

CITY OF BLUE RIDGE, GEORGIA
ANNUAL FINANCIAL REPORT
For The Year Ended December 31, 2015

**CITY OF BLUE RIDGE, GEORGIA
FINANCIAL REPORT
For the Year Ended December 31, 2015**

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PRINCIPAL OFFICERS

The City operates under the direction of the Mayor and Council with the daily operations carried out by the Mayor.
Following is a list of officials:

MAYOR
Donna Whitener

COUNCIL MEMBERS:

Rhonda Thomas
Rodney Kendall
Harold Herndon
Angie Arp
Bruce Pack

OFFICE PERSONNEL:

Finance Director- Alicia Stewart, CPA

CITY ATTORNEY

R. David Syfan
Hulsey, Oliver & Mahar, LLP

INDEPENDENT AUDITOR
Welch, Walker and Associates, CPA's

CITY OF BLUE RIDGE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended December 31, 2015

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, 2015. 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, and housing and development. 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, 2014 and 2015.

	Governmental Activities			Business-type Activities		
	2014, <i>as restated</i>	2015	Change	2014, <i>as restated</i>	2015	Change
Assets						
Current assets	\$ 1,233,859	\$ 2,222,452	\$ 988,593	\$ 1,966,950	\$ 5,295,822	\$3,328,872
Other assets	-	-	-	110,066	227,296	117,230
Capital assets	<u>3,210,390</u>	<u>3,344,840</u>	<u>134,450</u>	<u>13,984,017</u>	<u>20,602,562</u>	<u>6,618,545</u>
Total assets	<u>4,444,249</u>	<u>5,567,292</u>	<u>1,123,043</u>	<u>16,061,033</u>	<u>26,125,680</u>	<u>10,064,647</u>
Deferred outflows of resources	<u>34,232</u>	<u>36,976</u>	<u>2,744</u>	<u>26,176</u>	<u>28,276</u>	<u>2,100</u>
Liabilities						
Current liabilities	383,849	187,214	(196,635)	1,123,178	3,572,908	2,449,730
Long-term liabilities	<u>226,291</u>	<u>243,261</u>	<u>16,970</u>	<u>8,546,164</u>	<u>14,188,812</u>	<u>5,642,648</u>
Total liabilities	<u>610,140</u>	<u>430,475</u>	<u>(179,665)</u>	<u>9,669,342</u>	<u>17,761,720</u>	<u>8,092,378</u>
Deferred inflows of resources	<u>26,615</u>	<u>324,776</u>	<u>298,161</u>	<u>-</u>	<u>15,818</u>	<u>-</u>
Net Position						
Net investment in capital assets	3,188,978	3,258,489	69,511	5,503,393	6,454,179	950,786
Restricted	432,215	656,458	224,243	111,647	618,925	507,278
Unrestricted	<u>220,533</u>	<u>934,070</u>	<u>713,537</u>	<u>802,827</u>	<u>1,303,314</u>	<u>500,487</u>
Total net position	<u>\$ 3,841,726</u>	<u>\$ 4,849,017</u>	<u>\$ 1,007,291</u>	<u>\$ 6,417,867</u>	<u>\$ 8,376,418</u>	<u>\$ 1,958,551</u>

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 67% of the governmental activities' net position is invested in capital assets at December 31, 2015; this is a 16% decrease from the prior year due to depreciation and the overall increase of net position. 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 77% of its net position in capital assets for 2015, a decrease of 7%. Even though there

was an increase in the net investment, the percentage decrease is the result of an overall increase in net position. Capital assets in the business-type activities provide utility services 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 \$224,243 in governmental funds is due to the accumulation of SPLOST resources for future road and street improvements. Restricted net position for business-type activities is for the purpose of debt service and capital projects and increased because the City is holding cash from the issuance of bonds and grant proceeds for completion of the water plant upgrade. The remaining portion of net position is unrestricted, which can be used to finance government operations. Unrestricted net position shows over a 320% increase for governmental activities due mainly to the sale of City property. There is a 62% increase for business-type activities as a result of capital grants, rather than debt, which funded capital additions.

Condensed Statement of Activities

The following table presents the City's condensed Statement of Activities for the years ended December 31, 2014 and 2015.

	Governmental Activities			Business-type Activities		
	2014, <i>as restated</i>	2015	Change	2014, <i>as restated</i>	2015	Change
Revenues:						
Program						
Charges for services	\$ 408,261	\$ 436,738	\$ 28,477	\$ 2,482,537	\$ 2,608,232	\$ 125,695
Operating grants & contributions	-	3,565	3,565	-	-	-
Capital grants & contributions	446,936	467,420	20,484	147,868	1,748,721	1,600,853
General						
Property taxes	395,948	598,319	202,371	-	-	-
Sales taxes	594,721	649,423	54,702	-	-	-
Other revenues and taxes	688,361	1,120,993	432,632	23,417	40,805	17,388
Total revenues	<u>2,534,227</u>	<u>3,276,458</u>	<u>742,231</u>	<u>2,653,822</u>	<u>4,397,758</u>	<u>1,743,936</u>
Expenses:						
General government	473,800	549,200	75,400	-	-	-
Judicial	129,270	129,477	207	-	-	-
Public safety	744,503	771,090	26,587	-	-	-
Public works	503,821	440,732	(63,089)	-	-	-
Culture and recreation	203,385	221,147	17,762	-	-	-
Economic development	162,172	156,443	(5,729)	-	-	-
Interest	2,382	1,078	(1,304)	-	-	-
Water and sewerage system	-	-	-	2,281,415	2,439,207	157,792
Total expenses	<u>2,219,333</u>	<u>2,269,167</u>	<u>49,834</u>	<u>2,281,415</u>	<u>2,439,207</u>	<u>157,792</u>
Excess (deficiency) before transfers	<u>314,894</u>	<u>1,007,291</u>	<u>692,397</u>	<u>372,407</u>	<u>1,958,551</u>	<u>1,586,144</u>
Change in net position	314,894	1,007,291	692,397	372,407	1,958,551	1,586,144
Beginning net position	3,700,679	3,841,726	141,047	6,178,402	6,417,867	239,465
Prior changes to net position	(173,847)	-	173,847	(132,942)	-	132,942
Ending net position	<u>\$ 3,841,726</u>	<u>\$ 4,849,017</u>	<u>\$1,007,291</u>	<u>\$ 6,417,867</u>	<u>\$ 8,376,418</u>	<u>\$ 1,958,551</u>

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, 2015, the net position of governmental funds increased 31% from the prior year. The net position of business-type activities increased 30%.

Approximately 18% of the City's revenues came from property taxes, 19% from sales taxes and 34% from other revenues and taxes during 2015. Taxes for 2014 were lower due to the addition of an allowance since the taxes receivable balance has

grown in recent years and the millage rate being lowered in anticipation of the opening of Wal-Mart. Other revenues include alcohol and liquor taxes, franchise taxes and the sale of City property. All these sources account for 71% of governmental activity revenues as the City is heavily reliant on property, sales and other taxes to support governmental operations. Charges for services provided 13% of the City's revenue in 2015, a 3% decrease from the prior year.

Overall expenditures were also consistent with only a 2% decrease. The City's expenses cover a range of services, with public safety remaining consistent to last year and accounting for the largest percentage at 34% of total expense. General government expense made up 24% of the total, an increase of 15% from last year due to an increase in legal expense and a decrease in interfund charges. Public works expense decreased 12% because of the increase in street inventory, to account for 19% of total expense. Judicial, culture and recreation, housing and economic development functions all remained consistent at 6%, 10% and 7%, respectively.

There was a 5% increase in operating revenues for business-type activities due to the implementation of sewer rates that do not allow any minimum in the base rate along with an increase in billable water from efforts to replace faulty meters and increased customers from economic growth. Business-type expense increased 6% due largely to around \$80,000 in equipment repairs for the sewer plant and the expense of the GEFA meter replacement project.

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 \$1,381,303 with negative \$940 reported as unassigned fund balance, \$21,829 as nonspendable for prepaid items and \$656,458 restricted for specific purposes. The amount restricted for SPLOST capital projects increased to \$633,181, an increase of \$305,021 from last year as assets are accumulating in the fund for street projects planned in the downtown area in the near future. Other restricted fund balances consisted of restricted hotel/motel funds for advertising of \$20,058 and confiscated asset funds of \$3,219 for public safety. There is no unassigned fund balance in the General fund because all funds are committed or assigned for working capital and contingencies as it is the City's policy to strive to maintain three months operating expenditures as reserve. The remaining amount of \$127,055 is assigned in the hotel/motel special revenue fund.

Governmental Funds

The general fund balance increased \$485,998 due largely to the sale of city property for \$400,000. Total revenues increased \$137,073 or 6% with increases in property and sales taxes due largely to economic growth. General fund expenditures increased \$116,504 or 5% as a result of the capital outlay for four police cars with increased police expenditures.

Intergovernmental revenue for the SPLOST fund remained consistent changing only by approximately \$6,000. Fund balance increased \$249,606 due to the accumulation of resources for the paving of East Main Street. The revenue for nonmajor governmental funds increased \$115,872 because of Streetscape grant revenue received to close out the Phase III project during 2015. Fund balance for nonmajor governmental funds increased \$83,816 to offset the previous negative fund balance in the Multiple Grant fund and because unrestricted hotel/motel revenue is being accumulated for future projects.

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 2015, the City adopted a budget of \$2,063,400 for revenues and expenditures. The City did three budget amendments during the year making the amended budget \$2,323,416. The first budget amendment included the use of contingencies and fund balance for pool bathrooms and pool grounds renovations along with a capital lease for police cars and other small adjustments. The second amendment increased legal expenditures, transfers to the Multiple Grant fund for

Streetscape rental expenditures and the contract with Fannin County for fire services, funded by increases in property taxes, auto tag taxes and insurance premiums. It also included an additional revenue for baseball tournament fees and concessions offset by expenditures for the park ballfields and concessions. The final budget amendment increased legal expenditures by increasing beverage tax revenue. These expenditure increases were offset with increases in auto tag taxes, sanitation franchise fees, beverage taxes and fines and forfeitures according to actual collections.

The actual operating revenues of the General Fund were more than budgeted amounts by \$29,183. The actual operating expenditures of the General Fund were less than budgeted amounts by \$119,572. 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, 2015, the City reported \$3,344,840 in capital assets for governmental activities and \$20,602,562 in capital assets for the business-type activities. The governmental activities capital asset additions included pool renovations, the purchase of four police vehicles, completion of the depot renovations and engineering for multiple City projects to improve roads, sidewalks, drainage and restrooms in the downtown area. Capital additions for the business-type activities included the completion of a waterline extension and storage tank along with the purchase of meter reading and water loss equipment and construction in progress additions for the water plant upgrade. Refer to Note 5 to the financial statements for additional information on capital assets.

At December 31, 2015, the City reported long-term debt of \$280,375 for governmental activities and \$14,308,863 for business-type activities. The debt for governmental activities includes capital leases for police cars, compensated absences and a net pension liability. The debt for business-type activities includes bonds for water and sewer plant upgrades and improvements, notes payable for meter replacements, compensated absences and a net pension liability. Refer to Note 6 to the financial statements for additional information on long-term debt.

Conditions Affecting the City

The City is anticipating the completion of an upgrade at the water plant to reduce plant runtimes, cutting wages, supplies, electricity and other expenses at the water plant.

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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,073,521	\$ 461,053	\$ 1,534,574
Pooled operating cash	393,349	1,378,826	1,772,175
Investments	183,520	-	183,520
Restricted assets			
Cash and cash equivalents	-	2,951,386	2,951,386
Receivables			
Accounts	93,492	357,929	451,421
Property taxes	96,963	-	96,963
Franchise taxes	16,236	-	16,236
Other taxes	8,939	-	8,939
Fines	190,498	-	190,498
Intergovernmental	117,906	-	117,906
Forfeited property held for resale	2,511	-	2,511
Inventory	23,688	128,186	151,874
Prepaid items	21,829	18,442	40,271
Total Current Assets	2,222,452	5,295,822	7,518,274
Noncurrent Assets			
Restricted assets			
Cash and cash equivalents	-	227,296	227,296
Capital assets			
Nondepreciable	146,243	8,278,930	8,425,173
Depreciable, net	3,198,597	12,323,632	15,522,229
Total Noncurrent Assets	3,344,840	20,829,858	24,174,698
Total Assets	5,567,292	26,125,680	31,692,972
Deferred Outflows of Resources			
Pension related	36,976	28,276	65,252
Liabilities			
Current Liabilities			
Accounts payable	100,662	76,811	177,473
Contracts payable	-	617,215	617,215
Accrued payroll liabilities	40,980	22,158	63,138
Accrued interest payable	-	176,916	176,916
Other	8,458	-	8,458
Compensated absences payable	3,936	6,643	10,579
Capital leases payable	33,178	-	33,178
Revenue obligation bonds payable	-	23,862	23,862
Notes payable	-	89,546	89,546
Payable from restricted assets			
Unearned revenue	-	2,314,671	2,314,671
Customer deposits	-	245,086	245,086
Total Current Liabilities	187,214	3,572,908	3,760,122
Long-Term Liabilities (net of current portion)			
Compensated absences payable	9,184	15,500	24,684
Net pension liability	180,904	138,337	319,241
Capital leases payable	53,173	-	53,173
Notes payable	-	269,952	269,952
Revenue bonds payable	-	13,763,527	13,763,527
General obligation bonds payable	-	1,496	1,496
Total Long-Term Liabilities	243,261	14,188,812	14,432,073
Total Liabilities	430,475	17,761,720	18,192,195
Deferred Inflows of Resources			
Unavailable revenues	304,091	-	304,091
Pension related	20,685	15,818	36,503
Total Deferred Inflows of Resources	324,776	15,818	340,594
Net Position			
Net investment in capital assets	3,258,489	6,454,179	9,712,668
Restricted for			
Debt service	-	397,768	397,768
Capital projects	633,181	221,157	854,338
Program purposes			
Public safety	3,219	-	3,219
Housing and economic development	20,058	-	20,058
Unrestricted	934,070	1,303,314	2,237,384
Total Net Position	\$ 4,849,017	\$ 8,376,418	\$ 13,225,435

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Activities
For the Year Ended December 31, 2015

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services, Sales and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General government	\$ 549,200	\$ 44,088	\$ -	\$ -	\$ (505,112)	\$ -	\$ (505,112)
Judicial	129,477	257,788	-	-	128,311	-	128,311
Public safety	771,090	1,198	3,565	-	(766,327)	-	(766,327)
Public works	440,732	1,768	-	360,635	(78,329)	-	(78,329)
Culture and recreation	221,147	61,499	-	560	(159,088)	-	(159,088)
Housing and development	156,443	70,397	-	106,225	20,179	-	20,179
Interest	1,078	-	-	-	(1,078)	-	(1,078)
Total Governmental Activities	2,269,167	436,738	3,565	467,420	(1,361,444)	-	(1,361,444)
Business-Type Activities							
Water and sewerage system	2,439,207	2,608,232	-	1,748,721	-	1,917,746	1,917,746
Total - Primary Government	\$ 4,708,374	\$ 3,044,970	\$ 3,565	\$ 2,216,141	(1,361,444)	1,917,746	556,302
General Revenues							
Property taxes levied for general government purposes					598,319	-	598,319
Sales taxes					649,423	-	649,423
Franchise taxes					98,408	-	98,408
Insurance premium taxes					74,215	-	74,215
Business and occupation taxes					49,310	-	49,310
Real estate and intangible taxes					8,659	-	8,659
Other taxes					478,956	-	478,956
Unrestricted intergovernmental					6,515	-	6,515
Gain on sale of capital assets					400,000	-	400,000
Investment earnings					2,659	2,367	5,026
Miscellaneous					2,271	38,438	40,709
Total General Revenues					2,368,735	40,805	2,409,540
Change in Net Position					1,007,291	1,958,551	2,965,842
Net Position Beginning of Year					3,960,158	6,550,809	10,510,967
Prior period adjustment					55,415	-	55,415
Change in accounting principle					(173,847)	(132,942)	(306,789)
Prior Changes to Net Position					(118,432)	(132,942)	(251,374)
Net Position End of Year					\$ 4,849,017	\$ 8,376,418	\$ 13,225,435

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Balance Sheet
Governmental Funds
December 31, 2015

	<u>General Fund</u>	<u>SPLOST</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 455,369	\$ 617,387	\$ 765	\$ 1,073,521
Pooled operating cash	225,226	-	168,123	393,349
Investments	183,520	-	-	183,520
Receivables (net)				
Accounts	26,847	66,645	-	93,492
Property taxes	96,963	-	-	96,963
Franchise taxes	16,236	-	-	16,236
Other taxes	-	-	8,939	8,939
Fines	190,498	-	-	190,498
Intergovernmental				
State	57,583	-	-	57,583
County	8,941	51,382	-	60,323
Forfeited property held for resale	-	-	2,511	2,511
Inventory	23,688	-	-	23,688
Prepaid items	21,829	-	-	21,829
Total Assets	<u>\$ 1,306,700</u>	<u>\$ 735,414</u>	<u>\$ 180,338</u>	<u>\$ 2,222,452</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 57,061	\$ 42,655	\$ 946	\$ 100,662
Accrued payroll liabilities	40,980	-	-	40,980
Other	8,458	-	-	8,458
Total Liabilities	<u>106,499</u>	<u>42,655</u>	<u>946</u>	<u>150,100</u>
Deferred Inflows of Resources				
Unavailable revenue	601,471	59,578	30,000	691,049
Fund Balances				
Nonspendable				
Prepaid items	21,829	-	-	21,829
Restricted				
Capital projects	-	633,181	-	633,181
Program purposes				
Economic development	-	-	20,058	20,058
Public safety	-	-	3,219	3,219
Committed				
Working capital/contingencies	400,000	-	-	400,000
Assigned				
Working capital/contingencies	176,901	-	-	176,901
Special revenue fund	-	-	127,055	127,055
Unassigned, reported in				
Capital projects fund	-	-	(940)	(940)
Total Fund Balances	<u>598,730</u>	<u>633,181</u>	<u>149,392</u>	<u>1,381,303</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,306,700</u>	<u>\$ 735,414</u>	<u>\$ 180,338</u>	<u>\$ 2,222,452</u>

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, 2015

Total Governmental Fund Balances	\$	1,381,303
 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	\$ 5,681,019	
Less accumulated depreciation	<u>(2,336,179)</u>	3,344,840
 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes	153,696	
Intergovernmental	59,578	
Fines	173,684	
Deferred outflows of resources	<u>36,976</u>	423,934
 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	(86,351)	
Compensated absences	(13,120)	
Net pension obligation	(180,904)	
Deferred inflow of resources- pension related	<u>(20,685)</u>	<u>(301,060)</u>
 Net Position Of Governmental Activities	 \$	 <u><u>4,849,017</u></u>

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2015

	<u>General Fund</u>	<u>SPLOST</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Property taxes	\$ 578,101	\$ -	\$ -	\$ 578,101
Sales taxes	649,423	-	-	649,423
Other taxes	564,784	-	144,764	709,548
Licenses and permits	66,591	-	-	66,591
Intergovernmental	26,963	292,193	133,900	453,056
Charges for services	52,675	-	3,241	55,916
Fines and forfeitures	222,979	-	2,511	225,490
Contributions	3,565	-	-	3,565
Investment earnings	2,644	942	15	3,601
Restitution	-	7,922	-	7,922
Miscellaneous	58,714	-	-	58,714
Total Revenues	<u>2,226,439</u>	<u>301,057</u>	<u>284,431</u>	<u>2,811,927</u>
Expenditures				
Current				
General government	514,341	-	-	514,341
Judicial	129,371	-	-	129,371
Public safety				
Police	823,990	-	2,291	826,281
Fire	25,652	-	-	25,652
Public works	353,217	-	-	353,217
Culture and recreation	231,419	-	-	231,419
Housing and economic development	63,354	-	61,898	125,252
Capital Outlay				
Public works	-	51,451	-	51,451
Housing and economic development	-	-	156,589	156,589
Debt Service				
Principal retirement	41,222	-	-	41,222
Interest and fiscal charges	1,078	-	-	1,078
Total Expenditures	<u>2,183,644</u>	<u>51,451</u>	<u>220,778</u>	<u>2,455,873</u>
(Deficiency) of Revenues Over (Under) Expenditures	<u>42,795</u>	<u>249,606</u>	<u>63,653</u>	<u>356,054</u>
Other Financing Sources (Uses)				
Sale of capital assets	400,000	-	-	400,000
Capital lease inception	106,161	-	-	106,161
Transfers in	-	-	60,163	60,163
Transfers out	(20,163)	-	(40,000)	(60,163)
Total Other Financing Sources	<u>485,998</u>	<u>-</u>	<u>20,163</u>	<u>506,161</u>
Net Change in Fund Balances	528,793	249,606	83,816	862,215
Fund Balances Beginning of Year	69,937	328,160	65,576	463,673
Prior Period Adjustment	-	55,415	-	55,415
Fund Balances End of Year	<u>\$ 598,730</u>	<u>\$ 633,181</u>	<u>\$ 149,392</u>	<u>\$ 1,381,303</u>

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, 2015

Net Changes In Fund Balances - Total Governmental Funds	\$	862,215
 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	\$ (196,659)	
Capital outlay	331,109	134,450
 Capital leases are reported as other financing at the fund level but are reported as a liability on the government-wide statement of activities.		
		(106,161)
 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 12/31/14	\$ (133,478)	
Deferred at 12/31/15	153,696	20,218
Intergovernmental:		
Deferred at 12/31/14	\$ (47,563)	
Deferred at 12/31/15	59,578	12,015
Fines:		
Deferred at 12/31/14	\$ (141,386)	
Deferred at 12/31/15	173,684	32,298
 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.		
		41,222
 Pension expense represents the change in net pension liability from the beginning of the year to the end of the year on the statement of activities, but is measured by the amount actually paid in the governmental funds. This is the amount by which pension contributions paid in the current period exceeded the change in net pension liability and pension related deferrals		
		9,234
 Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. The change in the current year expenses are as follows:		
Compensated absences		
Liability @ 12/31/14	\$ 14,920	
Liability @ 12/31/15	(13,120)	1,800
 Change In Net Position of Governmental Activities	 \$	 <u><u>1,007,291</u></u>

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, 2015

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Property taxes	\$ 486,500	\$ 569,700	\$ 578,101	\$ 8,401
Sales taxes	642,000	642,000	649,423	7,423
Other taxes	521,000	548,000	564,784	16,784
Licenses and permits	80,750	80,750	66,591	(14,159)
Intergovernmental	2,000	3,256	26,963	23,707
Charges for services	38,650	61,050	52,675	(8,375)
Fines and forfeitures	226,000	226,000	222,979	(3,021)
Contributions	-	-	3,565	3,565
Investment earnings	1,000	1,000	2,644	1,644
Miscellaneous	65,500	65,500	58,714	(6,786)
Total Revenues	2,063,400	2,197,256	2,226,439	29,183
Expenditures				
Current				
General government	459,102	515,146	514,341	805
Judicial	134,461	134,461	129,371	5,090
Public safety				
Police	792,187	898,347	823,990	74,357
Fire	16,100	27,100	25,652	1,448
Public works	367,035	367,035	353,217	13,818
Culture and recreation	200,198	254,310	231,419	22,891
Economic development	52,017	64,517	63,354	1,163
Debt Service				
Principal retirement	41,222	41,222	41,222	-
Interest and fiscal charges	1,078	1,078	1,078	-
Total Expenditures	2,063,400	2,303,216	2,183,644	119,572
Excess of Revenues Over Expenditures	-	(105,960)	42,795	148,755
Other Financing Sources (Uses)				
Sale of capital assets	-	-	400,000	400,000
Capital lease inception	-	106,160	106,161	1
Transfers out	-	(20,200)	(20,163)	37
Appropriation of fund balance	-	20,000	-	(20,000)
Total Other Financing Sources (Uses)	-	105,960	485,998	380,038
Net Change in Fund Balances	\$ -	\$ -	528,793	\$ 528,793
Fund Balances Beginning of Year			69,937	
Fund Balances End of Year			\$ 598,730	

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Fund Net Position
Proprietary Fund
December 31, 2015

	<u>Water & Sewer Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 461,053
Pooled operating cash	1,378,826
Receivables (net)	
Accounts	357,929
Accrued revenue	-
Interfund	-
Interest	
Other	-
Intergovernmental	-
Inventory	128,186
Prepaid items	18,442
Restricted assets	
Cash and cash equivalents	2,951,386
Total Current Assets	5,295,822
Noncurrent Assets	
Restricted assets	
Cash and cash equivalents	227,296
Capital assets	
Nondepreciable	8,278,930
Depreciable, net	12,323,632
Total Noncurrent Assets	20,829,858
Total Assets	26,125,680
Deferred Outflows of Resources	
Pension related	28,276
Total Assets and Deferred Outflows of Resources	26,153,956
Liabilities	
Current Liabilities	
Accounts payable	76,811
Contracts payable	617,215
Accrued payroll liabilities	22,158
Accrued interest	176,916
Compensated absences payable	6,643
Notes payable	89,546
Revenue bonds payable	23,862
Payable from Restricted Assets:	
Unearned revenue	2,314,671
Customer deposits	245,086
Total Current Liabilities	3,572,908
Long-Term Liabilities	
Compensated absences payable	15,500
Net pension liability	138,337
Notes payable (net of current portion)	269,952
Revenue bonds payable (net of current portion)	13,763,527
General obligation bonds	1,496
Total Long-Term Liabilities	14,188,812
Total Liabilities	17,761,720
Deferred Inflows of Resources	
Pension related	15,818
Total Liabilities and Deferred Inflows of Resources	17,777,538
Net Position	
Net investment in capital assets	6,454,179
Restricted for construction	221,157
Restricted for debt service	397,768
Unrestricted	1,303,314
Total Net Position	\$ 8,376,418

See accompanying notes to the basic financial statements.

City of Blue Ridge, Georgia
Statement of Revenues,
Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2015

	Water & Sewer Fund
Operating Revenues	
Charges for services	
Water revenues	\$ 1,904,045
Sewer revenues	623,000
Service charges	15,950
Tap fees	32,743
Connection fees	11,375
Penalties	21,119
Miscellaneous	38,438
	2,646,670
Total Operating Revenues	2,646,670
Operating Expenses	
Water department	
Personnel services	624,243
Contractual services	164,346
Supplies	514,336
Interfund charges	42,614
Sewer department	
Personnel services	170,293
Contractual services	132,432
Supplies	315,421
Interfund charges	10,353
	1,974,038
Total Operating Expenses	1,974,038
Operating Income before Depreciation	672,632
Depreciation	411,106
	261,526
Operating Income	261,526
Non-Operating Revenues (Expenses)	
Intergovernmental revenue	1,698,721
Surcharge revenue	50,000
Interest income	2,367
Interest on revenue bonds	(39,249)
Interest on leases and notes payable	(14,814)
	1,697,025
Total Non-Operating Revenues	1,697,025
Change in Net Position	1,958,551
Net Position Beginning of Year	6,550,809
Change in Accounting Principle	(132,942)
Net Position End of Year	\$ 8,376,418

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, 2015

	Water & Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 2,571,802
Cash payments for personal services	(800,945)
Cash payments for goods and services	(955,899)
Cash payments for interfund services used	(52,967)
Other cash receipts	38,438
	800,429
Net Cash Provided by (Used in) Operating Activities	
Cash Flows from Capital and Related Financing Activities	
Proceeds from surcharge fees	50,000
Proceeds from issuance of bonds	5,701,180
Principal paid on revenue bonds	(22,814)
Interest paid on revenue bonds	(39,322)
Principal paid on leases and notes	(86,195)
Interest paid on leases and notes	(15,950)
Proceeds from leases and notes	125,980
Proceeds from grants	3,963,000
Payments for capital acquisitions and construction	(7,130,368)
	2,545,511
Net Cash Provided by (Used in) Capital and Related Financing Activities	
Cash Flows from Investing Activities	
Investments earnings	2,367
	2,367
Net Increase (Decrease) in Cash and Cash Equivalents	3,348,307
Cash and Cash Equivalents Beginning of Year	1,670,254
Cash and Cash Equivalents End of Year	\$ 5,018,561
Reconciliation of total cash and cash equivalents:	
Cash and cash equivalents	\$ 461,053
Pooled operating cash	1,378,826
Current restricted assets-cash and cash equivalents	2,951,386
Noncurrent restricted assets- cash and cash equivalents	227,296
Total cash and cash equivalents	\$ 5,018,561

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, 2015

	<u>Water & Sewer Fund</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities	
Operating Income	\$ 261,526
Adjustments	
Depreciation	411,106
(Increase) Decrease in Assets	
Accounts receivable	(63,818)
Inventories	(32,440)
Interfund receivables	190,014
Prepaid expenses	(1,537)
Deferred outflows of resources- pension related	(2,099)
Increase (Decrease) in Liabilities	
Accounts payable	14,599
Accrued payroll liabilities	(160)
Deposits payable	27,388
Compensated absences	813
Net pension liability	(20,781)
Deferred inflow of resources- pension related	15,818
	<u>800,429</u>
Net Cash Provided by (Used in) Operating Activities	\$ 800,429
Noncash Capital and Related Financing Activities	
Georgia Environmental Finance Authority loan forgiveness for Drinking Water State Revolving Loan Fund	\$ 50,392

CITY OF BLUE RIDGE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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. A sixty (60) day availability period is used for revenue recognition for all governmental fund revenues.

The City reports the following major governmental funds:

General Fund – is the principal fund of the City and is used to account for all activities of the City not otherwise accounted for by a specified fund.

Special Local Option Sales Tax (SPLOST) Fund – to account for the collection and disbursement of the renewal of the 1% Special Local Option Sales Tax (SPLOST) needed to fund road projects and acquisition and construction of capital projects.

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 Multiple Grant 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, capital projects 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. Receivables

Property taxes reflected in revenue consist of taxes levied the prior calendar year, normally by the end of that calendar year, plus collections of any prior year taxes. Those current and prior year property taxes which are collected within sixty days of the fiscal year end are susceptible to accrual and therefore are accrued and reflected in revenue. All other property taxes receivable are deferred in the governmental fund financial statements. An allowance is made for uncollectible taxes consisting of 100% of delinquent balances for any taxes over seven years and the lesser of the delinquent balance or 2% of the levy for all other years. The allowance for property taxes at December 31, 2015 is \$60,186.

Fines receivable is estimated as 20% 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 5% of the active accounts and 100% of the finalized and inactive accounts. The total allowance for 2015 is \$170,941. The increase in the amount of receivables considered uncollectible is included in the financial statements in net revenue. Unbilled water and sewer charges are accrued as receivables and revenue at December 31, 2015.

G. Inventories

Inventories in the General Fund and the Water and Sewer Fund are stated at cost. The City uses the first-in, first-out (FIFO) method of accounting for inventory.

H. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's policy has set the capitalization threshold for reporting capital assets at \$5,000 and \$25,000 for infrastructure assets. Infrastructure assets acquired prior to the implementation of GASB 34 have not been capitalized. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City patched and resurfaced several roads during the current year that are considered general maintenance.

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

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

	<u>Useful Life</u>
Building and Improvements	10 – 50 years
Equipment	5 – 20 years
Vehicles	5 – 10 years
Infrastructure	50 years
City Park and Improvements	20 - 40 years
Utility Plant and Pipelines	40 - 50 years

I. Employee Benefits

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

- J. Long-Term Obligations
In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as debt service expenditures in governmental funds or a non-operating expense in proprietary funds.
- K. Encumbrances
Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is at present considered unnecessary to assure effective budgetary control or to facilitate effective cash planning and control.
- L. Prepays
Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items at both reporting levels using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.
- M. Cash and Cash Equivalents
Cash and Cash Equivalents for balance sheet purposes consist of demand deposits and certificates of deposits with original maturities of three months or less.
- N. Operating and Non-operating Income
The City defines non-operating income as capital grant revenue, interest, rents and other investment type revenue. All other revenues that are primarily customer related are considered operating revenue. Non-operating expenses include interest. All other expenses are considered operating expenses.
- O. Fund Balance Policy and Restricted and Unrestricted Resources
The fund balance of governmental funds can be classified into five different categories which are nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance are resources that are not in spendable form or are legally or contractually required to be maintained intact, such as inventory or prepaid assets. Some constraints on the use of resources are externally enforceable, imposed by law or enabling legislation and are classified as restricted. An example includes hotel/motel tax resources. Portions of fund balance can be committed if constraints are formally imposed by the government's highest level of decision-making authority by no later than the end of the reporting period. The Mayor and Council are required to formally commit fund balance by resolution. Assigned fund balance is a resource earmarked for particular purposes and can be designated by the Mayor or City Administrator with written authorization. The remaining fund balance not classified in any of the previous categories is labeled unassigned.

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

Net position on the government-wide and proprietary fund statements represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and debt, plus any outstanding balances of borrowings not yet expended, but restricted for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulation of other governments. All other net position balances are reported as unrestricted.

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

policy to first use committed and then assigned fund balance if available. Unassigned fund balance would be used for remaining expenditures from unrestricted fund balance.

P. Investments

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

Q. Unearned Revenue and Deferred Outflows/Inflows of Resources

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

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

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

The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the City of Blue Ridge, (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Cash on Deposit and Investment Risk

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

At December 31, 2015 the bank balance of all deposits was \$6,728,047 and the carrying amount was \$6,668,951. 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, 2015, the amount covered by depository insurance was \$501,172 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 \$6,226,876. 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 Restricted Net Position

Assets totaling \$397,768 in the Water and Sewerage System Fund are restricted for debt service related to Rural Development bonds. Restricted cash also includes \$1,875 in the bond construction account, \$2,533,953 in the USDA supervised account for construction and \$245,086 for customer deposits. Total restricted assets equal \$3,178,682.

Restricted net position for governmental activities includes \$633,181 from the SPLOST fund restricted for capital projects, \$3,219 from the Confiscated Assets fund for public safety and \$20,058 from the Hotel/Motel fund for housing and economic development. Restricted net position for business-type activities includes \$397,768 for debt service and \$221,157 for capital projects.

4. Deficit Fund Balances

The disbursement of accounts payable and recognition of unavailable revenue will provide for the deficit fund balance of \$940 in the Multiple Grant capital projects fund to be reduced in the coming year.

5. Capital Assets – Governmental Activities

Changes in capital assets by major classes for 2015 are as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2015</u>
Nondepreciable capital assets					
Land	\$ 76,065	\$ -	\$ -	\$ -	\$ 76,065
Construction in progress	<u>209,740</u>	<u>-</u>	<u>189,896</u>	<u>329,458</u>	<u>70,178</u>
Total nondepreciable capital assets	<u>285,805</u>	<u>-</u>	<u>189,896</u>	<u>329,458</u>	<u>146,243</u>
Depreciable capital assets					
Buildings	1,273,532	-	329,458	-	1,602,990
Machinery and equipment	1,354,361	-	108,781	-	1,463,142
City park & improvements	583,864	-	32,432	-	616,296
Infrastructure	<u>1,852,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,852,348</u>
Total depreciable assets	<u>5,064,105</u>	<u>-</u>	<u>470,671</u>	<u>-</u>	<u>5,534,776</u>
Total capital assets	<u>5,349,910</u>	<u>-</u>	<u>660,567</u>	<u>329,458</u>	<u>5,681,019</u>
Accumulated depreciation					
Buildings	350,587	(656)	46,986	-	396,917
Machinery and equipment	1,145,356	656	86,011	-	1,232,023
City park & improvements	433,983	-	20,839	-	454,822
Infrastructure	<u>209,594</u>	<u>-</u>	<u>42,823</u>	<u>-</u>	<u>252,417</u>
Total accumulated depreciation	<u>2,139,520</u>	<u>-</u>	<u>196,659</u>	<u>-</u>	<u>2,336,179</u>
	<u>\$ 3,210,390</u>	<u>\$ -</u>	<u>\$ 463,908</u>	<u>\$ 329,458</u>	<u>\$ 3,344,840</u>

Governmental activities depreciation expense is as follows:

General government	\$ 40,597
Public safety	32,418
Public works	81,651
Culture and recreation	28,053
Economic development	<u>13,940</u>
	<u>\$ 196,659</u>

<u>Business-type Activities:</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2015</u>
Nondepreciable capital assets				
Land	\$ 1,383	\$ 76,492	\$ -	\$ 77,875
Intangible assets	33,496	1,400	-	34,896
Construction in progress	<u>4,210,597</u>	<u>7,001,951</u>	<u>3,046,389</u>	<u>8,166,159</u>
Total nondepreciable capital assets	<u>4,245,476</u>	<u>7,079,843</u>	<u>3,046,389</u>	<u>8,278,930</u>
Depreciable capital assets				
Infrastructure and pipelines	9,066,836	2,969,897	-	12,036,733
Buildings and improvements	5,349,632	-	-	5,349,632
Machinery and equipment	<u>507,533</u>	<u>26,300</u>	<u>-</u>	<u>533,833</u>
Total depreciable assets	<u>14,924,001</u>	<u>2,996,197</u>	<u>-</u>	<u>17,920,198</u>
 Total capital assets	 <u>19,169,477</u>	 <u>10,076,040</u>	 <u>3,046,389</u>	 <u>26,199,128</u>
Accumulated depreciation				
Infrastructure and pipelines	2,257,442	259,854	-	2,517,296
Buildings and improvements	2,485,147	129,701	-	2,614,848
Machinery and equipment	<u>442,871</u>	<u>21,551</u>	<u>-</u>	<u>464,422</u>
Total accumulated depreciation	<u>5,185,460</u>	<u>411,106</u>	<u>-</u>	<u>5,596,566</u>
	 <u>\$ 13,984,017</u>	 <u>\$ 9,664,934</u>	 <u>\$ 3,046,389</u>	 <u>\$ 20,602,562</u>

6. Long-term Debt

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 7,768</u>	<u>\$ 238</u>	<u>\$ 8,006</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 31,429
Accumulated depreciation	<u>(15,715)</u>
Book value	<u>\$ 15,714</u>

Leases payable to Georgia Municipal Association in the amount of \$93,265 and \$12,896 for the purchase of police cars and the related equipment matures February 2018 and carry interest rates of 3.01% and 3.39%, respectively.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 25,410	\$ 2,402	\$ 27,812
2017	26,187	1,625	27,812
2018	26,986	826	27,812
Total	<u>\$ 78,583</u>	<u>\$ 4,853</u>	<u>\$ 83,436</u>

The asset acquired through this capital lease is as follows:

Machinery and equipment	\$ 108,781
Accumulated depreciation	<u>(19,942)</u>
Book value	<u>\$ 88,839</u>

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

Bonds payable at December 31, 2015 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 23,862	\$ 38,274	\$ 62,136
2017	24,958	37,178	62,136
2018	26,104	36,032	62,136
2019	27,304	34,832	62,136
2020	28,558	33,578	62,136
2021-2025	163,717	146,963	310,680
2026-2030	204,940	105,740	310,680
2031-2035	256,543	54,137	310,680
2036-2037	105,404	4,445	109,849
	<u>\$ 861,390</u>	<u>\$ 491,179</u>	<u>\$ 1,352,569</u>

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,000	\$ 693	\$ 2,693
2017	2,000	573	2,573
2018	2,000	447	2,447
2019	1,500	314	1,814
2020	1,500	175	1,675
	<u>\$ 9,000</u>	<u>\$ 2,202</u>	<u>\$ 11,202</u>

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 87,546	\$ 11,524	\$ 99,070
2017	91,575	7,495	99,070
2018	95,789	3,281	99,070
	<u>\$ 274,910</u>	<u>\$ 22,300</u>	<u>\$ 297,210</u>

A loan from the State Revolving Loan Funds through Georgia Environmental Facility Agency (GEFA) to finance meter equipment for the purpose of water loss and leak detection was completed during fiscal year 2016 in the amount of \$195,000 with 40% principal forgiveness. It bears an interest rate of 1.03% and maturity will be set 20 years from the amortization commencement date.

During 2014 the City issued Water and Sewerage Revenue Bonds, Series 2014A and 2014B in the amount of \$9,000,000 and \$3,926,000 respectively. Proceeds from this issue prepaid GEFA loans in the amount of \$3,089,921 with interest rates ranging from 3.81% to 4.1%. Proceeds also paid off an interim bond in the amount of \$527,265 with an interest rate of 3.75%. The cash flows required for the debt that was refunded totaled \$3,620,661. The issue is a private placement issue and bears interest at a rate of 3.25%. The full amount of \$9,000,000 on the 2014A Bonds and \$3,926,000 on the 2014B Bonds has been drawn. Interest only payments of \$418,196 and \$420,095 are due August 7, 2016 and 2017, respectively. Monthly payments of \$50,153 will begin September 7, 2017 with the interest rate to be determined.

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 12/31/14	Additions	Reductions	Ending Balance 12/31/15	Due Within One Year
Governmental activities					
Capital lease payable	\$ 21,412	\$ 106,161	\$ 41,222	\$ 86,351	\$ 33,178
Compensated absences	14,920	13,120	14,920	13,120	3,936
Net pension liability	208,079	-	27,175	180,904	-
	<u>\$ 244,411</u>	<u>\$ 119,281</u>	<u>\$ 83,317</u>	<u>\$ 280,375</u>	<u>\$ 37,114</u>
Business-type activities					
Revenue bonds	8,109,023	5,701,180	22,814	13,787,389	23,862
Notes payable	370,105	125,980	136,587	359,498	89,546
General obligation bond	1,496	-	-	1,496	-
Compensated absences	21,330	22,143	21,330	22,143	6,643
Net pension liability	159,118	-	20,781	138,337	-
	<u>\$ 8,661,072</u>	<u>\$ 5,849,303</u>	<u>\$ 201,512</u>	<u>\$ 14,308,863</u>	<u>\$ 120,051</u>

Interest costs of \$397,996 were incurred in 2015, with \$342,855 capitalized as construction in progress.

Compensated absences are typically liquidated by the general fund.

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 2015 no expenditures exceeded budgeted appropriated amounts as shown in the budgetary comparison statement.

8. Property Taxes

The City of Blue Ridge's property tax calendar for the 2014 levy applicable to the 2015 fiscal year was as follows:

Lien date	January 1, 2014
Levy date	March 12, 2015
Due date	May 11, 2015
Delinquent date	May 18, 2015

Interest at nine per cent annually is added on the delinquent date and fifa's can be filed for uncollected taxes. The total current levy at December 31, 2014 was \$492,050.

9. Pension Plan

Plan Description

The City has established a non-contributory defined benefit pension plan (The City of Blue Ridge Retirement Plan), covering all full time employees who regularly work more than 20 hours per week. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer

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

Plan membership. As of July 1, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	10
Inactive plan members entitled to but not receiving benefits	2
Active plan members	<u>32</u>
	<u>44</u>

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City contributes an amount equal to the recommended contribution each year. For the year ended December 31, 2015, the City's contribution rate was 7.07% of annual payroll. City contributions to the Plan were \$67,189 for the year ended December 31, 2015.

Net Pension Liability of the City

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2015.

Actuarial assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8%, including inflation
Investment rate of return	7.75 %, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

Cost of living adjustments were assumed to be 0%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage

and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2015 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*	Long-term nominal real rate of return*
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45	9.70
Fixed income	25%	1.55	4.80
Real estate	10%	3.75	7.00
Cash	—%		
Total	100%		

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2015, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 3/31/14	\$ 1,469,425	\$ 1,102,228	\$ 367,197
Changes for the year:			
Service cost	27,195	-	27,195
Interest	111,985	-	111,985
Differences between expected and actual experience	16,983	-	16,983
Assumption Changes	-	-	-
Contributions—employer	-	77,207	(77,207)
Contributions—employee	-	-	-
Net investment income	-	107,628	(107,628)
Benefit payments, including refunds of employee contributions	(48,927)	(48,927)	-
Administrative expense	-	(3,028)	3,028
Other changes	(22,312)	-	(22,312)
Net changes	84,924	132,880	(47,956)
Balances at 3/31/15	\$ 1,554,349	\$ 1,235,108	\$ 319,241

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 544,978	\$ 319,241	\$ 132,794

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2015 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of \$83,485. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,861	\$ -
Changes in assumptions	-	19,523
Net difference between projected and actual earnings on pension plan investments	-	16,980
City contributions subsequent to the measurement date	50,391	-
Total	<u>\$ 65,252</u>	<u>\$ 36,503</u>

City contributions subsequent to the measurement date of \$50,391 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:

2016	\$ (4,911)
2017	(4,911)
2018	(4,911)
2019	(4,911)
2020	(666)
Thereafter	(1,332)
Total	<u>\$ (21,642)</u>

Deferred Compensation Plan

The City also has a 457(b) plan of deferred compensation that is funded 100% by the employees. The plan calls for volunteer contributions up to the levels allowed by the IRS. The cost of the plan will be borne by the participating employees. The funds are invested and administered by VALIC and the employee directs such investments. The plan is portable and eligible for rollover. There are no current employees active in the City's prior 457(b) plan of deferred compensation administered by Nationwide Retirement. There have been no employee contributions to the plan since April 2011 and the plan is only making distributions to participants.

10. 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.

11. 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.

12. 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, 2015 the City paid \$1,263 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.

13. 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.

14. Hotel/Motel Tax

The City of Blue Ridge levies a 5% Hotel/Motel tax in accordance with OCGA 48-13-51. Amounts levied in excess of 3% (40% of the taxes levied) are expended for the purpose of promoting tourism in accordance with OCGA 48-13-50 (a)(3).

Hotel Tax Collections	\$144,764
Hotel Tax Expenditures	\$ 37,848
Percentage Expended	26%

15. Interfund Balances

The nonmajor Multiple Grant capital project fund accounts for grants, including a grant from GDOT for Phase III to renovate our depot. Funds were transferred in from the General Fund for rent and other non-reimbursable expenditures and from the hotel/motel fund for landscaping and supplies expenditures to complete the project. Following is the interfund balances at December 31, 2015.

	<u>Transfers out</u>	<u>Transfers in</u>
		<u>Nonmajor</u>
General fund		\$ 20,163
Nonmajor		40,000
Total		<u>\$ 60,163</u>

16. Changes to Net Position

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City’s accounting for pension amounts. This adjustment is a change in accounting principle and has been made to record a net pension liability and deferred outflows of resources at December 31, 2014.

Also in fiscal year 2015 a prior period adjustment was made to recognize as revenue the deferred revenue from the unexpended portion of the Local Maintenance Improvement Grant in the SPLOST fund. Following is the effect of the prior period adjustments to the government-wide and fund financial statements.

	<u>Government-wide Statements</u>		<u>Fund Financial Statements</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Change in net position/fund balances at December 31, 2014	\$ 259,479	\$ 372,407	\$ 203,567	\$ 372,407
Net pension liability	(208,079)	(159,118)	-	(159,118)
Deferred outflows of resources- pension related	34,232	26,176	-	26,176
Deferred revenue	<u>55,415</u>	<u>-</u>	<u>55,415</u>	<u>-</u>
Change in net position/fund balance				
at December 31, 2014, as restated	141,047	239,465	258,982	239,465
Net position/fund balances beginning of year December 31, 2014	<u>3,700,679</u>	<u>6,178,402</u>	<u>260,106</u>	<u>6,178,402</u>
Net position/fund balances beginning of year December 31, 2015, as restated	<u>\$ 3,841,726</u>	<u>\$ 6,417,867</u>	<u>\$ 519,088</u>	<u>\$ 6,417,867</u>

17. Subsequent Events

The City has evaluated subsequent events through June 16, 2016, the date which the financial statements were available to be issued, and found the following items that required disclosure. There were no items noted that required modification to the financial statements.

A lease payable to Georgia Municipal Association in the amount of \$24,912 for the purchase of a F350 truck for the water department maturing March 2021 and carrying an interest rate of 3.65% was completed during fiscal year 2016.

A lease payable to Georgia Municipal Association in the amount of \$21,620 for the purchase of equipment for the police department maturing January 2019 and carrying an interest rate of 3.49% was completed during fiscal year 2016.

A loan from the U.S. Department of Agriculture for the purchase of a skid steer was completed during 2016 in the amount of \$19,100 along with a grant of \$24,900. The loan will mature in 2021 and bears interest at a rate of 2.875%.

A loan from the State Revolving Loan Funds through Georgia Environmental Facility Agency (GEFA) to finance meter equipment for the purpose of water loss and leak detection was completed during fiscal year 2016 in the amount of \$211,985 with 40% principal forgiveness. It bears an interest rate of 1.09% and maturity will be set 20 years from the amortization commencement date.

A grant from the U.S. Department of Transportation through the Georgia Department of Transportation has been awarded in the amount of \$375,000. The City’s match for this grant is \$93,750 for street and sidewalk improvements on West Main Street. The projected project start date is March 2018.

17. Construction and Significant Commitments

During 2016, the City expects to complete construction to upgrade the water plant. The construction is funded in by bonds issued during 2014 by USDA for a total of \$12,926,000 along with a grant of \$3,663,000. This debt also funded a water line extension and storage tank completed during 2015.

CITY OF BLUE RIDGE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION

City of Blue Ridge, Georgia
Required Supplementary Information
Georgia Municipal Association Defined Benefit Plan
Schedule of Changes in the Net Pension Liability and Related Ratios
For the year ended December 31, 2015

	2015
<i>Total pension liability</i>	
Service cost	\$ 27,195
Interest	111,985
Difference between expected and actual experience	16,983
Changes of assumptions	(22,312)
Changes of benefit terms	-
Benefit payments, including refunds of employee contributions	(48,927)
Net change in total pension liability	84,924
Total pension liability- beginning	1,469,425
Total pension liability- ending (a)	\$ 1,554,349
 <i>Plan fiduciary net position</i>	
Contributions- employer	\$ 77,207
Contributions- employee	-
Net investment income	107,628
Benefit payments- including refund of employee contributions	(48,927)
Administrative expense	(3,028)
Other	-
Net change in fiduciary net position	132,880
Plan fiduciary net position- beginning	1,102,228
Plan fiduciary net position- ending (b)	\$ 1,235,108
 Net pension liability- ending (a-b)	\$ 319,241
 Plans fiduciary net position as a percentage of the total pension liability	79.46%
 Covered employee payroll	\$ 1,053,339
 Net pension liability as a percentage of covered employee payroll	30.31%

Notes to the Schedule:

Historical information prior to implementation of GASB 67/68 is not required, but this schedule will present 10 years of information once accumulated.

City of Calhoun, Georgia
Required Supplementary Information
Georgia Municipal Association Defined Benefit Plan
Schedule of Contributions
For the year ended December 31, 2015

	2015
Actuarially determined contribution	\$ - *
Contributions in relation to the actuarially determined contribution	- *
Contribution deficiency (excess)	\$ - *
Covered employee payroll	\$ - *
Contributions as a percentage of covered employee payroll	0.00% *

*2015 information will be determined after fiscal year end and will be included in the 2016 valuation report.

Notes to the Schedule:

Historical information prior to implementation of GASB 67/68 is not required, but this schedule will present 10 years of information once accumulated.

Valuation date The actuarial determined contribution rate was determined as of July 1, 2014, with an interest adjustment to the fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial assumptions:	
Net investment rate of return	7.75%
Projected salary increase	3.25% plus service based merit increases
Cost of living adjustments	0.00%
Retirement age	Where normal retirement is only available on or after age 65 retirement age is assumed to be 60% at ages 65 to 69 and 100% at age 70
Mortality	Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

CITY OF BLUE RIDGE, GEORGIA
SUPPLEMENTARY INFORMATION

City of Blue Ridge, Georgia
Balance Sheet
Nonmajor Governmental Funds
December 31, 2015

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	Multiple Grant	
Assets				
Cash and cash equivalents	\$ -	\$ 708	\$ 57	\$ 765
Pooled operating cash	138,740	-	29,383	168,123
Receivables (net)				
Other taxes	8,939	-	-	8,939
Forfeited property held for resale	-	2,511	-	2,511
Total Assets	\$ 147,679	\$ 3,219	\$ 29,440	\$ 180,338
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 566	\$ -	\$ 380	\$ 946
Deferred Inflows of Resources				
Unavailable revenue	-	-	30,000	30,000
Fund Balances				
Restricted				
Program purposes				
Economic development	20,058	-	-	20,058
Public safety	-	3,219	-	3,219
Assigned, reported in				
Special revenue fund	127,055	-	-	127,055
Unassigned, reported in				
Capital projects fund	-	-	(940)	(940)
Total Fund Balances	147,113	3,219	(940)	149,392
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 147,679	\$ 3,219	\$ 29,440	\$ 180,338

City of Blue Ridge, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2015

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Hotel/Motel	Confiscated Assets	Multiple Grant	
Revenues				
Hotel/motel taxes	\$ 144,764	\$ -	\$ -	\$ 144,764
Intergovernmental	-	-	133,900	133,900
Charges for services	3,191	-	50	3,241
Fines and forfeitures	-	2,511	-	2,511
Investment earnings	-	-	15	15
Total Revenues	147,955	2,511	133,965	284,431
Expenditures				
Current				
Police	-	2,291	-	2,291
Housing and economic development	61,898	-	-	61,898
Capital Outlay				
Housing and economic development	-	-	156,589	156,589
Total Expenditures	61,898	2,291	156,589	220,778
Excess (Deficiency) of Revenues Over (Under) Expenditures	86,057	220	(22,624)	63,653
Other Financing Sources (Uses)				
Transfers in	-	-	60,163	60,163
Transfers out	(40,000)	-	-	(40,000)
Total Other Financing Sources	(40,000)	-	60,163	20,163
Net Change in Fund Balances	46,057	220	37,539	83,816
Fund Balances Beginning of Year	101,056	2,999	(38,479)	65,576
Fund Balances (Deficits) End of Year	\$ 147,113	\$ 3,219	\$ (940)	\$ 149,392

City of Blue Ridge, Georgia
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
For the year ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Hotel/motel taxes	\$ 115,000	\$ 144,500	\$ 144,764	\$ 264
Charges for services	-	-	3,191	3,191
Total Revenues	<u>115,000</u>	<u>144,500</u>	<u>147,955</u>	<u>3,455</u>
Expenditures				
Current				
Housing and economic development	115,000	104,500	61,898	42,602
Excess of Revenues Over Expenditures	-	40,000	86,057	46,057
Other Financing Sources (Uses)				
Transfers out	-	(40,000)	(40,000)	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	46,057	<u>\$ 74,058</u>
Fund Balances Beginning of Year			<u>101,056</u>	
Fund Balances End of Year			<u>\$ 147,113</u>	

City of Blue Ridge, Georgia
Confiscated Assets Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
For the year ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Confiscations	\$ 1,500	\$ 1,500	\$ 2,511	\$ 1,011
Expenditures				
Current				
Public safety	<u>1,500</u>	<u>2,500</u>	<u>2,291</u>	<u>209</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,000)	220	1,220
Other Financing Sources (Uses)				
Use of fund balance	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	220	<u>\$ 1,220</u>
Fund Balances Beginning of Year			<u>2,999</u>	
Fund Balances End of Year			<u>\$ 3,219</u>	

City of Blue Ridge, Georgia
Multiple Grant Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
For the year ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Intergovernmental	\$ -	\$ 100,000	\$ 133,900	\$ 33,900
Charges for services	-	-	50	50
Investment earnings	-	-	15	15
Total Revenues	<u>-</u>	<u>100,000</u>	<u>133,965</u>	<u>33,965</u>
Expenditures				
Current				
Housing and economic development	-	160,200	156,589	3,611
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(60,200)	(22,624)	37,576
Other Financing Sources (Uses)				
Transfers in	-	60,200	60,163	(37)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>37,539</u>	<u>\$ 37,539</u>
Fund Balances Beginning of Year			<u>(38,479)</u>	
Fund Balances End of Year			<u>\$ (940)</u>	

City of Blue Ridge, Georgia
SPLOST Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
For the year ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues				
Intergovernmental	\$ 270,000	\$ 270,000	\$ 292,193	\$ 22,193
Investment earnings	250	250	942	692
Miscellaneous	-	-	7,922	7,922
Total Revenues	<u>270,250</u>	<u>270,250</u>	<u>301,057</u>	<u>22,885</u>
Expenditures				
Current				
Public works	<u>270,250</u>	<u>270,250</u>	<u>51,451</u>	<u>218,799</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	249,606	<u>\$ 241,684</u>
Fund Balances Beginning of Year			328,160	
Prior Period Adjustment			<u>55,415</u>	
Fund Balances End of Year			<u>\$ 633,181</u>	

CITY OF BLUE RIDGE, GEORGIA
INTERNAL CONTROL AND COMPLIANCE SECTION

City of Blue Ridge, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant/Loan Identification Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Water & Waste Disposal Systems for Rural Communities				
American Reinvestment and Recovery Act				
Water and Sewer Revenue Bond,				
Series 2014 A	10.760	10-55-6011380	\$ 9,000,000	1,016,670
Series 2014 B			\$ 3,926,000	3,876,000
Rural Development Grant	10.760	10-55-6011380	\$ 3,663,000	1,808,489
Appalachian Regional Commission Grant	10.760	10-55-6011380	\$ 300,000	<u>300,000</u>
Total U.S. Department of Agriculture				<u>7,001,159</u>
<u>U.S. Department of Transportation</u>				
Federal Highway Administration				
Highway Planning & Construction	20.205	PI 0009042	\$ 250,000	\$ 109,046
Federal Highway Administration				
Highway Planning & Construction	20.205	PI 0010677	\$ 350,000	-
Federal Highway Administration				
Recreational Trails Program	20.219	NRT-11(6)	\$ 100,000	<u>561</u>
Total U.S. Department of Transportation				<u>109,607</u>
<u>U.S. Environmental Protection Agency</u>				
Georgia Environmental Protection Agency/ Georgia Environmental Finance Authority				
Grant for Drinking Water State Revolving Loan Fund	66.468	DWSRF 15-001	\$ 60,840	46,824
Loan for Drinking Water State Revolving Loan Fund	66.468	DWSRF 15-001	\$ 91,260	<u>70,237</u>
Total U.S. Environmental Protection Agency				<u>117,061</u>
				<u>\$ 7,227,827</u>

City of Blue Ridge, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

NOTE A: Basis of Presentation

The above schedule of expenditures of federal awards (the Schedule) includes the federal loan activity of the City of Blue Ridge, Georgia, under programs of the federal government for the fiscal year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government and Non Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Blue Ridge, Georgia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Blue Ridge, Georgia.

NOTE B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C: Outstanding Loans

The federal program Water & Waste Disposal for Rural Communities is funded partially by a loan. The outstanding balance of federal loan funds for this program at December 31, 2015 was \$12,926,000.

The federal program Georgia Environmental Finance Authority is funded partially by a loan. The outstanding balance of federal loan funds for this program at December 31, 2015 was \$75,588.

CITY OF BLUE RIDGE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Condition/Context: Although the year-end financial statements are prepared on the appropriate accrual/modified accrual basis, the City omitted a material entry that caused the revenue in SPLOST Fund to be materially misstated in the prior year as well as current year.

Effect: Failure to properly record information on the financial statements and ensure that all items have been included in such statements causes financial statements to be materially misstated and misleading for management, elected officials and any other intended users of such information.

Cause: Prior period adjustment was necessary in the statements for the SPLOST Fund, as well as the government wide statements. The entry related to unused grant revenue held as deferred in SPLOST Fund. Although it has not been utilized, management realized it should have been recognized as revenue in the year it was received. This entry also affected the presentation of the government wide statements of net position and activities.

Recommendation: We recommend that the financial statements at year end be scrutinized closely for any misstatements before closing the year.

Response: Management agrees with this finding and will ensure that all entries are made and statements properly presented in future periods.

Section III - Federal Award Findings and Questioned Costs

None reported.

City of Blue Ridge, Georgia
*Schedule for Projects Constructed with
Special Purpose Local Option Sales Tax
For the year ended December 31, 2015*

<u>Project</u>	<u>Referendum Authorized Amount</u>	<u>Original Estimated Cost</u>	<u>Prior Years' Expenditures</u>	<u>Current Year Expenditures</u>	<u>Cumulative Total</u>	<u>Estimated Percentage of Completion</u>
2011 SPLOST						
Maintenance, repair, and construction of roads, streets, bridges and sidewalks	\$ 1,575,000	\$ 1,575,000	\$ 608,982	\$ 51,451	\$ 660,433	42%

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