

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
of City Council
City of Social Circle, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Social Circle, Georgia** as of and for the year ended June 30, 2011, which collectively comprise the City of Social Circle, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Social Circle, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Social Circle, Georgia as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the City of Social Circle, Georgia implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of the City of Social Circle, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 10 and Schedules of Funding Progress on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Social Circle, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 5, 2011

CITY OF SOCIAL CIRCLE, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Social Circle, Georgia we present management's analysis of the City's financial condition and activities for the fiscal year ended June 30, 2011. This information should be read and considered in conjunction with the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2011 by \$19,844,908 (total net assets).
- Of this amount, \$4,910,896 (unrestricted net assets) was available for use to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$881,735.
- At the close of fiscal year 2011 the City's governmental funds reported combined ending fund balances of \$1,780,262. Of this amount, \$839,000 or 47.13% is available for spending at the government's discretion (Unassigned fund balance). The remaining balance of \$941,262, is allocated as \$505,823 (Non spendable), \$348,058 (Restricted) and \$87,381 (Assigned).

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the City of Social Circle's basic financial statements. The City's basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A should be read and considered with the basic audited financial statements and supplementary information.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with an overview of the City's finances in a manner similar to commercial enterprises.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial, public safety, public works, health and welfare, culture and recreation, and housing and development. The business-type activities of the City include water and sewer, natural gas, and solid waste management.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into governmental funds and proprietary funds.

Governmental funds. Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General Fund and SPLOST Fund, which are considered major funds. The data from the three other funds, the non-major funds, is aggregated into a single presentation. The individual fund data for these funds is located in the combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement for this fund has been provided to demonstrate compliance with this budget. The City also adopted an annual budget for its special revenue funds. Project length budgets were adopted for the capital project fund. Budgetary comparisons for the nonmajor funds are included as supplementary information.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its solid waste operations, water and sewer system operations and its natural gas system operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the Water and Sewer Fund and the Natural Gas Fund. These funds are considered to be major funds of the City. The Solid Waste Fund is reported as a nonmajor enterprise fund.

Notes to the financial statements. The notes provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes provide information about the City's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's obligation in funding pension benefits to its employees.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. The assets exceeded the liabilities at the close of fiscal year 2011 by \$19,844,908.

The largest component of net assets, which may be used to meet the City's ongoing obligations to its citizens and creditors, is unrestricted assets in the amount of \$4,910,896 or 24.74%. Restricted assets are Debt Service, \$206,198, Public safety \$1,430, Capital Projects \$285,967 Library Expendable \$60,661, and Library non expendable \$350,000. Another component of the City's net assets is investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that are still outstanding, which comprises \$14,029,756 or 70.70%. The City uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Social Circle Net Assets

| | <u>Governmental Activities</u> | | <u>Business Type Activities</u> | | <u>Totals</u> | |
|--|--------------------------------|--------------|---------------------------------|---------------|---------------|---------------|
| | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> |
| Assets: | | | | | | |
| Current assets | \$ 2,302,356 | \$ 2,236,637 | \$ 3,961,265 | \$ 4,251,340 | \$ 6,263,621 | \$ 6,487,977 |
| Restricted assets | - | - | 737,062 | 646,192 | 737,062 | 646,192 |
| Other assets | - | - | 145,658 | 141,286 | 145,658 | 141,286 |
| Capital assets | 5,905,394 | 6,417,940 | 14,842,311 | 14,585,510 | 20,747,705 | 21,003,450 |
| Total assets | 8,207,750 | 8,654,577 | 19,686,296 | 19,624,328 | 27,894,046 | 28,278,905 |
| Liabilities: | | | | | | |
| Current liabilities | 344,268 | 374,072 | 647,310 | 542,416 | 991,578 | 916,488 |
| Unearned Revenue | | 27,639 | - | - | - | 27,639 |
| Long-term liabilities | 392,211 | 233,525 | 7,547,084 | 7,256,345 | 7,939,295 | 7,489,870 |
| Total liabilities | 736,479 | 635,236 | 8,194,394 | 7,798,761 | 8,930,873 | 8,433,997 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 5,580,394 | 6,238,522 | 7,849,033 | 7,791,234 | 13,429,427 | 14,029,756 |
| Restricted for | | | | | | |
| Capital Projects | - | 285,967 | - | - | - | 285,967 |
| Debt Service | - | - | 205,845 | 206,198 | 205,845 | 206,198 |
| Public Safety | | 1,430 | - | - | - | 1,430 |
| Library Expendable | 70,761 | 60,661 | - | - | 70,761 | 60,661 |
| Library Nonexpendable | 350,000 | 350,000 | - | - | 350,000 | 350,000 |
| Unrestricted | 1,470,116 | 1,082,761 | 3,437,024 | 3,828,135 | 4,907,140 | 4,910,896 |
| Total net assets | \$ 7,471,271 | \$ 8,019,341 | \$ 11,491,902 | \$ 11,825,567 | \$ 18,963,173 | \$ 19,844,908 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

An additional portion of the City's net assets, \$904,256 (0.46 %), represents resources that are subject to external restrictions on how they may be used. \$410,661 for the library of which \$350,000 is nonexpendable, \$1,430 for public safety, \$285,967 for capital projects and \$206,198 for revenue bond (water & sewer) reserves.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as whole, as well as for its separate governmental and business-type activities.

Governmental Activities. Governmental activities increased the City's net assets by \$548,070 or 62.16% of the total growth in the net assets of the City.

City of Social Circle Changes in Net Assets

| | Governmental Activities | | Business Type Activities | | Totals | |
|---|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for service | \$ 300,417 | \$ 268,741 | \$ 5,364,152 | \$ 5,362,695 | \$ 5,664,569 | \$ 5,631,436 |
| Operating grants and contributions | 130,100 | 270,433 | - | - | 130,100 | 270,433 |
| Capital grants and contributions | 579,411 | 320,869 | 1,123,050 | 77,858 | 1,702,461 | 398,727 |
| General revenues: | | | | | | |
| Property taxes | 1,108,849 | 1,193,573 | - | - | 1,108,849 | 1,193,573 |
| Sales tax | 564,329 | 546,131 | - | - | 564,329 | 546,131 |
| Other taxes | 745,106 | 825,716 | - | - | 745,106 | 825,716 |
| Investment earnings | 55,374 | 35,455 | 53,923 | 69,286 | 109,297 | 104,741 |
| Other | 7,796 | 14,044 | - | - | 7,796 | 14,044 |
| Total revenue | <u>3,491,382</u> | <u>3,474,962</u> | <u>6,541,125</u> | <u>5,509,839</u> | <u>10,032,507</u> | <u>8,984,801</u> |
| Expenses: | | | | | | |
| General government | 544,623 | 553,763 | - | - | 544,623 | 553,763 |
| Judicial | 25,781 | 22,688 | - | - | 25,781 | 22,688 |
| Public safety | 1,852,501 | 1,511,933 | - | - | 1,852,501 | 1,511,933 |
| Public works | 631,393 | 487,224 | - | - | 631,393 | 487,224 |
| Health & Welfare | 67,682 | 79,973 | - | - | 67,682 | 79,973 |
| Culture and recreation | 139,683 | 141,558 | - | - | 139,683 | 141,558 |
| Housing and development | 54,151 | 79,878 | - | - | 54,151 | 79,878 |
| Interest and fiscal charges | 14,551 | 8,875 | - | - | 14,551 | 8,875 |
| Water and sewer | - | - | 1,953,089 | 2,048,097 | 1,953,089 | 2,048,097 |
| Natural gas | - | - | 2,709,901 | 2,842,450 | 2,709,901 | 2,842,450 |
| Solid waste | - | - | 309,972 | 326,629 | 309,972 | 326,629 |
| Total expenses | <u>3,330,365</u> | <u>2,885,892</u> | <u>4,972,962</u> | <u>5,217,176</u> | <u>8,303,327</u> | <u>8,103,068</u> |
| Increase in net assets before transfers | 161,017 | 589,070 | 1,568,163 | 292,665 | 1,729,180 | 881,735 |
| Transfers | 168,620 | (41,000) | (168,620) | 41,000 | - | - |
| Increase in net assets | 329,637 | 548,070 | 1,399,543 | 333,665 | 1,729,180 | 881,735 |
| Net assets - beginning | 7,141,634 | 7,471,271 | 10,092,359 | 11,491,902 | 17,233,993 | 18,963,173 |
| Net assets - ending | <u>\$ 7,471,271</u> | <u>\$ 8,019,341</u> | <u>\$ 11,491,902</u> | <u>\$ 11,825,567</u> | <u>\$ 18,963,173</u> | <u>\$ 19,844,908</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues. Property taxes of \$1,193,573 and sales tax of \$546,131 accounted for 50.06% of total general revenues

Operating Grants and contributions consisted of the following:

Board of Education for Resource Officer \$16,500

Housing Authority In Lieu of Taxes \$7,185

Walton county Fire \$52,000

Section 18 Transportation Grant \$27,967

GMA Safety Grant \$6,000

FEMA Grant \$46,121

USDA Rural Bus Enterprise Grant \$2,941

GEFA Energy Grant \$111,719

Capital Grants and Contributions consisted of the following:

SPLOST Revenue \$320,869

Expenses. The total expense for the governmental activities is \$2,885,892. The largest single expenditure activity is public safety. Public safety includes the police department and the fire department. The total public safety expense is \$1,511,933 or 52.39% of total governmental activity expense.

Total program revenues, general revenues and transfers exceeded expenses by \$881,735.

Business-type activities. Business-type activities increased the City's net assets by \$333,665 (37.84%) of the total growth in the government's net assets. Water revenues increased mainly due to a small rate increase required to meet the covenants of the bond issue. Expenditures also increased slightly due to some small infrastructure improvements. In the Gas Fund during the year, revenues were lower than budgetary estimates mostly due to the fluctuation in gas prices. Expenditures were under budget mostly due to the lower cost of gas and contingencies not spent. In Solid Waste revenues were higher than budgetary estimates mostly due to a new line item for franchise fee from Advanced Disposal. Expenditures were higher than budget due to higher disposal costs due to fuel charges.

Revenues. Water and sewer revenue was \$1,948,048. Natural gas revenue was \$3,142,527. Solid Waste revenue was \$272,122. Water and sewer revenue is derived from the sale of water and sewer services to the citizens of the City. Natural gas revenue is derived from the sale of natural gas to the citizens of the City. Solid Waste revenue is derived from the billing of the service to pick up household garbage.

Expenses. Water and sewer expense was \$2,048,097. Natural gas expense was \$2,842,450. Solid Waste expense was \$326,629.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

The City of Social Circle uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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 end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,780,262. Approximately 47.13% of this amount \$839,000 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reported in nonmajor funds. These funds are Nonspendable, Restricted or Assigned and may only be used within the guidelines of each fund.

The General Fund is the chief operating fund of the City. At the June 30, 2011 unreserved fund balance of the General Fund was \$839,000. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved balance and total fund balances to total fund expenditures. Unassigned balance represents 29.01% of total fund expenditures and total fund balance represents 37.42% of total fund expenditures.

The SPLOST Fund is used to account for capital projects funded by the City's portion of the special purpose local option sales tax. Assets exceeded liabilities by \$285,967 which is restricted by agreements with third party entities (Walton County, Georgia).

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund at June 30, 2011 amounted to \$450,294; the Natural Gas Fund amounted to \$3,377,249; and the Solid Waste Fund amounted to \$592. The total change in Water and Sewer net assets was a decrease of \$12,049; the change in Natural Gas net assets was \$359,221; and the change in Solid Waste net assets was a decrease of \$13,507.

General Fund Budgetary Highlights

During the year, revenues were higher than budgetary estimates by \$91,814 and expenditures were lower than budgetary estimates by \$98,736. Revenue is higher than budget mainly due to increased collection of penalties on delinquent taxes. Expenditures are lower than budget mainly due to due diligence by the City Manager to keep the department heads within budget.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to \$21,003,450, (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, building and improvements, equipment and vehicles.

Major capital asset events during the current fiscal year include the following:

GOVERNMENTAL CAPITAL ASSETS

HVAC/Lighting at Public Safety Building and Visitor Center \$111,719.

Sidewalks Holly/Dogwood \$306,880

Bridge Project \$305,730

WATER

Water System Improvements \$168,592

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Social Circle Capital Assets (Net of Depreciation)

| | <u>Governmental Activities</u> | | <u>Business Type Activities</u> | | <u>Totals</u> | |
|--------------------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> |
| Land | \$ 828,828 | \$ 869,411 | \$ - | \$ - | \$ 828,828 | \$ 869,411 |
| Construction in progress | 8,250 | 627,313 | - | 72,460 | 8,250 | 699,773 |
| Infrastructure | 2,347,325 | 2,333,332 | 14,730,637 | 14,436,441 | 17,077,962 | 16,769,773 |
| Building | 1,962,633 | 2,025,160 | - | - | 1,962,633 | 2,025,160 |
| Equipment | 758,358 | 562,724 | 62,553 | 45,378 | 820,911 | 608,102 |
| Vehicles | - | - | 49,121 | 31,231 | 49,121 | 31,231 |
| Total | <u>\$ 5,905,394</u> | <u>\$ 6,417,940</u> | <u>\$ 14,842,311</u> | <u>\$ 14,585,510</u> | <u>\$ 20,747,705</u> | <u>\$ 21,003,450</u> |

Long-term debt. At the end of the current fiscal year, the City had total outstanding revenue bond and loan indebtedness in the amount of \$7,220,545. Water and Sewerage Revenue Bonds account for \$1,890,104 and a Georgia Environmental Facilities water and sewer loan accounts for \$5,330,441.

City of Social Circle Outstanding Debt Long-term Liabilities

| | <u>Governmental Activities</u> | | <u>Business Type Activities</u> | | <u>Totals</u> | |
|---------------|--------------------------------|-------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> |
| Revenue Bonds | \$ - | \$ - | \$ 1,888,399 | \$ 1,890,104 | \$ 1,888,399 | \$ 1,890,104 |
| GEFA Loan | - | - | 5,599,955 | 5,330,441 | 5,599,955 | 5,330,441 |
| Capital lease | 325,000 | 179,418 | 36,140 | 13,725 | 361,140 | 193,143 |
| Total | <u>\$ 325,000</u> | <u>\$ 179,418</u> | <u>\$ 7,524,494</u> | <u>\$ 7,234,270</u> | <u>\$ 7,849,494</u> | <u>\$ 7,413,688</u> |

Readers should refer to Note 6 and 7 of the financial statements for more detail on capital assets and long-term debt activity.

Economic Factors

The City has been lucky during the current downturn in the economy. We have not lost too many jobs in the industrial area, but we have lost several small retail/commercial businesses and that trend will likely continue.

Our tax base is still strong, but utility sales have been down due to lower production demand. We were able to use remaining funds in a Federal EDA grant to run a new sewer service into an area primed for future development for job creation.

We continue to do a good job with the overall City budget for the year and by being conservative we came in with an overall positive revenue balance for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Clerk and Treasurer, City of Social Circle, P. O. Box 310, Social Circle, Georgia, 30025.

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF NET ASSETS

JUNE 30, 2011

| | Primary Government | | | Component Units | | |
|---|-------------------------|--------------------------|---------------|-----------------------|--------------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | Better Hometown, Inc. | Downtown Development Authority | Development Authority |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,319,818 | \$ 2,858,984 | \$ 4,178,802 | \$ 26,529 | \$ 3,625 | \$ 93,570 |
| Investments | 409,815 | 833,613 | 1,243,428 | - | - | - |
| Accounts receivable, net of allowances | 35,667 | 559,838 | 595,505 | - | 3,240 | - |
| Taxes receivable, net of allowances | 78,967 | - | 78,967 | - | - | - |
| Interest receivable | - | 2,874 | 2,874 | - | - | - |
| Internal balances | 59,029 | (59,029) | - | - | - | - |
| Due from other governments | 176,637 | 499 | 177,136 | - | - | - |
| Due from component unit | 881 | - | 881 | - | - | - |
| Due from primary government | - | - | - | - | 51 | - |
| Prepaid expenses | 155,823 | 54,561 | 210,384 | - | - | - |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | - | 646,192 | 646,192 | - | - | - |
| Other assets | - | 141,286 | 141,286 | - | - | - |
| Capital assets: | | | | | | |
| Non-depreciable | 1,496,724 | 72,460 | 1,569,184 | - | 100,000 | 932,037 |
| Depreciable, net of accumulated depreciation | 4,921,216 | 14,513,050 | 19,434,266 | 20,557 | 583,214 | - |
| Total assets | 8,654,577 | 19,624,328 | 28,278,905 | 47,086 | 690,130 | 1,025,607 |
| LIABILITIES | | | | | | |
| Accounts payable | 330,921 | 170,108 | 501,029 | 89 | 2,286 | 250 |
| Accrued liabilities | 43,151 | 108,161 | 151,312 | - | 1,089 | - |
| Unearned revenues | 27,639 | - | 27,639 | - | - | - |
| Customer deposits | - | 264,096 | 264,096 | - | 2,100 | - |
| Due to component unit | - | 51 | 51 | - | - | - |
| Due to primary government | - | - | - | - | 881 | - |
| Long-term liabilities: | | | | | | |
| Portion due or payable within one year: | | | | | | |
| Capital leases | 79,276 | 13,725 | 93,001 | - | - | - |
| Notes payable | - | 222,092 | 222,092 | - | 27,761 | 125,158 |
| Compensated absences | 52,837 | 11,803 | 64,640 | - | - | - |
| Portion due or payable in more than one year: | | | | | | |
| Capital leases | 100,142 | - | 100,142 | - | - | - |
| Notes payable | - | 5,108,349 | 5,108,349 | - | 530,569 | - |
| Bonds payable, net | - | 1,890,104 | 1,890,104 | - | - | - |
| Compensated absences | 1,270 | 10,272 | 11,542 | - | - | - |
| Total liabilities | 635,236 | 7,798,761 | 8,433,997 | 89 | 564,686 | 125,408 |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 6,238,522 | 7,791,234 | 14,029,756 | 20,557 | 124,884 | 806,879 |
| Restricted for: | | | | | | |
| Debt service | - | 206,198 | 206,198 | - | - | - |
| Public safety | 1,430 | - | 1,430 | - | - | - |
| Capital projects | 285,967 | - | 285,967 | - | - | - |
| Library - expendable | 60,661 | - | 60,661 | - | - | - |
| Library - nonexpendable | 350,000 | - | 350,000 | - | - | - |
| Unrestricted | 1,082,761 | 3,828,135 | 4,910,896 | 26,440 | 560 | 93,320 |
| Total net assets | \$ 8,019,341 | \$ 11,825,567 | \$ 19,844,908 | \$ 46,997 | \$ 125,444 | \$ 900,199 |

The accompanying notes are an integral part of these financial statements.

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|--------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 553,763 | \$ 249,080 | \$ 10,126 | \$ - |
| Judicial | 22,688 | - | - | - |
| Public safety | 1,511,933 | - | 120,621 | - |
| Public works | 487,224 | 17,161 | 139,686 | 320,869 |
| Health and welfare | 79,973 | - | - | - |
| Culture and recreation | 141,558 | 2,500 | - | - |
| Housing and development | 79,878 | - | - | - |
| Interest on long-term debt | 8,875 | - | - | - |
| Total governmental activities | 2,885,892 | 268,741 | 270,433 | 320,869 |
| Business-type activities: | | | | |
| Water and sewer | 2,048,097 | 1,948,048 | - | 77,858 |
| Natural gas | 2,842,450 | 3,142,527 | - | - |
| Solid waste | 326,629 | 272,122 | - | - |
| Total business-type activities | 5,217,176 | 5,362,697 | - | 77,858 |
| Total primary government | \$ 8,103,068 | \$ 5,631,438 | \$ 270,433 | \$ 398,727 |
| Component units: | | | | |
| Better Hometown, Inc. | \$ 56,510 | \$ 28,570 | \$ 416 | \$ - |
| Downtown Development Authority | 80,029 | 78,677 | - | - |
| Development Authority | 6,334 | - | 6,133 | - |
| Total component units | \$ 142,873 | \$ 107,247 | \$ 6,549 | \$ - |

General revenues:

Property taxes

Sales taxes

Franchise taxes

Business taxes

Hotel Motel taxes

Other taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

The accompanying notes are an integral part of these financial statements.

| Net (Expenses) Revenues and Changes in Net Assets | | | | | |
|---|-----------------------------|----------------|--------------------------|--------------------------------------|--------------------------|
| Primary Government | | | Component Units | | |
| Governmental Activities | Business-type Activities | Total | Better Hometown, Inc. | Downtown Development Authority | Development Authority |
| \$ (294,557) | \$ - | \$ (294,557) | \$ - | \$ - | \$ - |
| (22,688) | - | (22,688) | - | - | - |
| (1,391,312) | - | (1,391,312) | - | - | - |
| (9,508) | - | (9,508) | - | - | - |
| (79,973) | - | (79,973) | - | - | - |
| (139,058) | - | (139,058) | - | - | - |
| (79,878) | - | (79,878) | - | - | - |
| (8,875) | - | (8,875) | - | - | - |
| (2,025,849) | - | (2,025,849) | - | - | - |
| - | (22,191) | (22,191) | - | - | - |
| - | 300,077 | 300,077 | - | - | - |
| - | (54,507) | (54,507) | - | - | - |
| - | 223,379 | 223,379 | - | - | - |
| \$ (2,025,849) | \$ 223,379 | \$ (1,802,470) | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ - | \$ (27,524) | \$ - | \$ - |
| - | - | - | - | (1,352) | - |
| - | - | - | - | - | (201) |
| \$ - | \$ - | \$ - | \$ (27,524) | \$ (1,352) | \$ (201) |
| \$ 1,193,573 | \$ - | \$ 1,193,573 | \$ - | \$ - | \$ - |
| 546,131 | - | 546,131 | - | - | - |
| 451,685 | - | 451,685 | - | - | - |
| 17,555 | - | 17,555 | - | - | - |
| 1,010 | - | 1,010 | - | - | - |
| 355,466 | - | 355,466 | - | - | - |
| 35,455 | 69,286 | 104,741 | 124 | 5 | 542 |
| 14,044 | - | 14,044 | - | - | - |
| (41,000) | 41,000 | - | - | - | - |
| 2,573,919 | 110,286 | 2,684,205 | 124 | 5 | 542 |
| 548,070 | 333,665 | 881,735 | (27,400) | (1,347) | 341 |
| 7,471,271 | 11,491,902 | 18,963,173 | 74,397 | 126,791 | 899,858 |
| \$ 8,019,341 | \$ 11,825,567 | \$ 19,844,908 | \$ 46,997 | \$ 125,444 | \$ 900,199 |

CITY OF SOCIAL CIRCLE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2011

| ASSETS | General Fund | SPLOST Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|--------------------------------|--------------------------------|
| Cash | \$ 921,682 | \$ 382,838 | \$ 15,298 | \$ 1,319,818 |
| Investments | - | - | 409,815 | 409,815 |
| Taxes receivable | 78,967 | - | - | 78,967 |
| Accounts receivable | 34,727 | - | 940 | 35,667 |
| Due from other governments | 176,637 | - | - | 176,637 |
| Due from other funds | 154,783 | - | - | 154,783 |
| Due from component unit | 881 | - | - | 881 |
| Prepaid expenditures | 155,823 | - | - | 155,823 |
| Total assets | <u>\$ 1,523,500</u> | <u>\$ 382,838</u> | <u>\$ 426,053</u> | <u>\$ 2,332,391</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 293,343 | \$ 24,626 | \$ 12,952 | \$ 330,921 |
| Accrued liabilities | 38,383 | - | - | 38,383 |
| Deferred revenues | 87,071 | - | - | 87,071 |
| Due to other funds | 22,499 | 72,245 | 1,010 | 95,754 |
| Total liabilities | <u>441,296</u> | <u>96,871</u> | <u>13,962</u> | <u>552,129</u> |
| FUND BALANCES | | | | |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Permanent fund corpus | - | - | 350,000 | 350,000 |
| Prepays | 155,823 | - | - | 155,823 |
| Restricted: | | | | |
| Library | - | - | 60,661 | 60,661 |
| Public safety | - | - | 1,430 | 1,430 |
| Capital projects | - | 285,967 | - | 285,967 |
| Assigned: | | | | |
| Library | 50,234 | - | - | 50,234 |
| Cemetery | 37,147 | - | - | 37,147 |
| Unassigned | 839,000 | - | - | 839,000 |
| Total fund balances | <u>1,082,204</u> | <u>285,967</u> | <u>412,091</u> | <u>1,780,262</u> |
| Total liabilities and fund balances | <u>\$ 1,523,500</u> | <u>\$ 382,838</u> | <u>\$ 426,053</u> | |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | 6,417,940 |
| Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | | | 59,432 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | | | <u>(238,293)</u> |
| Net assets of governmental activities | | | | <u>\$ 8,019,341</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | General Fund | SPLOST Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 2,552,475 | \$ - | \$ 1,010 | \$ 2,553,485 |
| Licenses and permits | 14,322 | - | - | 14,322 |
| Intergovernmental | 270,433 | 320,869 | - | 591,302 |
| Fines and forfeitures | 225,946 | - | - | 225,946 |
| Charges for services | 25,973 | - | - | 25,973 |
| Interest income | 14,615 | - | 20,840 | 35,455 |
| Miscellaneous | 16,520 | 24 | - | 16,544 |
| Total revenues | <u>3,120,284</u> | <u>320,893</u> | <u>21,850</u> | <u>3,463,027</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 539,726 | - | - | 539,726 |
| Judicial | 22,688 | - | - | 22,688 |
| Public safety | 1,442,542 | - | 16,175 | 1,458,717 |
| Public works | 439,730 | 3,400 | - | 443,130 |
| Health and welfare | 80,660 | - | - | 80,660 |
| Culture and recreation | 130,043 | - | 9,007 | 139,050 |
| Housing and development | 79,878 | - | - | 79,878 |
| Capital outlay | - | 638,818 | - | 638,818 |
| Debt service: | | | | |
| Principal retirements | 145,582 | - | - | 145,582 |
| Interest | 10,904 | - | - | 10,904 |
| Total expenditures | <u>2,891,753</u> | <u>642,218</u> | <u>25,182</u> | <u>3,559,153</u> |
| Excess (deficiency) of revenues over expenditures | <u>228,531</u> | <u>(321,325)</u> | <u>(3,332)</u> | <u>(96,126)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 6,872 | - | - | 6,872 |
| Transfers out | (41,000) | - | (6,872) | (47,872) |
| Total other financing sources (uses) | <u>(34,128)</u> | <u>-</u> | <u>(6,872)</u> | <u>(41,000)</u> |
| Net change in fund balances | 194,403 | (321,325) | (10,204) | (137,126) |
| Fund balances, beginning of year, restated | <u>887,801</u> | <u>607,292</u> | <u>422,295</u> | <u>1,917,388</u> |
| Fund balances, end of year | <u>\$ 1,082,204</u> | <u>\$ 285,967</u> | <u>\$ 412,091</u> | <u>\$ 1,780,262</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SOCIAL CIRCLE, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|-------------------|
| Net change in fund balances - total governmental funds | \$ (137,126) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | 512,546 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 11,935 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount represents repayments of the principal of long-term debt. | 145,582 |
| 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. | <u>15,133</u> |
| Change in net assets - governmental activities | <u>\$ 548,070</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SOCIAL CIRCLE, GEORGIA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Budget | | Actual | Variance With Final Budget |
|--|-------------------|-------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 2,441,600 | \$ 2,482,184 | \$ 2,552,475 | \$ 70,291 |
| Licenses and permits | 12,800 | 12,800 | 14,322 | 1,522 |
| Fines and forfeitures | 223,000 | 223,000 | 225,946 | 2,946 |
| Interest | 18,000 | 18,000 | 14,615 | (3,385) |
| Charges for services | 17,800 | 18,918 | 25,973 | 7,055 |
| Intergovernmental | 107,740 | 265,580 | 270,433 | 4,853 |
| Miscellaneous | 6,500 | 7,988 | 16,520 | 8,532 |
| Total revenues | <u>2,827,440</u> | <u>3,028,470</u> | <u>3,120,284</u> | <u>91,814</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Governing body | 93,885 | 93,885 | 92,287 | 1,598 |
| Chief executive | 46,715 | 46,715 | 44,260 | 2,455 |
| Clerk - administrative | 25,720 | 25,720 | 22,090 | 3,630 |
| Elections | - | 418 | 345 | 73 |
| Financial administration | 272,626 | 384,345 | 364,439 | 19,906 |
| Law | 25,000 | 25,000 | 16,305 | 8,695 |
| Total general government | <u>463,946</u> | <u>576,083</u> | <u>539,726</u> | <u>36,357</u> |
| Judicial: | | | | |
| Municipal court | 25,500 | 25,500 | 22,688 | 2,812 |
| Total judicial | <u>25,500</u> | <u>25,500</u> | <u>22,688</u> | <u>2,812</u> |
| Public safety: | | | | |
| Police | 1,401,490 | 1,487,983 | 1,442,400 | 45,583 |
| Fire prevention | 12,293 | 13,993 | 142 | 13,851 |
| Total public safety | <u>1,413,783</u> | <u>1,501,976</u> | <u>1,442,542</u> | <u>59,434</u> |
| Public works: | | | | |
| Highways and streets | 436,215 | 436,215 | 439,730 | (3,515) |
| Cemetery | 1,000 | 1,000 | - | 1,000 |
| Total public works | <u>437,215</u> | <u>437,215</u> | <u>439,730</u> | <u>(2,515)</u> |
| Health and welfare: | | | | |
| Transportation services | 82,260 | 82,960 | 80,660 | 2,300 |
| Total health and welfare | <u>82,260</u> | <u>82,960</u> | <u>80,660</u> | <u>2,300</u> |
| Culture and recreation: | | | | |
| Library | 126,715 | 126,715 | 130,043 | (3,328) |
| Total culture and recreation | <u>126,715</u> | <u>126,715</u> | <u>130,043</u> | <u>(3,328)</u> |
| Housing and development: | | | | |
| Urban redevelopment and housing | 5,000 | 5,000 | - | 5,000 |
| Economic development and assistance | 72,310 | 78,510 | 79,878 | (1,368) |
| Total housing and development | <u>77,310</u> | <u>83,510</u> | <u>79,878</u> | <u>3,632</u> |
| Debt service | | | | |
| Principal | 145,605 | 145,605 | 145,582 | 23 |
| Interest | 17,125 | 10,925 | 10,904 | 21 |
| Total debt service | <u>162,730</u> | <u>156,530</u> | <u>156,486</u> | <u>44</u> |
| Total expenditures | <u>2,789,459</u> | <u>2,990,489</u> | <u>2,891,753</u> | <u>98,736</u> |
| Excess of revenues over expenditures | <u>37,981</u> | <u>37,981</u> | <u>228,531</u> | <u>190,550</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 7,000 | 7,000 | 6,872 | (128) |
| Transfers out | (44,981) | (44,981) | (41,000) | 3,981 |
| Total other financing sources (uses) | <u>(37,981)</u> | <u>(37,981)</u> | <u>(34,128)</u> | <u>3,853</u> |
| Net change in fund balances | - | - | 194,403 | 194,403 |
| Fund balance, beginning of year, restated | <u>887,801</u> | <u>887,801</u> | <u>887,801</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 887,801</u> | <u>\$ 887,801</u> | <u>\$ 1,082,204</u> | <u>\$ 194,403</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2011

| ASSETS | Business-type Activities - Enterprise Funds | | | |
|---|---|------------------------|-------------------------------------|----------------------|
| | Water and Sewer Fund | Natural Gas Fund | Non-major Solid Waste Fund | Totals |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 294,380 | \$ 2,564,604 | \$ - | \$ 2,858,984 |
| Investments | - | 833,613 | - | 833,613 |
| Accounts receivable, net | 296,858 | 232,608 | 30,372 | 559,838 |
| Due from other funds | 4,634 | 71,395 | 9,912 | 85,941 |
| Due from other governments | - | 499 | - | 499 |
| Interest receivable | - | 2,874 | - | 2,874 |
| Prepaid items | 29,141 | 21,706 | 3,714 | 54,561 |
| | <u>625,013</u> | <u>3,727,299</u> | <u>43,998</u> | <u>4,396,310</u> |
| Restricted assets | | | | |
| Cash and cash equivalents | 646,192 | - | - | 646,192 |
| | <u>646,192</u> | <u>-</u> | <u>-</u> | <u>646,192</u> |
| Total current assets | <u>1,271,205</u> | <u>3,727,299</u> | <u>43,998</u> | <u>5,042,502</u> |
| NONCURRENT ASSETS | | | | |
| Other assets | 141,286 | - | - | 141,286 |
| | <u>141,286</u> | <u>-</u> | <u>-</u> | <u>141,286</u> |
| CAPITAL ASSETS | | | | |
| Non-depreciable | 72,460 | - | - | 72,460 |
| Depreciable, net of accumulated depreciation | 13,101,807 | 1,411,243 | - | 14,513,050 |
| | <u>13,174,267</u> | <u>1,411,243</u> | <u>-</u> | <u>14,585,510</u> |
| Total assets | <u>14,586,758</u> | <u>5,138,542</u> | <u>43,998</u> | <u>19,769,298</u> |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 37,663 | 132,445 | - | 170,108 |
| Accrued liabilities | 75,058 | 16,251 | 16,852 | 108,161 |
| Customer deposits | 87,361 | 176,735 | - | 264,096 |
| Compensated absences payable | 10,053 | 1,750 | - | 11,803 |
| Due to other funds | 95,547 | 22,869 | 26,554 | 144,970 |
| Due to component unit | 51 | - | - | 51 |
| Notes payable - current | 222,092 | - | - | 222,092 |
| Capital lease - current | 11,421 | 2,304 | - | 13,725 |
| Total current liabilities | <u>539,246</u> | <u>352,354</u> | <u>43,406</u> | <u>935,006</u> |
| NONCURRENT LIABILITIES | | | | |
| Revenue bonds payable | 1,890,104 | - | - | 1,890,104 |
| Notes payable | 5,108,349 | - | - | 5,108,349 |
| Compensated absences payable | 10,272 | - | - | 10,272 |
| Total noncurrent liabilities | <u>7,008,725</u> | <u>-</u> | <u>-</u> | <u>7,008,725</u> |
| Total liabilities | <u>7,547,971</u> | <u>352,354</u> | <u>43,406</u> | <u>7,943,731</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 6,382,295 | 1,408,939 | - | 7,791,234 |
| Restricted: | | | | |
| Debt service | 206,198 | - | - | 206,198 |
| Unrestricted | 450,294 | 3,377,249 | 592 | 3,828,135 |
| Total net assets | <u>\$ 7,038,787</u> | <u>\$ 4,786,188</u> | <u>\$ 592</u> | <u>\$ 11,825,567</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Business-type Activities - Enterprise Funds | | | |
|--|---|------------------------|-------------------------------------|----------------------|
| | Water and Sewer Fund | Natural Gas Fund | Non-major Solid Waste Fund | Totals |
| OPERATING REVENUES | | | | |
| Charges for sales and services | \$ 1,948,048 | \$ 3,142,527 | \$ 272,122 | \$ 5,362,697 |
| Total operating revenues | 1,948,048 | 3,142,527 | 272,122 | 5,362,697 |
| OPERATING EXPENSES | | | | |
| Cost of sales and services | - | 1,980,739 | - | 1,980,739 |
| General operating expenses | 1,370,620 | 803,827 | 326,629 | 2,501,076 |
| Depreciation & amortization | 375,728 | 55,739 | - | 431,467 |
| Total operating expenses | 1,746,348 | 2,840,305 | 326,629 | 4,913,282 |
| Operating income (loss) | 201,700 | 302,222 | (54,507) | 449,415 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 10,142 | 59,144 | - | 69,286 |
| Intergovernmental | 77,858 | - | - | 77,858 |
| Interest expense | (301,749) | (2,145) | - | (303,894) |
| Total non-operating revenues (expenses) | (213,749) | 56,999 | - | (156,750) |
| Income (loss) before transfers | (12,049) | 359,221 | (54,507) | 292,665 |
| Transfers in | - | - | 41,000 | 41,000 |
| | - | - | 41,000 | 41,000 |
| Change in net assets | (12,049) | 359,221 | (13,507) | 333,665 |
| Net assets, beginning of year | 7,050,836 | 4,426,967 | 14,099 | 11,491,902 |
| Net assets, end of year | <u>\$ 7,038,787</u> | <u>\$ 4,786,188</u> | <u>\$ 592</u> | <u>\$ 11,825,567</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Business-type Activities - Enterprise Funds | | | |
|---|---|------------------------|-------------------------------------|--------------|
| | Water and Sewer Fund | Natural Gas Fund | Non-major Solid Waste Fund | Totals |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 1,954,440 | \$ 3,141,299 | \$ 267,736 | \$ 5,363,475 |
| Payments to suppliers | (946,514) | (2,175,993) | (249,912) | (3,372,419) |
| Payments to employees | (521,323) | (600,300) | (58,824) | (1,180,447) |
| Net cash provided by (used in) operating activities | 486,603 | 365,006 | (41,000) | 810,609 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Transfers in from other funds | - | - | 41,000 | 41,000 |
| Net cash provided by non-capital financing activities | - | - | 41,000 | 41,000 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | (168,590) | - | - | (168,590) |
| Reimbursement from grants | 77,858 | - | - | 77,858 |
| Principal payments on capital lease | (17,914) | (4,501) | - | (22,415) |
| Principal payments on notes payable | (213,643) | (55,871) | - | (269,514) |
| Interest paid | (294,976) | (1,153) | - | (296,129) |
| Net cash used in capital and related financing activities | (617,265) | (61,525) | - | (678,790) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchased investments | - | (317,712) | - | (317,712) |
| Interest received | 10,142 | 59,144 | - | 69,286 |
| Net cash provided by (used in) investing activities | 10,142 | (258,568) | - | (248,426) |
| Net increase (decrease) in cash and cash equivalents | (120,520) | 44,913 | - | (75,607) |
| Cash and cash equivalents, beginning of year | 1,061,092 | 2,519,691 | - | 3,580,783 |
| Cash and cash equivalents, end of year | \$ 940,572 | \$ 2,564,604 | \$ - | \$ 3,505,176 |
| Classified as: | | | | |
| Cash and cash equivalents | \$ 294,380 | \$ 2,564,604 | \$ - | \$ 2,858,984 |
| Restricted cash and cash equivalents | 646,192 | - | - | 646,192 |
| | \$ 940,572 | \$ 2,564,604 | \$ - | \$ 3,505,176 |

(Continued)

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Business-type Activities - Enterprise Funds | | | |
|---|---|------------------------|-------------------------------------|-------------------|
| | Water and Sewer Fund | Natural Gas Fund | Non-major Solid Waste Fund | Totals |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 201,700 | \$ 302,222 | \$ (54,507) | \$ 449,415 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 375,728 | 55,739 | - | 431,467 |
| Changes in assets and liabilities: | | | | |
| Decrease in accounts receivable | 11,026 | 10,503 | 78 | 21,607 |
| Increase in due from other funds | (4,634) | (11,232) | (4,464) | (20,330) |
| Increase in due from other governments | - | (499) | - | (499) |
| (Increase) decrease in prepaid items | 54 | (4,685) | (229) | (4,860) |
| Decrease in accounts payable | (62,798) | (2,269) | - | (65,067) |
| Increase (decrease) in accrued liabilities | (70,182) | 10,007 | 12,059 | (48,116) |
| Increase (decrease) in customer deposits | 1,968 | (1,443) | - | 525 |
| Increase (decrease) in compensated absences payable | 704 | (1,219) | - | (515) |
| Increase in due to other funds | 33,037 | 7,882 | 6,063 | 46,982 |
| Net cash provided by (used in) operating activities | <u>\$ 486,603</u> | <u>\$ 365,006</u> | <u>\$ (41,000)</u> | <u>\$ 810,609</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUND JUNE 30, 2011

| | | Board of Education Fund |
|-------------------|--|-------------------------------|
| ASSETS | | |
| Cash | | \$ 9,094 |
| Taxes receivable | | 305,547 |
| Total assets | | <u>\$ 314,641</u> |
| LIABILITIES | | |
| Accounts Payable | | \$ 9,094 |
| Uncollected taxes | | 305,547 |
| Total liabilities | | <u>\$ 314,641</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SOCIAL CIRCLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Social Circle, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

Incorporated in 1904, under the laws of the State of Georgia, the City of Social Circle is governed by a five member Mayor/Council form of government. The mayor and council are elected to four-year terms. The Mayor and the other four council members serve on a part-time basis. The Mayor and council appoint a city manager to handle the daily operations of the City.

The City's major operations include public safety, public works maintenance, culture and recreation, housing and development, utility services and general administrative services. In addition, the City exercises sufficient control over other governmental entities that are included as part of the City's reporting entity.

The accompanying financial statements present the City and its component units, which if excluded would cause the financial statements of the City to be misleading. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

Social Circle Better Hometown, Inc. was activated by resolution in 1998 to accomplish the following objectives: develop a workable strategic plan for future growth, identify available resources to enable the City to accomplish short and long range goals of the plan, and bring together numerous and divergent groups and individuals to develop a shared vision for the community. The governing body of Social Circle Better Hometown, Inc. consists of 15 individuals elected at large and the Social Circle City Manager, who serves as an ex-officio member. Although the City does not have the authority to approve or modify Social Circle Better Hometown, Inc.'s operational and capital budgets, the City provides a significant amount of their revenues. Social Circle Better Hometown, Inc. does not issue separate financial statements and is included as a discretely presented component unit in the City's financial report. Social Circle Better Hometown, Inc. is presented as a proprietary fund type.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The Downtown Development Authority was activated by resolution in 1984 to promote and further develop trade, commerce, industry and employment opportunities within the central business district of the City of Social Circle, Georgia. It operates under a seven member board, which is all appointed by the City Council members. The Authority does not issue separate financial statements and is included as a discretely presented component unit in the City's financial report. The Authority is presented as a proprietary fund type.

The Development Authority was activated by resolution in 1988 to promote and further develop trade, commerce, industry and employment opportunities within the City of Social Circle, Georgia. It operates under a seven member board, which is all appointed by the City Council members. The City also guarantees the interest payments on the Authority's debt. The Authority is presented as a proprietary fund type. The Authority does not issue separate financial statements and is included as a discretely presented component unit in the City's financial report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are normally 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 the legally separate component unit for which the primary government is financially accountable. The statement of net assets will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the 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 considered program revenues are reported instead as general revenues.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers intergovernmental revenues to be available if they are collected within 90 days and all other revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The **SPLOST Fund** is used to account for the one percent Special Purpose Local Option Tax (SPLOST) funds collected by Walton County and disbursed to the City. The funds are used for specific capital projects as approved by voter referendum.

The City reports the following major enterprise funds:

The **Water and Sewer Fund** accounts for the operation, maintenance and development of the City's water and sewer system and services.

The **Natural Gas Fund** accounts for the operation, maintenance and development of the City's natural gas system.

The City also reports the following fund types:

The **special revenue funds** account for revenue sources that are legally restricted or committed to expenditure for specific purposes, such as law enforcement and the collection of hotel/motel tax levies.

The **permanent fund** accounts for the operations of the City's Library endowment for which the corpus of the investments held in this fund cannot be used.

The **agency fund** is accounted for on the accrual basis of accounting, and is used to account for the collection and disbursement of property taxes by the City on behalf of the City of Social Circle Board of Education.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Budgets

Annual appropriated budgets are adopted for all governmental funds, with the exception of capital projects funds for which project length budgets are adopted. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds. All appropriations lapse at fiscal year end. The City does not use encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation.

E. Deposits and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents. Investments are reported at fair value as determined by quoted market prices.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for non-infrastructure tangible assets, \$50,000 for intangible assets and \$100,000 for infrastructure and an estimated useful life in excess of one year, five years and five years, respectively. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB 34, infrastructure assets acquired prior to June 30, 1999 have not been capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful Life |
|----------------------------|------------------------------|
| Infrastructure | 15-99 |
| Buildings and improvements | 20-50 |
| Vehicles | 5-10 |
| Furniture and fixtures | 3-10 |
| Machinery and equipment | 3-10 |

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Restricted Assets

Expenditures of the Stanton Library Permanent Fund are restricted per the terms of the bequest for the following purposes: maintenance of the library building, purchase of books for the library, purchase of items to aid the impaired, and to assist in meeting cultural opportunities for the City.

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. 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 premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances.

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a formal vote of the City Council. Only the City Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City Council has expressly delegated to the City Clerk the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

Net Assets – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$238,293 difference are as follows:

| | |
|--|----------------------------|
| Capital lease payable | \$ (179,418) |
| Accrued interest payable | (4,768) |
| Compensated absences | <u>(54,107)</u> |
| Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | <u><u>\$ (238,293)</u></u> |

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$512,546 difference are as follows:

| | |
|--|--------------------------|
| Capital outlay | \$ 868,602 |
| Depreciation expense | <u>(356,056)</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u><u>\$ 512,546</u></u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that "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 details of this \$15,133 difference are as follows:

| | |
|--|------------------|
| Compensated absences | \$ 13,104 |
| Accrued interest | <u>2,029</u> |
| Net adjustment to increase <i>net changes in fund balances - total</i> <i>governmental funds</i> to arrive at <i>changes in net assets of</i> <i>governmental activities</i> | <u>\$ 15,133</u> |

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City of Social Circle, Georgia employs the following procedures in establishing its annual budget:

1. Prior to July 1, the City Manager and the Council Budget Committee prepare a proposed budget for the fiscal year commencing July 1. The proposed budget is submitted to the Mayor and City Council. The operating budget includes proposed expenditures and the means for financing them.
2. The City Council holds a public hearing on the budget of the City of Social Circle, Georgia.
3. The budget is then revised and adopted or amended by the City Council at a subsequent regular meeting in the year to which it applies and within forty-five days following January 1.
4. The adopted budget may be revised during the year only by formal action of the City Council in a regular meeting and no increase shall be made therein without provision also being made for financing same, for anything above the legal level of budgetary control, which is the department level. The final budget amounts shown in these financial statements reflect amendments approved by the City Council.

The General Fund's highways and streets, library, and economic development departments had an excess of actual expenditures over appropriations of \$3,515; \$3,328; and \$1,368, respectively, for the year ended June 30, 2011.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2011 are summarized as follows:

Amounts as presented on the entity wide statement of net assets:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 4,178,802 |
| Restricted cash and cash equivalents | 646,192 |
| Investments | 1,243,428 |
| Total | <u>\$ 6,068,422</u> |
| Cash deposited with financial institutions | \$ 5,658,607 |
| Money market mutual funds | 12,528 |
| Fixed income mutual funds | 397,287 |
| | <u>\$ 6,068,422</u> |

Credit Risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At June 30, 2011, the City had the following investments:

| Investment | Maturities (in years) | Fair Value |
|---------------------------|-----------------------|---------------------|
| Money market mutual funds | < 0.25 yrs | \$ 12,528 |
| Certificate of deposit | 16 months | 833,613 |
| Fixed income mutual funds | 2.18 yrs | 44,809 |
| Fixed income mutual funds | 2.94 yrs | 49,080 |
| Fixed income mutual funds | 3.20 yrs | 62,028 |
| Fixed income mutual funds | 4.44 yrs | 148,583 |
| Fixed income mutual funds | 8.28 yrs | 55,892 |
| Fixed income mutual funds | 12.05 yrs | 36,895 |
| Total | | <u>\$ 1,243,428</u> |

The investments above are not rated by a national rating organization.

Interest Rate Risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, and City policy, require all deposits and investments (other than federal or state governmental instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2011, the City's deposits are insured or collateralized as defined by GASB pronouncements.

Downtown Development Authority

As of June 30, 2011, the bank balances for the Downtown Development Authority were insured or collateralized as defined by GASB.

Development Authority

As of June 30, 2011, the bank balances for the Development Authority were insured or collateralized as defined by GASB.

Better Hometown, Inc.

As of June 30, 2011, the bank balances for Better Hometown, Inc. were insured or collateralized as defined by GASB.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The City bills and collects its own property taxes. The taxes are levied by November 5 based on the assessed value of property as listed on the previous January 1 and are due on January 7 of following year.

Property taxes are recorded as receivables and deferred revenues when assessed. Revenues are recognized when available.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES (CONTINUED)

Receivables at June 30, 2011, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Other Governmental | Water & Sewer | Gas | Solid Waste |
|-------------------------------------|-------------------|-----------------------|-------------------|-------------------|------------------|
| Receivables: | | | | | |
| Taxes | \$ 199,857 | \$ - | \$ - | \$ - | \$ - |
| Accounts | 34,727 | 940 | 476,846 | 307,630 | 84,108 |
| Other governments | 176,637 | - | - | 499 | - |
| Less allowance for uncollectible | 120,890 | - | 179,988 | 75,022 | 53,736 |
| Net total receivable | <u>\$ 290,331</u> | <u>\$ 940</u> | <u>\$ 296,858</u> | <u>\$ 233,107</u> | <u>\$ 30,372</u> |

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2011 is as follows:

| | Beginning Balance | Increases | Decreases/ Transfers | Ending Balance |
|---|----------------------|-------------------|-------------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 828,828 | \$ 40,583 | \$ - | \$ 869,411 |
| Construction in progress | 8,250 | 619,063 | - | 627,313 |
| Total | <u>837,078</u> | <u>659,646</u> | <u>-</u> | <u>1,496,724</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 2,641,198 | 39,688 | - | 2,680,886 |
| Buildings and improvements | 2,726,006 | 160,268 | - | 2,886,274 |
| Equipment, furniture & vehicles | 2,697,377 | 9,000 | - | 2,706,377 |
| Total | <u>8,064,581</u> | <u>208,956</u> | <u>-</u> | <u>8,273,537</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (293,873) | (53,681) | - | (347,554) |
| Buildings and improvements | (763,373) | (97,741) | - | (861,114) |
| Equipment, furniture & vehicles | (1,939,019) | (204,634) | - | (2,143,653) |
| Total | <u>(2,996,265)</u> | <u>(356,056)</u> | <u>-</u> | <u>(3,352,321)</u> |
| Total capital assets, being depreciated, net | <u>5,068,316</u> | <u>(147,100)</u> | <u>-</u> | <u>4,921,216</u> |
| Governmental activities capital assets, net | <u>\$ 5,905,394</u> | <u>\$ 512,546</u> | <u>\$ -</u> | <u>\$ 6,417,940</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Increases | Decreases/ Transfers | Ending Balance |
|--|----------------------|---------------------|-------------------------|----------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ - | \$ 72,460 | \$ - | \$ 72,460 |
| Total | <u>-</u> | <u>72,460</u> | <u>-</u> | <u>72,460</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 18,690,500 | 96,130 | - | 18,786,630 |
| Machinery & equipment | 345,374 | - | - | 345,374 |
| Vehicles | 456,790 | - | - | 456,790 |
| Total | <u>19,492,664</u> | <u>96,130</u> | <u>-</u> | <u>19,588,794</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (3,959,863) | (390,326) | - | (4,350,189) |
| Machinery & equipment | (282,821) | (17,175) | - | (299,996) |
| Vehicles | (407,669) | (17,890) | - | (425,559) |
| Total | <u>(4,650,353)</u> | <u>(425,391)</u> | <u>-</u> | <u>(5,075,744)</u> |
| Total capital assets, being depreciated, net | <u>14,842,311</u> | <u>(329,261)</u> | <u>-</u> | <u>14,513,050</u> |
| Business-type activities capital assets, net | <u>\$ 14,842,311</u> | <u>\$ (256,801)</u> | <u>\$ -</u> | <u>\$ 14,585,510</u> |

Depreciation expense was charged to functions/programs of the City as follows:

| | |
|---|-------------------|
| Governmental activities: | |
| General government | \$ 131,281 |
| Public safety | 157,691 |
| Public works | 64,576 |
| Culture and recreation | <u>2,508</u> |
| Total depreciation expense - governmental activities | <u>\$ 356,056</u> |
| Business-type activities: | |
| Water & sewer | \$ 369,652 |
| Natural gas | <u>55,739</u> |
| Total depreciation expense - business-type activities | <u>\$ 425,391</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Better Hometown, Inc.

Capital asset activity for the fiscal year ended June 30, 2011 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|------------------------------------|----------------------|------------|-----------|-------------------|
| Capital assets, being depreciated: | | | | |
| Machinery & Equipment | \$ 901 | \$ 22,378 | \$ - | \$ 23,279 |
| Total | 901 | 22,378 | - | 23,279 |
| Less accumulated depreciation for: | | | | |
| Machinery & Equipment | \$ (901) | \$ (1,821) | \$ - | \$ (2,722) |
| Total | (901) | (1,821) | - | (2,722) |
| Total capital assets, net | \$ - | \$ 20,557 | \$ - | \$ 20,557 |

Downtown Development Authority

Capital asset activity for the fiscal year ended June 30, 2011 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|-----------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 100,000 | \$ - | \$ - | \$ 100,000 |
| Total | 100,000 | - | - | 100,000 |
| Capital assets, being depreciated: | | | | |
| Buildings | 610,183 | - | - | 610,183 |
| Total | 610,183 | - | - | 610,183 |
| Less accumulated depreciation for: | | | | |
| Buildings | (12,898) | (14,071) | - | (26,969) |
| Total | (12,898) | (14,071) | - | (26,969) |
| Total capital assets, being depreciated, net | 597,285 | (14,071) | - | 583,214 |
| Total capital assets, net | \$ 697,285 | \$ (14,071) | \$ - | \$ 683,214 |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Development Authority

Capital asset activity for the fiscal year ended June 30, 2011 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------|-----------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 932,037 | \$ - | \$ - | \$ 932,037 |
| Total | 932,037 | - | - | 932,037 |
| Total capital assets, net | \$ 932,037 | \$ - | \$ - | \$ 932,037 |

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended June 30, 2011 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|-----------|--------------|-------------------|------------------------|
| Governmental activities: | | | | | |
| Capital lease | \$ 325,000 | \$ - | \$ (145,582) | \$ 179,418 | \$ 79,276 |
| Compensated absences | 67,211 | 53,905 | (67,009) | 54,107 | 52,837 |
| Governmental activity | | | | | |
| Long-term liabilities | \$ 392,211 | \$ 53,905 | \$ (212,591) | \$ 233,525 | \$ 132,113 |
| Business-type activities: | | | | | |
| Revenue bonds payable | \$ 1,930,000 | \$ - | \$ - | \$ 1,930,000 | \$ - |
| Less: Discount | (41,601) | - | 1,705 | (39,896) | - |
| Net bonds payable | 1,888,399 | - | 1,705 | 1,890,104 | - |
| Note payable | 5,599,955 | - | (269,514) | 5,330,441 | 222,092 |
| Capital lease | 36,140 | - | (22,415) | 13,725 | 13,725 |
| Compensated absences | 22,590 | 15,836 | (16,351) | 22,075 | 11,803 |
| Business-type activity | | | | | |
| Long-term liabilities | \$ 7,547,084 | \$ 15,836 | \$ (306,575) | \$ 7,256,345 | \$ 247,620 |

For governmental funds, compensated absences are liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds. In March 2010, the City issued Revenue Bonds (Series 2010) in the original amount of \$1,930,000 bearing interest at a rate of 4.50% payable each February 1 and August 1 beginning 2010 through 2035. The bonds were issued for the purpose of refunding the 1974 bonds and certain Georgia Environmental Facilities Authority loans outstanding as well as for the construction of extensions, additions, and improvements to the City's water and sewerage system. The bonds are secured by the net revenues of the City's utility system.

The debt service to maturity on the Series 2010 revenue bonds is as follows:

| Year Ending June 30, | Series 2010 | | Total |
|-------------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | |
| 2012 | \$ - | \$ 86,850 | \$ 86,850 |
| 2013 | - | 86,850 | 86,850 |
| 2014 | - | 86,850 | 86,850 |
| 2015 | - | 86,850 | 86,850 |
| 2016 | - | 86,850 | 86,850 |
| 2017-2021 | - | 434,250 | 434,250 |
| 2022-2026 | - | 434,250 | 434,250 |
| 2027-2031 | 370,000 | 413,325 | 783,325 |
| 2032-2035 | 1,560,000 | 146,475 | 1,706,475 |
| Total | <u>\$ 1,930,000</u> | <u>\$ 1,862,550</u> | <u>\$ 3,792,550</u> |

Notes Payable. The City has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects. The notes outstanding at June 30, 2011 are as follows:

| Interest Rate | Term | Due Date | Original Balance |
|---------------|----------|----------|---------------------|
| 3.82% | 20 years | 2028 | \$ 2,540,623 |
| 4.20% | 20 years | 2029 | 3,356,188 |
| | | | <u>\$ 5,896,811</u> |

The City is contractually obligated to repay a portion of the debt service related to the Georgia Environmental Facilities Authority notes issued by the Four County Industrial Development Authority for the purpose of financing the expansion of water lines in the Four County Industrial Site. The City's share in underlying debt is 8%, amounting to an original amount of \$39,021. Quarterly principal and interest payments will be made through 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

The City's notes payable debt service requirements to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|---------------------|---------------------|
| Year Ending June 30, | | | |
| 2012 | \$ 222,092 | \$ 211,724 | \$ 433,816 |
| 2013 | 231,900 | 201,916 | 433,816 |
| 2014 | 241,107 | 192,709 | 433,816 |
| 2015 | 251,027 | 182,789 | 433,816 |
| 2016 | 261,081 | 172,736 | 433,817 |
| 2017-2021 | 1,476,815 | 691,579 | 2,168,394 |
| 2022-2026 | 1,796,006 | 362,798 | 2,158,804 |
| 2027-2029 | 850,413 | 38,352 | 888,765 |
| Total | <u>\$ 5,330,441</u> | <u>\$ 2,054,603</u> | <u>\$ 7,385,044</u> |

Capital Leases. The City has entered into a lease-purchase agreement to finance the acquisition of two E-One Fire trucks, vehicles for highways and streets, office equipment, vehicles and a sewer pump for the Water and Sewer fund, and a vehicle for the Gas fund. The leases are for periods of five to fifteen years, at interest rates ranging from 3.09% to 8.3%.

The City's assets under capital lease arrangements at June 30, 2011 are as follows:

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-----------------------|--------------------------------|-------------------------------------|---------------------------------|-------------------------------------|
| | <u>Original Cost</u> | <u>Accumulated Depreciation</u> | <u>Original Cost</u> | <u>Accumulated Depreciation</u> |
| Vehicles | \$ 505,756 | \$ 349,547 | \$ 44,649 | \$ 25,612 |
| Machinery & equipment | 81,372 | 50,972 | 34,600 | 17,156 |
| Total | <u>\$ 587,128</u> | <u>\$ 400,519</u> | <u>\$ 79,249</u> | <u>\$ 42,768</u> |

Future minimum lease payments as of June 30, 2011 are as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--------------------------------------|------------------------------------|-------------------------------------|-------------------|
| Fiscal Year Ending June 30, | | | |
| 2012 | \$ 85,535 | \$ 13,993 | \$ 99,528 |
| 2013 | 58,098 | - | 58,098 |
| 2014 | 47,650 | - | 47,650 |
| 2015 | - | - | - |
| Total minimum lease payments | <u>191,283</u> | <u>13,993</u> | <u>205,276</u> |
| Less: interest payments | <u>(11,865)</u> | <u>(268)</u> | <u>(12,133)</u> |
| Present value minimum lease payments | <u>\$ 179,418</u> | <u>\$ 13,725</u> | <u>\$ 193,143</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Downtown Development Authority

Long-term liability activity for the year ended June 30, 2011, is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-----------------------------|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Notes payable | \$ 584,435 | \$ - | \$ (26,105) | \$ 558,330 | \$ 27,761 |
| Total long-term liabilities | <u>\$ 584,435</u> | <u>\$ -</u> | <u>\$ (26,105)</u> | <u>\$ 558,330</u> | <u>\$ 27,761</u> |

Notes payable. In July 2009, the Downtown Development Authority ("DDA") issued a note payable with a financial institution in order to finance the purchase of a building. The note matures September 13, 2016 and requires monthly principal and interest payments at an interest rate of 3.9%.

The DDA's notes payable debt service requirements to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|-------------------|------------------|-------------------|
| Year Ending June 30, | | | |
| 2012 | \$ 27,761 | \$ 21,259 | \$ 49,020 |
| 2013 | 28,863 | 20,157 | 49,020 |
| 2014 | 30,010 | 19,011 | 49,021 |
| 2015 | 31,201 | 17,819 | 49,020 |
| 2016 | 32,440 | 16,580 | 49,020 |
| 2017 | 408,055 | 3,955 | 412,010 |
| Total | <u>\$ 558,330</u> | <u>\$ 98,781</u> | <u>\$ 657,111</u> |

Development Authority

Long-term liability activity for the year ended June 30, 2011, is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-----------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Notes payable | \$ 124,957 | \$ 201 | \$ - | \$ 125,158 | \$ 125,158 |
| Total long-term liabilities | <u>\$ 124,957</u> | <u>\$ 201</u> | <u>\$ -</u> | <u>\$ 125,158</u> | <u>\$ 125,158</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Notes payable. In August 2009, the Development Authority ("DA") issued two notes payable with a financial institution in order to finance the purchase of a building. The notes mature October 27, 2011 and requires monthly interest payments at an interest rate of 3.25%.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|-------------------|
| General fund | Solid waste fund | \$ 22,575 |
| General fund | Natural gas fund | 26,554 |
| General fund | Water and sewer fund | 32,399 |
| General fund | SPLOST fund | 72,245 |
| General fund | Nonmajor governmental funds | 1,010 |
| Natural gas fund | Water and sewer fund | 60,800 |
| Natural gas fund | General fund | 10,595 |
| Solid waste fund | Water and sewer fund | 2,348 |
| Solid waste fund | Solid waste fund | 294 |
| Solid waste fund | General fund | 7,270 |
| Water and sewer fund | General fund | 4,634 |
| | | <u>\$ 240,724</u> |

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|---------------------|-----------------------------|------------------|
| General fund | Nonmajor governmental funds | \$ 5,862 |
| General fund | Nonmajor governmental funds | 1,010 |
| Solid waste fund | General fund | 41,000 |
| | | <u>\$ 47,872</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Due from/to primary government and component units:

| <u>Receivable Entity</u> | <u>Payable Entity</u> | <u>Amount</u> |
|--|--|---------------|
| Component unit - Downtown Development Authority | Primary government - Water and sewer fund | \$ 51 |
| Primary government - General fund | Component unit - Downtown Development Authority | 881 |
| | | <u>\$ 932</u> |

NOTE 9. PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Social Circle Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. 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 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.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, excluding elected officials who are immediately eligible, who work twenty hours or more per week are eligible to participate after one year. Benefits vest after ten years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 1.25% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he has a minimum of 25 years total credited service to receive full benefits, otherwise early retirement may be elected after only 10 years of service for reduced benefits. Elected officials are entitled to \$38 for each year of service after reaching normal retirement age.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

At January 1, 2011, the date of the most recent actuarial valuation, there were 78 participants consisting of the following:

| | |
|---|----|
| Retirees and beneficiaries currently receiving benefits | 20 |
| Terminated vested participants not yet receiving benefits | 12 |
| Active employees - vested | 14 |
| Active employees - nonvested | 32 |
| Total | 78 |

Funding Policy

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 is to contribute an amount equal to or greater than the recommended contribution described below. For 2011, the actuarially determined contribution rate was 9.36% of covered payroll. The City makes all contributions to the plan.

For 2011, the City's recommended contribution was \$148,754. Actual contributions totaled \$148,754. The recommended contribution was determined as part of the January 1, 2010 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increases of 3.5% (3.5% due to inflation). The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1983 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

The following is a schedule of funding progress, using the actuarial cost method:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| 1/1/2011 | 1,851,550 | 1,853,169 | 1,619 | 99.9% | 1,440,041 | 0.1% |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

The above schedule of funding progress serves as a surrogate for the funded status and the funding progress of the plan. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuary 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 January 1, 2011.

Employer Contributions

| Fiscal Year Ended June 30, | Annual Pension Cost (APC) | Actual Pension Contribution | Percentage of APC Contributed | Net Pension Obligation |
|---|--|--|--|---------------------------------------|
| 2011 | \$ 148,754 | \$ 148,754 | 100.0 % | \$ - |
| 2010 | 135,557 | 135,557 | 100.0 | - |
| 2009 | 122,374 | 122,374 | 100.0 | - |

NOTE 10. DEFINED CONTRIBUTION PENSION PLAN

The City of Social Circle's Internal Revenue Code Section 457 Plan (the "Plan") is a deferred compensation plan and qualifies as a defined contribution pension plan. The Plan is administered by MetLife for all full time employees. The Plan is funded through employee contributions only. No contributions are made by the City. Plan provisions and contribution requirements are established and may be amended by the City Council. At June 30, 2011, there were 18 plan members.

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to the maximum amount allowed by the IRS. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. Total employee contributions for the year ended June 30, 2011 were \$36,444.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the 12 county Northeast Georgia area, is a member of the Northeast Georgia Regional Commission (NEGRC). Dues to the NEGRC are assessed at the County level and are, accordingly, paid by Walton County. Membership in the NEGRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the NEGRC in Georgia. The NEGRC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the NEGRC. Separate financial statements may be obtained from the NEGRC's administrative office at 305 Research Drive, Athens, Georgia 30610.

NOTE 12. RELATED ORGANIZATIONS

The City's council is responsible for appointing a majority of the board members of the City of Social Circle, Georgia Housing Authority. However, the City has no further accountability for the Authority.

NOTE 13. HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. During the year ended June 30, 2011, the City received \$1,010 in hotel/motel taxes. Of this amount, \$1,010, or 100%, was used for the promotion of tourism.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft 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 Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

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 pool's 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 descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT (CONTINUED)

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims have not exceeded the coverage in the past three years.

The City carries commercial insurance for other risks of losses. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the current or prior year.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation:

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

Contractual Commitments:

For the fiscal year ended June 30, 2011, contractual commitments on uncompleted contracts totaled \$1,065,722.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreements with the Municipal Gas Authority of Georgia:

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2016, are general obligations of the City to which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$1,980,739 in 2011.

At June 30, 2011, the outstanding debt of MGAG was approximately \$279.4 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$3.2 million at June 30, 2011.

NOTE 16. CHANGES IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, management of the City has made changes to the governmental funds it reports in its basic financial statements. The changes made during the current reporting period affect beginning fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balance. These changes are described further below.

Previously, the Volunteer Fire Fund was a separate fund used to account for amounts received and expended for volunteer fire fighters equipment and compensation. With the implementation of GASB Statement No. 54, the Volunteer Fire Fund no longer met the definition of a special revenue fund and thus the activities of the fund were consolidated into the General Fund. As a result, the following restatement to beginning fund balance was noted for the General Fund:

| | |
|--|-------------------|
| Fund balance, General Fund, as previously reported | \$ 887,659 |
| Restatement for change in accounting principle | 142 |
| Beginning fund balance, General Fund, restated | <u>\$ 887,801</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOCIAL CIRCLE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

RETIREMENT PLAN

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b-a) Unfunded Actuarial Accrued Liability (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | [(b-a)/c] UAAL as a Percentage of Covered Payroll |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 1/1/2011 | \$ 1,851,550 | \$ 1,853,169 | \$ 1,619 | 99.9% | \$ 1,440,041 | 0.1% |
| 1/1/2010 | 1,724,471 | 1,774,320 | 49,849 | 97.2% | 1,562,148 | 3.2% |
| 10/1/2009 | 1,542,529 | 1,977,297 | 434,768 | 78.0% | 1,517,928 | 28.6% |
| 9/1/2008 | 1,611,607 | 1,919,206 | 307,599 | 84.0% | 1,307,070 | 23.5% |
| 9/1/2007 | 1,512,353 | 1,725,921 | 213,568 | 87.6% | 1,109,015 | 19.3% |
| 9/1/2006 | 1,403,856 | 1,359,814 | (44,042) | 103.2% | 944,854 | -4.7% |

Note: See assumptions used for the Schedule of Funding Progress in Note 9 to the financial statements.

CITY OF SOCIAL CIRCLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Confiscations Pending Fund – This fund is used to account for the City's share of monies that have been forfeited through the court system that are restricted for law enforcement purposes.

Hotel Motel Fund – This fund is used to account for monies collected from the 5% lodging tax levied in the City.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Library Fund – This fund is used to account for monies restricted for principal trust amounts and related interest earnings; which are used to maintain and operate the community library.

CITY OF SOCIAL CIRCLE, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2011

| ASSETS | Special Revenue Funds | | Permanent Fund | Total Nonmajor Governmental Funds |
|--------------------------------------|----------------------------------|------------------------|-------------------|--|
| | Confiscations Pending Fund | Hotel Motel Fund | Library Fund | |
| Cash and cash equivalents | \$ 14,382 | \$ 916 | \$ - | \$ 15,298 |
| Accounts receivable | - | 94 | 846 | 940 |
| Investments | - | - | 409,815 | 409,815 |
| Total assets | <u>\$ 14,382</u> | <u>\$ 1,010</u> | <u>\$ 410,661</u> | <u>\$ 426,053</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 12,952 | \$ - | \$ - | \$ 12,952 |
| Due to other funds | - | 1,010 | - | 1,010 |
| Total liabilities | <u>12,952</u> | <u>1,010</u> | <u>-</u> | <u>13,962</u> |
| FUND BALANCES | | | | |
| Nonspendable - corpus | - | - | 350,000 | 350,000 |
| Restricted: | | | | |
| Library | - | - | 60,661 | 60,661 |
| Public safety | 1,430 | - | - | 1,430 |
| Total fund balances | <u>1,430</u> | <u>-</u> | <u>410,661</u> | <u>412,091</u> |
| Total liabilities and fund balances | <u>\$ 14,382</u> | <u>\$ 1,010</u> | <u>\$ 410,661</u> | <u>\$ 426,053</u> |

CITY OF SOCIAL CIRCLE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Special Revenue Funds | | Permanent Fund | Total |
|--|---|---------------------------------|-------------------------|--|
| | Confiscations Pending Fund | Hotel Motel Fund | Library Fund | Nonmajor Governmental Funds |
| REVENUES | | | | |
| Taxes | \$ - | \$ 1,010 | \$ - | \$ 1,010 |
| Investment income | 339 | - | 20,501 | 20,840 |
| Total revenues | 339 | 1,010 | 20,501 | 21,850 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | 16,175 | - | - | 16,175 |
| Culture and recreation | - | - | 9,007 | 9,007 |
| Total expenditures | 16,175 | - | 9,007 | 25,182 |
| Excess (deficiency) of revenues over expenditures | (15,836) | 1,010 | 11,494 | (3,332) |
| OTHER FINANCING USES | | | | |
| Transfers out | - | (1,010) | (5,862) | (6,872) |
| Total other financing uses | - | (1,010) | (5,862) | (6,872) |
| Net change in fund balances | (15,836) | - | 5,632 | (10,204) |
| FUND BALANCES, beginning of year | 17,266 | - | 405,029 | 422,295 |
| FUND BALANCES, end of year | \$ 1,430 | \$ - | \$ 410,661 | \$ 412,091 |

CITY OF SOCIAL CIRCLE, GEORGIA CONFISCATIONS PENDING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|-------------------------|-------------------------|------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Fines and forfeitures | \$ 16,000 | \$ 16,000 | \$ - | \$ (16,000) |
| Interest | 300 | 300 | 339 | 39 |
| | | | | |
| Total revenues | <u>16,300</u> | <u>16,300</u> | <u>339</u> | <u>(15,961)</u> |
| EXPENDITURES | | | | |
| Public safety | <u>16,300</u> | <u>16,300</u> | <u>16,175</u> | <u>125</u> |
| | | | | |
| Total expenditures | <u>16,300</u> | <u>16,300</u> | <u>16,175</u> | <u>125</u> |
| | | | | |
| Net change in fund balances | - | - | (15,836) | (15,836) |
| FUND BALANCES, beginning of year | <u>17,266</u> | <u>17,266</u> | <u>17,266</u> | <u>-</u> |
| FUND BALANCES, end of year | <u><u>\$ 17,266</u></u> | <u><u>\$ 17,266</u></u> | <u><u>\$ 1,430</u></u> | <u><u>\$ (15,836)</u></u> |

**CITY OF SOCIAL CIRCLE, GEORGIA
HOTEL MOTEL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|-----------------|-----------------|---------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Hotel Motel taxes | \$ 1,000 | \$ 1,000 | \$ 1,010 | \$ 10 |
| Total revenues | 1,000 | 1,000 | 1,010 | 10 |
| Excess of revenues over expenditures | 1,000 | 1,000 | 1,010 | 10 |
| Other financing uses | | | | |
| Transfers out | - | - | (1,010) | (1,010) |
| Total other financing uses | - | - | (1,010) | (1,010) |
| Net change in fund balances | 1,000 | 1,000 | - | (1,000) |
| FUND BALANCES, beginning of year | - | - | - | - |
| FUND BALANCES, end of year | <u>\$ 1,000</u> | <u>\$ 1,000</u> | <u>\$ -</u> | <u>\$ (1,000)</u> |

**CITY OF SOCIAL CIRCLE, GEORGIA
LIBRARY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | Budget | | | Variance With |
|---|-------------------|-------------------|-------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Investment income | \$ 25,000 | \$ 25,000 | \$ 20,501 | \$ (4,499) |
| Total revenues | 25,000 | 25,000 | 20,501 | (4,499) |
| EXPENDITURES | | | | |
| Culture and recreation | 18,000 | 18,000 | 9,007 | 8,993 |
| Total expenditures | 18,000 | 18,000 | 9,007 | 8,993 |
| Excess of revenues over expenditures | 7,000 | 7,000 | 11,494 | 4,494 |
| Other financing uses | | | | |
| Transfers out | (7,000) | (7,000) | (5,862) | 1,138 |
| Total other financing uses | (7,000) | (7,000) | (5,862) | 1,138 |
| Net change in fund balances | - | - | 5,632 | 5,632 |
| FUND BALANCES, beginning of year | 405,029 | 405,029 | 405,029 | - |
| FUND BALANCES, end of year | <u>\$ 405,029</u> | <u>\$ 405,029</u> | <u>\$ 410,661</u> | <u>\$ 5,632</u> |

CITY OF SOCIAL CIRCLE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Original and Current Estimated Cost | Prior Years Cumulative Expenditures | Current Year Expenditures | Total Cumulative Expenditures |
|--|--|---|---------------------------------|-------------------------------------|
| <u>2007 Project</u> | | | | |
| Transportation, drainage and sidewalks | \$ 3,536,000 | \$ 2,979,190 | \$ 336,488 | \$ 3,315,678 |
| Public safety improvements | 1,500,000 | - | - | - |
| Cemetery and park improvements | 200,000 | - | - | - |
| | <u>\$ 5,236,000</u> | <u>\$ 2,979,190</u> | <u>336,488</u> | <u>\$ 3,315,678</u> |
| Public works project paid with Walton County grant funds | | | <u>305,730</u> | |
| Total expenditures in SPLOST Fund | | | <u>\$ 642,218</u> | |

COMPONENT UNITS

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - BETTER HOMETOWN, INC. FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---------------------------------------|-----------------|
| Receipts from customers and users | \$ 28,986 |
| Payments to suppliers | (54,689) |
| Net cash used in operating activities | <u>(25,703)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|------------|
| Interest received | <u>124</u> |
| Net cash provided by investing activities | <u>124</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|-----------------|
| Purchases of capital assets | <u>(22,378)</u> |
| Net cash used in capital and related financing activities | <u>(22,378)</u> |

| | |
|---|----------|
| Net decrease in cash and cash equivalents | (47,957) |
|---|----------|

| | |
|--|---------------|
| Cash and cash equivalents, beginning of year | <u>74,486</u> |
|--|---------------|

| | |
|--|-------------------------|
| Cash and cash equivalents, end of year | <u><u>\$ 26,529</u></u> |
|--|-------------------------|

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED IN OPERATING ACTIVITIES

| | |
|--|---------------------------|
| Operating loss | \$ (27,524) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation | <u>1,821</u> |
| Net cash used in operating activities | <u><u>\$ (25,703)</u></u> |

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------|
| Receipts from customers and users | \$ 76,327 |
| Payments to suppliers | (39,830) |
| Net cash provided by operating activities | <u>36,497</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|----------|
| Interest received | <u>5</u> |
| Net cash provided by investing activities | <u>5</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|-----------------|
| Principal payments on loans | (26,105) |
| Interest paid | (22,929) |
| Net cash used in capital and related financing activities | <u>(49,034)</u> |

| | |
|---|----------|
| Net decrease in cash and cash equivalents | (12,532) |
|---|----------|

| | |
|--|---------------|
| Cash and cash equivalents, beginning of year | <u>16,157</u> |
|--|---------------|

| | |
|--|------------------------|
| Cash and cash equivalents, end of year | <u><u>\$ 3,625</u></u> |
|--|------------------------|

RECONCILIATION OF OPERATING LOSS TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|--|-------------------------|
| Operating loss | \$ (1,352) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 14,071 |
| Interest expense | 22,929 |
| Change in assets and liabilities: | |
| Increase in accounts receivable | (2,350) |
| Increase in accounts payable | 2,286 |
| Increase in accrued liabilities | 13 |
| Increase in customer deposits | <u>900</u> |
| Net cash provided by operating activities | <u><u>\$ 36,497</u></u> |

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--------------------------------------|--------------|
| Receipts from customers and users | \$ 6,133 |
| Net provided by operating activities | <u>6,133</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|----------------|
| Interest paid | <u>(6,334)</u> |
| Net cash used in capital and related financing activities | <u>(6,334)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|------------|
| Interest received | <u>542</u> |
| Net cash provided by investing activities | <u>542</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|------------|
| Proceeds on loan issuance | <u>201</u> |
| Net cash provided by financing activities | <u>201</u> |

| | |
|---|-----|
| Net increase in cash and cash equivalents | 542 |
|---|-----|

| | |
|--|---------------|
| Cash and cash equivalents, beginning of year | <u>93,028</u> |
|--|---------------|

| | |
|--|-------------------------|
| Cash and cash equivalents, end of year | <u><u>\$ 93,570</u></u> |
|--|-------------------------|

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|---|------------------------|
| Operating income | <u>\$ 6,133</u> |
| Net cash provided by operating activities | <u><u>\$ 6,133</u></u> |