equipment	$ 78,660	$ 73,302
Accumulated depreciation	(62,520)	(58,641)
Book value	$ 16,140	$ 14,661

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

Bonds payable at December 31, 2013 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
2014	$ 21,811	$ 40,325	$ 62,136
2015	22,814	39,322	62,136
2016	23,862	38,274	62,136
2017	24,958	37,178	62,136
2018	26,104	36,032	62,136
2019-2023	149,651	161,029	310,680
2024-2028	187,333	123,347	310,680
2029-2033	234,502	76,178	310,680
2034-2037	214,980	19,142	234,122
	$ 906,015	$ 570,827	$ 1,476,842

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
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	2,000	447	2,447
2019-2020	4,000	489	4,489
	$ 14,000	$ 3,927	$ 17,927

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
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	95,789	3,281	99,070
	$ 438,618	$ 56,732	$ 495,350

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
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	59,746	133,868	246,411
2017	61,645	50,898	112,543	76,996	56,872	133,868	246,411
2018	64,220	48,323	112,543	79,981	53,887	133,868	246,411
2019-2023	363,662	199,054	562,716	448,899	220,441	669,340	1,232,056
2024-2028	446,248	116,468	562,716	542,938	126,402	669,340	1,232,056
2029-2032	333,687	22,700	356,387	378,934	22,669	401,603	757,990
	$1,439,957	$ 604,577	$2,044,534	$1,741,918	$ 667,705	$2,409,623	$4,454,157

A loan from United Community Bank in the amount of $542,265 at 2.6% matures March 24, 4014 for water system improvements. Fiscal year 2013 interest due is $20,857. 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 12/31/12	Additions	Reductions	Ending Balance 12/31/13	Due Within One Year
Governmental activities					
Capital lease payable	$ 47,414	$ 30,620	$ 28,041	$ 49,993	$ 28,250
Business-type activities					
Revenue bonds	926,868	-	20,853	906,015	21,811
Capital lease payable	30,120	-	14,607	15,513	15,513
Notes payable	4,607,417	-	430,659	4,176,758	747,492
General obligation bond	1,496	-	-	1,496	-
	$ 5,565,901	$ -	$ 466,119	$ 5,099,782	$ 784,816

Interest costs of $219,688 were incurred in 2013, with $25,336 capitalized as construction in progress.

7. 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 2013 no department expenditures exceeded appropriated amounts as shown in the budgetary comparison statement.

8. Property Taxes

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

Lien date	January 1, 2013
Levy date	December 5, 2013
Due date	April 1, 2014
Delinquent date	April 2, 2014

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, 2013 was $423,659.

9. 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, 2013, the estimated minimum annual contribution under these funding standards is $62,426.

According to the annual plan valuation dated July 1, 2013, the recommended contribution to the plan for 2014 is $80,546 ($0 employee and $84,546 employer; 0% employee and 7.43% employer of covered payroll respectively). Covered payroll for 2014 is $1,065,883.

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
2013	$84,137	100.0%	$0
2012	74,099	100.0%	0
2011	88,804	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)
7/1/2013	$ 976,140	$ 1,185,077	$ 208,937	82.37%	$ 1,065,883	19.60%
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	70.05%	922,108	31.71%
10/1/2009	615,227	885,287	270,060	69.49%	795,184	33.96%
9/1/2008	553,456	796,127	262,671	67.01%	897,125	29.28%

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

Rate of return on investment	7.75% per year
Projected salary increases for:	
Inflation	3.5% per year
Merit or seniority	.005% per year
Annual rates of increase in:	
Salaries	3.5%
Future Social Security Wage Base	3.5%
Cost of living adjustment	Not applicable
Post retirement benefit increase	Not applicable
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, 2013, 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	2
Number of Active Plan Participants	
Vested	15
Not vested	16
Total	40

10. Sanitation Contract

The City had entered into an agreement whereby a private contractor was responsible for the collection and removal of garbage from City customers' premises. Collection and billing functions were performed by the City, which retained 12% of collections as compensation. During 2013, this agreement was discontinued and an ordinance enacted to allow up to three contractors to collect within the City limits after obtaining a business license. Contractors are obligated to remit a 12% franchise tax monthly based on their billings within the City limits.

11. 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.

12. 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.

13. 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, 2013 the City paid $1,269 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.

14. 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.

15. Hotel/Motel Tax

Hotel Tax Collections	$117,602
Hotel Tax Expenditures	$118,298
Percentage Expended	100%

16. 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, 2013.

	Payable from			
Payable to	General fund	SPLOST	Nonmajor	Total
General fund	$ -	$ 19,968	$ 19,741	$ 39,709
Hotel/motel	24,272	-	-	24,272
Water & sewerage system fund	340,270	-	-	340,270
Total	$ 364,542	$ 19,968	$ 19,741	$ 404,251

The separate nonmajor Streetscape capital project fund accounts for a grant from GDOT for Phase III to renovate our depot. Match funds were transferred in from the General Fund, since this project is not an allowable SPLOST project. The transfer out of the SPLOST fund to this Streetscape capital project fund was the cash balance of the Streetscape bank account that has always been maintained separately. It was transferred to the new Streetscape capital project fund to continue Phase III of the project that cannot be funded by SPLOST match. 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	Nonmajor
General fund	$ 60,246
Water & sewerage system fund	9,563
Total	$ 69,809

17. Prior Period Adjustment

In fiscal year 2012 the City implemented *GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* As a result, there were numerous terminology changes

throughout the financial section of this report. During fiscal year 2013 the City implemented *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities* which relates to Statement No. 63 implemented in the prior year. As a result, unamortized bond issuance costs were deleted for the business-type activities at the fund level by along with reclassification of some balances on the Governmental Funds Balance Sheet and the Statement of Net Position. Following is the effect of the prior period adjustment to the government-wide statements.

Change in Net Position at December 31, 2012	$ 205,611
Prior period adjustment	(18,088)
Change in Net Position at December 31, 2012, as restated	187,523
Net Position Beginning of Year	5,618,579
Net Position End of Year at December 31, 2012, as restated	$ 5,806,102

18. Subsequent Events

In June 2014, Wal-Mart opened within the city limits of the City of Blue Ridge. This is expected to have a significant effect on the property and sales tax collections of the City in future years. It is also expected to have an impact on water revenues in future years.

19. Construction and Significant Commitments

During 2014, the City expects to begin construction on projects to upgrade the water plant along with water line extensions and the addition of a storage tank. The construction is to be funded in part by bonds issued by USDA for over $12 million along with a grant of over $3.6 million.

CITY OF BLUE RIDGE, GEORGIA

SUPPLEMENTARY INFORMATION

City of Blue Ridge, Georgia
Balance Sheet
Nonmajor Governmental Funds
December 31, 2013

	Special Revenue Funds		Captial Projects Fund	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	Streetscape	
Assets				
Cash and cash equivalents	$ -	$ 1,553	$ 93	$ 1,646
Receivables (net)				
Intergovernmental	-	-	19,741	19,741
Interfund	24,272	-	-	24,272
Prepaid items	-	-	2,875	2,875
Total Assets	$ 24,272	$ 1,553	$ 22,709	$ 48,534
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 3,627	$ -	$ 40	$ 3,667
Interfund payable	-	-	19,741	19,741
Deferred revenue	-	-	19,741	19,741
Total Liabilities	3,627	-	39,522	43,149
Fund Balances				
Nonspendable				
Prepaid items	-	-	2,875	2,875
Restricted				
Program purposes				
Economic development	20,645	-	-	20,645
Public safety	-	1,553	-	1,553
Unassigned, reported in				
Capital projects fund	-	-	(19,688)	(19,688)
Total Fund Balances	20,645	1,553	(16,813)	5,385
Total Liabilities and Fund Balances	$ 24,272	$ 1,553	$ 22,709	$ 48,534

City of Blue Ridge, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2013

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	Streetscape	
Revenues				
Hotel/motel taxes	$ 117,602	$ -	$ -	117,602
Charges for services	12,467	-	980	13,447
Fines and forfeitures	-	1,670	-	1,670
Contributions	3,700	-	-	3,700
Investment earnings	-	-	9	9
Miscellaneous	-	2,400	-	2,400
Total Revenues	133,769	4,070	989	138,828
Expenditures				
Current				
Police	-	134	-	134
Economic development	118,298	-	-	118,298
Capital Outlay				
Housing and economic development	-	-	57,096	57,096
Total Expenditures	118,298	134	57,096	175,528
(Deficiency) of Revenues (Under) Expenditure	15,471	3,936	(56,107)	(36,700)
Other Financing Sources (Uses)				
Transfers in	9,563	-	60,246	69,809
Net Change in Fund Balances	25,034	3,936	4,139	33,109
Fund Balances Beginning of Year	(4,389)	(2,383)	(20,952)	(27,724)
Fund Balances (Deficits) End of Year	$ 20,645	$ 1,553	$ (16,813)	$ 5,385

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, 2013, 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 17, 2014.

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 item number 1 that we consider to be significant deficiencies.

Compliance and Other Matters

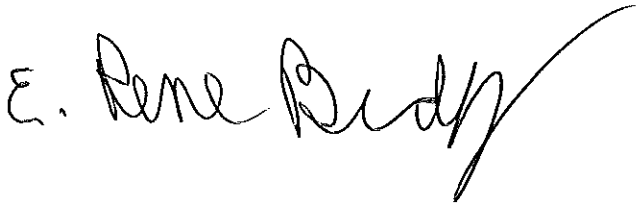
As part of obtaining reasonable assurance about whether The City of Blue Ridge, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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.



June 17, 2014
McCaysville, GA

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF FINDINGS
AND MANAGEMENT RESPONSE
For the Fiscal Year Ended December 31, 2013

1. During the year, the City did not adopt a budget for the Confiscated Assets and the Streetscape funds. These are non-major special revenue funds.

   Management response: The City plans to adopt 2014 budgets for these two funds.

City of Blue Ridge, Georgia
Schedule for Projects Constructed with
Special Purpose Local Option Sales Tax
For the year ended December 31, 2013

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, bridges and sidewalks	$ 1,575,000	$ 1,575,000	$ 295,657	$ 206,644	$ 502,301	32%

Note A: The SPLOST schedule has been prepared on the modified accrual basis of accounting.
Note B: LMIG grant expenditures of $20,536 are not included in current year expenditures.