

**CITY OF SOCIAL CIRCLE, GEORGIA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2012**

# CITY OF SOCIAL CIRCLE, GEORGIA

## FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**CITY OF SOCIAL CIRCLE, GEORGIA**

**FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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**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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, 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 – 9 and Schedule 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 19, 2012

## **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, 2012. 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 2012 by \$20,950,389 (total net assets).
- Of this amount, \$5,055,798 (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 \$1,105,481.
- At the close of fiscal year 2012 the City's governmental funds reported combined ending fund balances of \$1,652,204. Of this amount, \$946,539 or 57.29% is available for spending at the government's discretion (Unassigned fund balance). The remaining balance of \$705,665, is allocated as \$513,673 (Non Spendable), \$109,118 (Restricted) and \$82,874 (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.

**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 these funds has been provided to demonstrate compliance with this budget. The City also adopted an annual budget for its special revenue and debt service funds. Project length budgets were adopted for the capital project funds. 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 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.



## 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 2012 by \$20,950,389.

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 \$5,055,798 or 24.13%. Restricted assets are Debt Service, \$231,414, Public safety \$6,509, Capital Projects \$37,839 Library Expendable \$64,770, 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 \$15,204,059 or 72.57%. 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

	Governmental Activities		Business Type Activities		Totals	
	2011	2012	2011	2012	2011	2012
<b>Assets:</b>						
Current assets	\$2,236,637	\$2,024,183	\$4,251,340	\$4,182,345	\$6,487,977	\$6,206,528
Restricted assets			\$646,192	\$679,191	\$646,192	\$679,191
Other assets			\$141,286	\$136,517	\$141,286	\$136,517
Capital assets	\$6,417,940	\$6,997,596	\$14,585,510	\$14,890,681	\$21,003,450	\$21,888,277
Total assets	\$8,654,577	\$9,021,779	\$19,624,328	\$19,888,734	\$28,278,905	\$28,910,513
<b>Liabilities:</b>						
Current liabilities	\$374,072	\$326,752	\$542,416	\$429,125	\$916,488	\$755,877
Unearned Revenue	\$27,639				\$27,639	
Long-term liabilities	\$233,525	\$149,702	\$7,256,345	\$7,054,545	\$7,489,870	\$7,204,247
Total liabilities	\$635,236	\$476,454	\$7,798,761	\$7,483,670	\$8,433,997	\$7,960,124
<b>Net assets:</b>						
Invested in capital assets, net of related debt	\$6,238,522	\$6,897,446	\$7,791,234	\$8,306,613	\$14,029,756	\$15,204,059
Restricted for						
Capital Projects	\$285,967	\$37,839			\$285,967	\$37,839
Debt Service			\$206,198	\$231,414	\$206,198	\$231,414
Public Safety	\$1,430	\$6,509				\$6,509
Library Expendable	\$60,661	\$64,770			\$60,661	\$64,770
Library Nonexpendable	\$350,000	\$350,000			\$350,000	\$350,000
SPLOST Capital						
Unrestricted	\$1,082,761	\$1,188,761	\$3,828,135	\$3,867,037	\$4,910,896	\$5,055,798
Total net assets	\$8,019,341	\$8,545,325	\$11,825,567	\$12,405,064	\$19,844,908	\$20,950,389

An additional portion of the City's net assets, \$690,532 (0.32 %), represents resources that are subject to external restrictions on how they may be used. \$414,770 for the library of which \$350,000 is nonexpendable, \$6,509 for public safety, \$37,839 for capital projects and \$231,414 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 525,984 or 47.5% of the total growth in the net assets of the City.

**City of Social Circle Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Totals</b>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for service	\$268,741	\$195,462	\$5,362,695	\$4,846,264	\$5,631,436	\$5,041,726
Operating grants and contributions	\$270,433	\$221,575			\$270,433	\$221,575
Capital grants and contributions	\$320,869	\$492,659	\$77,858	\$418,091	\$398,727	\$910,750
General revenues:						
Property taxes	\$1,193,573	\$1,140,215			\$1,193,573	\$1,140,215
Sales tax	\$546,131	\$582,296			\$546,131	\$582,296
Other Taxes	\$825,716	\$844,573			\$825,716	\$844,573
Investment earnings	\$35,455	\$29,021	\$69,286	\$62,655	\$104,741	\$91,676
Other	\$14,044	\$80,661			\$14,044	\$80,661
Total revenue	\$3,474,962	\$3,586,462	\$5,509,839	\$5,327,010	\$8,984,801	\$8,913,472
<b>Expenses:</b>						
General government	\$553,763	\$616,223			\$553,763	\$616,223
Judicial	\$22,688	\$13,160			\$22,688	\$13,160
Public safety	\$1,511,933	\$1,463,633			\$1,511,933	\$1,463,633
Public works	\$487,224	\$560,599			\$487,224	\$560,599
Health & Welfare	\$79,973	\$83,257			\$79,973	\$83,257
Culture and recreation	\$141,558	\$139,074			\$141,558	\$139,074
Housing and development	\$79,878	\$101,862			\$79,878	\$101,862
Principal Payments						
Interest and fiscal charges	\$8,875	\$4,670			\$8,875	\$4,670
Water and sewer			\$2,048,097	\$2,098,677	\$2,048,097	\$2,098,677
Natural gas			\$2,842,450	\$2,392,824	\$2,842,450	\$2,392,824
Solid waste			\$326,629	\$334,014	\$326,629	\$334,014
Total Expenses	\$2,885,892	\$2,982,478	\$5,217,176	\$4,825,515	\$8,103,068	\$7,807,993
Increase in net assets before transfers	\$589,070	\$603,984	\$292,665	\$501,497	\$881,735	\$1,105,481
Transfers	-\$41,000	-\$78,000	\$41,000	\$78,000		
Increase in net assets	\$548,070	\$525,984	\$333,665	\$579,497	\$881,735	\$1,105,481
Net assets - beginning	\$7,471,271	\$8,019,341	\$11,491,902	\$11,825,567	\$18,963,173	\$19,844,908

**Revenues.** Property taxes of \$1,140,215 and sales tax of \$582,296 accounted for 64.35% of total general revenues.

Operating Grants and contributions consisted of the following:

- Board of Education for Resource Officer \$12,375
- Housing Authority In Lieu of Taxes \$6,186
- Walton county Fire \$52,000
- Section 18 Transportation Grant \$28,880
- GDOT Painting Grant \$112,000
- ARRA/EECBG Grant \$10,135

Capital Grants and Contributions consisted of the following:

- SPLOST Revenue \$492,659
- EDA/ARRA \$418,091

**Expenses.** The total expense for the governmental activities is \$2,982,478. The largest single expenditure activity is public safety. Public safety includes the police department and the fire department. The total public safety expense is \$1,463,633 or 49.07% of total governmental activity expense.

Total program revenues, general revenues and transfers exceeded expenses by \$1,105,481.

**Business-type activities.** Business-type activities increased the City's net assets by \$579,497 (52.42%) 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. In the Gas Fund during the year, revenues were lower than budgetary estimates mostly due to the fluctuation in gas prices. Expenses 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 an increase in transfers from General Fund. Expenses were higher than budget due to higher disposal costs due to fuel charges.

**Revenues.** Water and sewer revenue was \$2,095,822. Natural gas revenue was \$2,476,228. Solid Waste revenue was \$274,214. 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 operating expenses were \$1,799,865. Natural gas operating expenses were \$2,392,785. Solid Waste operating expenses were \$334,012.

### **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 \$1,652,204. Approximately 57.29% of this amount \$946,539 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reported as Nonspendable, Restricted or Assigned and may only be used within the guidelines of those categories.

The general fund is the chief operating fund of the City. At the June 30, 2012 unreserved fund balance of the general fund was \$946,640. 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.

**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, 2012 amounted to \$374,653; those of the Natural Gas Fund amounted to \$3,473,590; and those of the Solid Waste Fund amounted to \$18,794. The total change in Water and Sewer net assets was \$425,422; the change in Natural Gas net assets was \$135,873; and the change in Solid Waste net assets was \$18,202.

### **General Fund Budgetary Highlights**

During the year, revenues were higher than budgetary estimates by \$6,512 and expenditures were lower than budgetary estimates by \$271,535. 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, 2012 amounts to \$21,888,277, (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

- Street Paving \$177,662
- Sidewalks Holly/Dogwood \$80,140
- Bridge Project \$327,943

### WATER

- Water System Improvements \$559,996

### City of Social Circle Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Land	\$869,411	\$847,014			\$869,411	\$847,014
Construction in progress	\$627,313	\$10,902	\$72,460		\$699,773	\$10,902
Infrastructure	\$2,333,332	\$3,735,262	\$14,436,441	\$14,674,610	\$16,769,773	\$18,409,872
Building	\$2,025,160	\$1,928,631			\$2,025,160	\$1,928,631
Equipment	\$562,724	\$475,787	\$45,378	\$83,960	\$608,102	\$559,747
Vehicles			\$31,231	\$132,111	\$31,231	\$132,111
Total	\$6,417,940	\$6,997,596	\$14,585,510	\$14,890,681	\$21,003,450	\$21,888,277

**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 \$7,131,995. Water and Sewerage Revenue Bonds account for \$1,891,964, a Georgia Environmental Facilities water and sewer loan accounts for \$5,108,349, and Capital Leases account for \$131,682.

### City of Social Circle Outstanding Debt Long-term Debt

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Revenue Bonds			\$1,890,104	\$1,891,964	\$1,890,104	\$1,891,964
GEFA Loan			\$5,330,441	\$5,108,349	\$5,330,441	\$5,108,349
Capital Leases Payable	\$179,418	\$100,150	\$13,725	\$31,532	\$193,143	\$131,682
Total	\$179,418	\$100,150	\$7,234,270	\$7,031,845	\$7,413,688	\$7,131,995

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

**Economic Factors**

Our local economy is still somewhat depressed with virtually no new housing starts due to the overall economy. However, we are still holding most of our local jobs with the existing industry. Local business seems to be holding its own.

Utility sales are still down from prior years but have not shifted into a perilous state. We continue to budget conservatively and are staying on budget.

**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, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Better Hometown, Inc.	Downtown Development Authority	Development Authority
ASSETS						
Cash and cash equivalents	\$ 886,807	\$ 2,877,834	\$ 3,764,641	\$ 37,236	\$ 16,477	\$ 97,432
Investments	401,300	840,419	1,241,719	-	-	-
Accounts receivable, net of allowances	101,280	667,820	769,100	-	4,980	-
Taxes receivable, net of allowances	52,350	-	52,350	-	-	-
Interest receivable	-	2,874	2,874	-	-	-
Internal balances	262,730	(262,730)	-	-	-	-
Due from other governments	130,512	499	131,011	-	-	-
Due from component unit	25,531	-	25,531	-	-	-
Due from primary government	-	-	-	-	51	-
Prepaid expenses	163,673	55,629	219,302	-	-	-
Restricted assets:						
Cash and cash equivalents	-	679,191	679,191	-	-	-
Other assets	-	136,517	136,517	-	-	-
Capital assets:						
Non-depreciable	857,916	-	857,916	-	100,000	823,016
Depreciable, net of accumulated depreciation	6,139,680	14,890,681	21,030,361	18,319	569,143	-
Total assets	9,021,779	19,888,734	28,910,513	55,555	690,651	920,448
LIABILITIES						
Accounts payable	291,349	93,580	384,929	89	1,500	250
Accrued liabilities	35,403	70,397	105,800	-	976	-
Customer deposits	-	265,097	265,097	-	3,600	-
Due to component unit	-	51	51	-	-	-
Due to primary government	-	-	-	-	25,531	-
Long-term liabilities:						
Portion due or payable within one year:						
Capital leases	54,330	12,283	66,613	-	-	-
Notes payable	-	231,900	231,900	-	28,864	-
Compensated absences	49,552	15,802	65,354	-	-	-
Portion due or payable in more than one year:						
Capital leases	45,820	19,249	65,069	-	-	-
Notes payable	-	4,876,449	4,876,449	-	502,223	-
Bonds payable, net	-	1,891,964	1,891,964	-	-	-
Compensated absences	-	6,898	6,898	-	-	-
Total liabilities	476,454	7,483,670	7,960,124	89	562,694	250
NET ASSETS						
Invested in capital assets, net of related debt	6,897,446	8,306,613	15,204,059	18,319	138,056	823,016
Restricted for:						
Debt service	-	231,414	231,414	-	-	-
Public safety	6,509	-	6,509	-	-	-
Capital projects	37,839	-	37,839	-	-	-
Library - expendable	64,770	-	64,770	-	-	-
Library - nonexpendable	350,000	-	350,000	-	-	-
Unrestricted	1,188,761	3,867,037	5,055,798	37,147	(10,099)	97,182
Total net assets	\$ 8,545,325	\$ 12,405,064	\$ 20,950,389	\$ 55,466	\$ 127,957	\$ 920,198

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, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 616,223	\$ 167,776	\$ 6,186	\$ -
Judicial	13,160	-	-	-
Public safety	1,463,633	13,135	64,375	-
Public works	560,599	12,551	151,014	492,659
Health and welfare	83,257	-	-	-
Culture and recreation	139,074	2,000	-	-
Housing and development	101,862	-	-	-
Interest on long-term debt	4,670	-	-	-
Total governmental activities	<u>2,982,478</u>	<u>195,462</u>	<u>221,575</u>	<u>492,659</u>
Business-type activities:				
Water and sewer	2,098,677	2,095,822	-	418,091
Natural gas	2,392,824	2,476,228	-	-
Solid waste	334,012	274,214	-	-
Total business-type activities	<u>4,825,513</u>	<u>4,846,264</u>	<u>-</u>	<u>418,091</u>
Total primary government	<u>\$ 7,807,991</u>	<u>\$ 5,041,726</u>	<u>\$ 221,575</u>	<u>\$ 910,750</u>
<b>Component units:</b>				
Better Hometown, Inc.	\$ 28,459	\$ 33,784	\$ 3,119	\$ -
Downtown Development Authority	56,348	43,861	15,000	-
Development Authority	7,360	-	11,396	-
Total component units	<u>\$ 92,167</u>	<u>\$ 77,645</u>	<u>\$ 29,515</u>	<u>\$ -</u>

### General revenues:

Property taxes  
 Sales taxes  
 Franchise taxes  
 Business taxes  
 Hotel Motel taxes  
 Other taxes  
 Unrestricted investment earnings  
 Gain on sale of capital assets  
 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
\$ (442,261)	\$ -	\$ (442,261)	\$ -	\$ -	\$ -
(13,160)	-	(13,160)	-	-	-
(1,386,123)	-	(1,386,123)	-	-	-
95,625	-	95,625	-	-	-
(83,257)	-	(83,257)	-	-	-
(137,074)	-	(137,074)	-	-	-
(101,862)	-	(101,862)	-	-	-
(4,670)	-	(4,670)	-	-	-
(2,072,782)	-	(2,072,782)	-	-	-
-	415,236	415,236	-	-	-
-	83,404	83,404	-	-	-
-	(59,798)	(59,798)	-	-	-
-	438,842	438,842	-	-	-
\$ (2,072,782)	\$ 438,842	\$ (1,633,940)	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 8,444	\$ -	\$ -
-	-	-	-	2,513	-
-	-	-	-	-	4,036
\$ -	\$ -	\$ -	\$ 8,444	\$ 2,513	\$ 4,036
\$ 1,140,215	\$ -	\$ 1,140,215	\$ -	\$ -	\$ -
582,296	-	582,296	-	-	-
480,094	-	480,094	-	-	-
18,964	-	18,964	-	-	-
1,313	-	1,313	-	-	-
344,202	-	344,202	-	-	-
29,021	62,655	91,676	25	-	252
57,180	-	57,180	-	-	15,711
23,481	-	23,481	-	-	-
(78,000)	78,000	-	-	-	-
2,598,766	140,655	2,739,421	25	-	15,963
525,984	579,497	1,105,481	8,469	2,513	19,999
8,019,341	11,825,567	19,844,908	46,997	125,444	900,199
\$ 8,545,325	\$ 12,405,064	\$ 20,950,389	\$ 55,466	\$ 127,957	\$ 920,198



# CITY OF SOCIAL CIRCLE, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2012

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 850,456	\$ 1	\$ 36,350	\$ 886,807
Investments	-	-	401,300	401,300
Taxes receivable	52,350	-	-	52,350
Accounts receivable	30,761	68,750	1,769	101,280
Due from other governments	130,512	-	-	130,512
Due from other funds	314,110	-	-	314,110
Due from component unit	25,531	-	-	25,531
Prepaid expenditures	163,673	-	-	163,673
Total assets	<u>\$ 1,567,393</u>	<u>\$ 68,751</u>	<u>\$ 439,419</u>	<u>\$ 2,075,563</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 274,134	\$ -	\$ 17,215	\$ 291,349
Accrued liabilities	32,243	-	-	32,243
Deferred revenues	48,286	-	101	48,387
Due to other funds	19,543	30,912	925	51,380
Total liabilities	<u>374,206</u>	<u>30,912</u>	<u>18,241</u>	<u>423,359</u>
<b>FUND BALANCES</b>				
Fund balances:				
Nonspendable:				
Permanent fund corpus	-	-	350,000	350,000
Prepays	163,673	-	-	163,673
Restricted:				
Library	-	-	64,770	64,770
Public safety	-	-	6,509	6,509
Capital projects	-	37,839	-	37,839
Assigned:				
Library	41,068	-	-	41,068
Cemetery	41,806	-	-	41,806
Unassigned	946,640	-	(101)	946,539
Total fund balances	<u>1,193,187</u>	<u>37,839</u>	<u>421,178</u>	<u>1,652,204</u>
Total liabilities and fund balances	<u>\$ 1,567,393</u>	<u>\$ 68,751</u>	<u>\$ 439,419</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.				6,997,596
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				48,387
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(152,862)</u>
Net assets of governmental activities				<u>\$ 8,545,325</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, 2012**

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,576,816	\$ -	\$ 1,313	\$ 2,578,129
Licenses and permits	15,729	-	-	15,729
Intergovernmental	221,575	344,659	-	566,234
Fines and forfeitures	141,717	-	13,135	154,852
Charges for services	22,881	-	-	22,881
Interest income	10,731	-	18,290	29,021
Miscellaneous	25,481	-	-	25,481
Total revenues	<u>3,014,930</u>	<u>344,659</u>	<u>32,738</u>	<u>3,392,327</u>
<b>Expenditures</b>				
Current:				
General government	483,261	-	-	483,261
Judicial	13,160	-	-	13,160
Public safety	1,416,959	-	8,514	1,425,473
Public works	592,300	-	-	592,300
Health and welfare	82,216	-	-	82,216
Culture and recreation	136,334	-	9,023	145,357
Housing and development	101,862	-	-	101,862
Capital outlay	-	592,787	-	592,787
Debt service:				
Principal retirements	79,268	-	-	79,268
Interest	6,278	-	-	6,278
Total expenditures	<u>2,911,638</u>	<u>592,787</u>	<u>17,537</u>	<u>3,521,962</u>
Excess (deficiency) of revenues over expenditures	<u>103,292</u>	<u>(248,128)</u>	<u>15,201</u>	<u>(129,635)</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of assets	79,577	-	-	79,577
Transfers in	6,114	-	-	6,114
Transfers out	(78,000)	-	(6,114)	(84,114)
Total other financing sources (uses)	<u>7,691</u>	<u>-</u>	<u>(6,114)</u>	<u>1,577</u>
Net change in fund balances	110,983	(248,128)	9,087	(128,058)
<b>Fund balances, beginning of year</b>	<u>1,082,204</u>	<u>285,967</u>	<u>412,091</u>	<u>1,780,262</u>
<b>Fund balances, end of year</b>	<u>\$ 1,193,187</u>	<u>\$ 37,839</u>	<u>\$ 421,178</u>	<u>\$ 1,652,204</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, 2012

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

Net change in fund balances - total governmental funds	\$ (128,058)
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.	522,803
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.	56,853
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(11,045)
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.	79,268
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>6,163</u>
Change in net assets - governmental activities	<u>\$ 525,984</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, 2012

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,477,395	\$ 2,477,395	\$ 2,576,816	\$ 99,421
Licenses and permits	15,000	15,000	15,729	729
Fines and forfeitures	240,000	240,000	141,717	(98,283)
Interest	14,000	14,000	10,731	(3,269)
Charges for services	21,000	21,000	22,881	1,881
Intergovernmental	110,889	233,023	221,575	(11,448)
Miscellaneous	8,000	8,000	25,481	17,481
Total revenues	2,886,284	3,008,418	3,014,930	6,512
<b>Expenditures</b>				
Current:				
General government:				
Governing body	99,505	99,669	91,789	7,880
Chief executive	48,755	49,316	46,852	2,464
Clerk - administrative	26,800	26,800	23,963	2,837
Elections	2,500	2,500	300	2,200
Financial administration	268,900	279,061	262,886	16,175
Law	25,000	57,471	57,471	-
Total general government	471,460	514,817	483,261	31,556
Judicial:				
Municipal court	25,000	25,000	13,160	11,840
Total judicial	25,000	25,000	13,160	11,840
Public safety:				
Police	1,577,200	1,585,174	1,416,959	168,215
Total public safety	1,577,200	1,585,174	1,416,959	168,215
Public works:				
Highways and streets	434,300	604,630	590,194	14,436
Cemetery	1,000	2,925	2,106	819
Total public works	435,300	607,555	592,300	15,255
Health and welfare:				
Transportation services	83,100	89,247	82,216	7,031
Total health and welfare	83,100	89,247	82,216	7,031
Culture and recreation:				
Library	128,800	137,973	136,334	1,639
Total culture and recreation	128,800	137,973	136,334	1,639
Housing and development:				
Urban redevelopment and housing	3,000	3,000	1,529	1,471
Economic development and assistance	74,100	104,663	100,333	4,330
Total housing and development	77,100	107,663	101,862	5,801
Debt service:				
Principal	114,189	106,683	79,268	27,415
Interest	15,255	9,061	6,278	2,783
Total debt service	129,444	115,744	85,546	30,198
Total expenditures	2,927,404	3,183,173	2,911,638	271,535
Excess (deficiency) of revenues over expenditures	(41,120)	(174,755)	103,292	278,047
<b>Other financing sources (uses)</b>				
Proceeds from sale of assets	-	-	79,577	79,577
Proceeds from capital lease	114,000	114,000	-	(114,000)
Transfers in	7,000	7,000	6,114	(886)
Transfers out	(79,880)	(93,010)	(78,000)	15,010
Total other financing sources (uses)	41,120	27,990	7,691	(20,299)
Net change in fund balances	-	(146,765)	110,983	257,748
<b>Fund balance, beginning of year</b>	1,082,204	1,082,204	1,082,204	-
<b>Fund balance, end of year</b>	\$ 1,082,204	\$ 935,439	\$ 1,193,187	\$ 257,748

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

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2012

ASSETS	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 187,815	\$ 2,687,991	\$ 2,028	\$ 2,877,834
Investments	-	840,419	-	840,419
Accounts receivable, net	451,068	182,845	33,907	667,820
Due from other funds	1,678	71,515	10,416	83,609
Due from other governments	-	499	-	499
Interest receivable	-	2,874	-	2,874
Prepaid items	31,252	19,966	4,411	55,629
	<u>671,813</u>	<u>3,806,109</u>	<u>50,762</u>	<u>4,528,684</u>
<b>Restricted assets</b>				
Cash and cash equivalents	679,191	-	-	679,191
	<u>679,191</u>	<u>-</u>	<u>-</u>	<u>679,191</u>
Total current assets	<u>1,351,004</u>	<u>3,806,109</u>	<u>50,762</u>	<u>5,207,875</u>
<b>NONCURRENT ASSETS</b>				
Other assets	136,517	-	-	136,517
	<u>136,517</u>	<u>-</u>	<u>-</u>	<u>136,517</u>
<b>CAPITAL ASSETS</b>				
Depreciable, net of accumulated depreciation	13,442,210	1,448,471	-	14,890,681
	<u>13,442,210</u>	<u>1,448,471</u>	<u>-</u>	<u>14,890,681</u>
Total assets	<u>14,929,731</u>	<u>5,254,580</u>	<u>50,762</u>	<u>20,235,073</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	-	93,580	-	93,580
Accrued liabilities	67,276	3,121	-	70,397
Customer deposits	87,541	177,556	-	265,097
Due to other funds	259,052	55,319	31,968	346,339
Due to component unit	51	-	-	51
Compensated absences payable - current	12,859	2,943	-	15,802
Notes payable - current	231,900	-	-	231,900
Capital lease - current	12,283	-	-	12,283
Total current liabilities	<u>670,962</u>	<u>332,519</u>	<u>31,968</u>	<u>1,035,449</u>
<b>NONCURRENT LIABILITIES</b>				
Revenue bonds payable	1,891,964	-	-	1,891,964
Notes payable	4,876,449	-	-	4,876,449
Capital lease payable	19,249	-	-	19,249
Compensated absences payable	6,898	-	-	6,898
Total noncurrent liabilities	<u>6,794,560</u>	<u>-</u>	<u>-</u>	<u>6,794,560</u>
Total liabilities	<u>7,465,522</u>	<u>332,519</u>	<u>31,968</u>	<u>7,830,009</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,858,142	1,448,471	-	8,306,613
Restricted:				
Debt service	231,414	-	-	231,414
Unrestricted	374,653	3,473,590	18,794	3,867,037
Total net assets	<u>\$ 7,464,209</u>	<u>\$ 4,922,061</u>	<u>\$ 18,794</u>	<u>\$ 12,405,064</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, 2012**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$ 2,095,822	\$ 2,476,228	\$ 274,214	\$ 4,846,264
Total operating revenues	2,095,822	2,476,228	274,214	4,846,264
<b>OPERATING EXPENSES</b>				
Cost of sales and services	-	1,549,670	-	1,549,670
General operating expenses	1,420,981	783,503	334,012	2,538,496
Depreciation & amortization	378,884	59,612	-	438,496
Total operating expenses	1,799,865	2,392,785	334,012	4,526,662
Operating income (loss)	295,957	83,443	(59,798)	319,602
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	10,186	52,469	-	62,655
Interest expense	(298,812)	(39)	-	(298,851)
Total non-operating revenues (expenses)	(288,626)	52,430	-	(236,196)
Income (loss) before capital contributions and transfers	7,331	135,873	(59,798)	83,406
Capital contributions	418,091	-	-	418,091
Transfers in	-	-	78,000	78,000
Total capital contributions and transfers	418,091	-	78,000	496,091
Change in net assets	425,422	135,873	18,202	579,497
<b>Net assets, beginning of year</b>	<u>7,038,787</u>	<u>4,786,188</u>	<u>592</u>	<u>11,825,567</u>
<b>Net assets, end of year</b>	<u>\$ 7,464,209</u>	<u>\$ 4,922,061</u>	<u>\$ 18,794</u>	<u>\$ 12,405,064</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, 2012

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,944,568	\$ 2,525,871	\$ 270,175	\$ 4,740,614
Payments to suppliers	(809,147)	(1,741,715)	(250,382)	(2,801,244)
Payments to employees	(495,883)	(607,258)	(95,765)	(1,198,906)
Net cash provided by (used in) operating activities	639,538	176,898	(75,972)	740,464
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers in from other funds	-	-	78,000	78,000
Net cash provided by non-capital financing activities	-	-	78,000	78,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(640,198)	(96,840)	-	(737,038)
Reimbursement from grants	418,091	-	-	418,091
Proceeds from capital lease	37,737	-	-	37,737
Principal payments on capital lease	(17,626)	(2,304)	-	(19,930)
Principal payments on notes payable	(222,092)	-	-	(222,092)
Interest paid	(299,202)	(30)	-	(299,232)
Net cash used in capital and related financing activities	(723,290)	(99,174)	-	(822,464)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchased investments	-	(6,806)	-	(6,806)
Interest received	10,186	52,469	-	62,655
Net cash provided by investing activities	10,186	45,663	-	55,849
Net increase (decrease) in cash and cash equivalents	(73,566)	123,387	2,028	51,849
Cash and cash equivalents, beginning of year	940,572	2,564,604	-	3,505,176
Cash and cash equivalents, end of year	<u>\$ 867,006</u>	<u>\$ 2,687,991</u>	<u>\$ 2,028</u>	<u>\$ 3,557,025</u>
<b>Classified as:</b>				
Cash and cash equivalents	\$ 187,815	\$ 2,687,991	\$ 2,028	\$ 2,877,834
Restricted cash and cash equivalents	679,191	-	-	679,191
	<u>\$ 867,006</u>	<u>\$ 2,687,991</u>	<u>\$ 2,028</u>	<u>\$ 3,557,025</u>

(Continued)

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 295,957	\$ 83,443	\$ (59,798)	\$ 319,602
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	378,884	59,612	-	438,496
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(154,210)	49,763	(3,535)	(107,982)
(Increase) decrease in due from other funds	2,956	(120)	(504)	2,332
(Increase) decrease in prepaid items	(2,111)	1,740	(697)	(1,068)
Decrease in accounts payable	(37,663)	(38,874)	-	(76,537)
Decrease in accrued liabilities	(7,392)	(13,130)	(16,852)	(37,374)
Increase in customer deposits	180	821	-	1,001
Increase (decrease) in compensated absences payable	(568)	1,193	-	625
Increase in due to other funds	163,505	32,450	5,414	201,369
Net cash provided by (used in) operating activities	<u>\$ 639,538</u>	<u>\$ 176,898</u>	<u>\$ (75,972)</u>	<u>\$ 740,464</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, 2012

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	Board of Education Fund
<b>ASSETS</b>	
Due from other governments	\$ 13,443
Taxes receivable	193,942
Total assets	<u>\$ 207,385</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 13,443
Uncollected taxes	193,942
Total liabilities	<u>\$ 207,385</u>

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

**CITY OF SOCIAL CIRCLE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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

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### **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

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### 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

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### 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 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

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### 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.

#### 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

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### 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, 2012, 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:

<b>Asset Class</b>	<b>Estimated Useful Life</b>
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

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### 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

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Fund Equity

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

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### 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

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### 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 \$152,862 difference are as follows:

Capital lease payable	\$ (100,150)
Accrued interest payable	(3,160)
Compensated absences	<u>(49,552)</u>
Net adjustment to reduce <i>fund balance– total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ (152,862)</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 \$522,803 difference are as follows:

Capital outlay	\$ 888,988
Depreciation expense	<u>(366,185)</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>\$ 522,803</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### 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 the reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.” The details of this \$56,853 difference are as follows:

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets sold.	\$ (91,147)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>148,000</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ 56,853</u>

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 \$6,163 difference are as follows:

Compensated absences	\$ 4,555
Accrued interest	<u>1,608</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>\$ 6,163</u>

## NOTES TO FINANCIAL STATEMENTS

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### 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.

### NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2012 are summarized as follows:

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

Cash and cash equivalents	\$ 3,764,641
Restricted cash and cash equivalents	679,191
Investments	1,241,719
Total	<u>\$ 5,685,551</u>
Cash deposited with financial institutions	\$ 5,271,636
Money market mutual funds	12,615
Fixed income mutual funds	401,300
	<u>\$ 5,685,551</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

**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, 2012, the City had the following investments:

Investment	Maturities (in years)	Fair Value
Money market mutual funds	0.25 yrs	\$ 12,615
Certificate of deposit	12 months	840,419
Fixed income mutual funds	2.52 yrs	23,880
Fixed income mutual funds	2.71 yrs	49,707
Fixed income mutual funds	3.00 yrs	57,660
Fixed income mutual funds	3.50 yrs	37,313
Fixed income mutual funds	4.71 yrs	20,546
Fixed income mutual funds	4.79 yrs	148,970
Fixed income mutual funds	6.20 yrs	38,072
Fixed income mutual funds	8.20 yrs	25,152
Total		<u>\$ 1,254,334</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.

**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, 2012, the City's deposits are insured or collateralized as required by state law.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

#### Downtown Development Authority

As of June 30, 2012, the bank balances for the Downtown Development Authority were insured or collateralized as defined by GASB.

#### Development Authority

As of June 30, 2012, the bank balances for the Development Authority were insured or collateralized as defined by GASB.

#### Better Hometown, Inc.

As of June 30, 2012, 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 8 based on the assessed value of property as listed on the previous January 1 and are due on January 9 of following year.

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

Receivables at June 30, 2012, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental</u>	<u>Water &amp; Sewer</u>	<u>Gas</u>	<u>Solid Waste</u>
Receivables:						
Taxes	\$ 139,561	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	30,761	68,750	1,769	653,334	257,303	88,378
Other governments	130,512	-	-	-	499	-
Less allowance for uncollectible	87,211	-	-	202,266	74,458	54,471
Net total receivable	<u>\$ 213,623</u>	<u>\$ 68,750</u>	<u>\$ 1,769</u>	<u>\$ 451,068</u>	<u>\$ 183,344</u>	<u>\$ 33,907</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### Primary Government

Capital asset activity for the fiscal year ended June 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 869,411	\$ -	\$ (22,397)	\$ 847,014
Construction in progress	627,313	155,932	(772,343)	10,902
Total	<u>1,496,724</u>	<u>155,932</u>	<u>(794,740)</u>	<u>857,916</u>
Capital assets, being depreciated:				
Infrastructure	2,680,886	765,605	703,593	4,150,084
Buildings and improvements	2,886,274	10,668	-	2,896,942
Equipment, furniture & vehicles	2,706,377	104,783	-	2,811,160
Total	<u>8,273,537</u>	<u>881,056</u>	<u>703,593</u>	<u>9,858,186</u>
Less accumulated depreciation for:				
Infrastructure	(347,554)	(67,268)	-	(414,822)
Buildings and improvements	(861,114)	(107,197)	-	(968,311)
Equipment, furniture & vehicles	(2,143,653)	(191,720)	-	(2,335,373)
Total	<u>(3,352,321)</u>	<u>(366,185)</u>	<u>-</u>	<u>(3,718,506)</u>
Total capital assets, being depreciated, net	<u>4,921,216</u>	<u>514,871</u>	<u>703,593</u>	<u>6,139,680</u>
Governmental activities capital assets, net	<u>\$ 6,417,940</u>	<u>\$ 670,803</u>	<u>\$ (91,147)</u>	<u>\$ 6,997,596</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 72,460	\$ -	\$ (72,460)	\$ -
Total	<u>72,460</u>	<u>-</u>	<u>(72,460)</u>	<u>-</u>
Capital assets, being depreciated:				
Infrastructure	18,786,630	559,996	72,460	19,419,086
Machinery & equipment	345,374	55,593	-	400,967
Vehicles	456,790	121,449	-	578,239
Total	<u>19,588,794</u>	<u>737,038</u>	<u>72,460</u>	<u>20,398,292</u>
Less accumulated depreciation for:				
Infrastructure	(4,350,189)	(394,287)	-	(4,744,476)
Machinery & equipment	(299,996)	(17,011)	-	(317,007)
Vehicles	(425,559)	(20,569)	-	(446,128)
Total	<u>(5,075,744)</u>	<u>(431,867)</u>	<u>-</u>	<u>(5,507,611)</u>
Total capital assets, being depreciated, net	<u>14,513,050</u>	<u>305,171</u>	<u>72,460</u>	<u>14,890,681</u>
Business-type activities capital assets, net	<u>\$ 14,585,510</u>	<u>\$ 305,171</u>	<u>\$ -</u>	<u>\$ 14,890,681</u>

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

Governmental activities:	
General government	\$ 137,993
Public safety	146,650
Public works	78,652
Culture and recreation	<u>2,890</u>
Total depreciation expense - governmental activities	<u>\$ 366,185</u>
Business-type activities:	
Water & sewer	\$ 372,255
Natural gas	<u>59,612</u>
Total depreciation expense - business-type activities	<u>\$ 431,867</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### Better Hometown, Inc.

Capital asset activity for the fiscal year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery & equipment	\$ 23,279	\$ -	\$ -	\$ 23,279
Total	23,279	-	-	23,279
Less accumulated depreciation for:	(2,722)	(2,238)	-	(4,960)
Machinery & equipment	(2,722)	(2,238)	-	(4,960)
Total				
Total capital assets, net	\$ 20,557	\$ (2,238)	\$ -	\$ 18,319

#### Downtown Development Authority

Capital asset activity for the fiscal year ended June 30, 2012 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	(26,969)	(14,071)	-	(41,040)
Total	(26,969)	(14,071)	-	(41,040)
Total capital assets, being depreciated, net	583,214	(14,071)	-	569,143
Total capital assets, net	\$ 683,214	\$ (14,071)	\$ -	\$ 669,143

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### Development Authority

Capital asset activity for the fiscal year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 932,037	\$ -	\$ (109,021)	\$ 823,016
Total	<u>932,037</u>	<u>-</u>	<u>(109,021)</u>	<u>823,016</u>
Total capital assets, net	<u>\$ 932,037</u>	<u>\$ -</u>	<u>\$ (109,021)</u>	<u>\$ 823,016</u>

### NOTE 7. LONG-TERM DEBT

#### Primary Government

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital lease	\$ 179,418	\$ -	\$ (79,268)	\$ 100,150	\$ 54,330
Compensated absences	54,107	53,723	(58,278)	49,552	49,552
Governmental activity Long-term liabilities	<u>\$ 233,525</u>	<u>\$ 53,723</u>	<u>\$ (137,546)</u>	<u>\$ 149,702</u>	<u>\$ 103,882</u>
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 1,930,000	\$ -	\$ -	\$ 1,930,000	\$ -
Less: Discount	(39,896)	-	1,860	(38,036)	-
Net bonds payable	1,890,104	-	1,860	1,891,964	-
Note payable	5,330,441	-	(222,092)	5,108,349	231,900
Capital lease	13,725	37,737	(19,930)	31,532	12,283
Compensated absences	22,075	15,326	(14,701)	22,700	15,802
Business-type activity Long-term liabilities	<u>\$ 7,256,345</u>	<u>\$ 53,063</u>	<u>\$ (254,863)</u>	<u>\$ 7,054,545</u>	<u>\$ 259,985</u>

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	
2013	\$ -	\$ 86,850	\$ 86,850
2014	-	86,850	86,850
2015	-	86,850	86,850
2016	-	86,850	86,850
2017	-	86,850	86,850
2018-2022	-	434,250	434,250
2023-2027	-	434,250	434,250
2028-2032	955,000	383,850	1,338,850
2033-2035	975,000	89,100	1,064,100
Total	<u>\$ 1,930,000</u>	<u>\$ 1,775,700</u>	<u>\$ 3,705,700</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, 2012 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,			
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	272,369	161,447	433,816
2018-2022	1,538,054	631,027	2,169,081
2023-2027	1,862,727	289,122	2,151,849
2028-2029	450,084	11,133	461,217
Total	<u>\$ 5,108,349</u>	<u>\$ 1,842,879</u>	<u>\$ 6,951,228</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, 2012 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	\$ 386,675	\$ 328,674	\$ -	\$ -
Machinery & equipment	73,694	62,640	37,737	2,201
Total	<u>\$ 460,369</u>	<u>\$ 391,314</u>	<u>\$ 37,737</u>	<u>\$ 2,201</u>

Future minimum lease payments as of June 30, 2012 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2013	\$ 58,098	\$ 13,230	\$ 71,328
2014	47,650	13,230	60,880
2015	-	6,615	6,615
Total minimum lease payments	<u>105,748</u>	<u>33,075</u>	<u>138,823</u>
Less: interest payments	<u>(5,598)</u>	<u>(1,543)</u>	<u>(7,141)</u>
Present value minimum lease payments	<u>\$ 100,150</u>	<u>\$ 31,532</u>	<u>\$ 131,682</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### Downtown Development Authority

Long-term liability activity for the year ended June 30, 2012, 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	\$ 558,330	\$ -	\$ (27,243)	\$ 531,087	\$ 28,864
Total long-term liabilities	<u>\$ 558,330</u>	<u>\$ -</u>	<u>\$ (27,243)</u>	<u>\$ 531,087</u>	<u>\$ 28,864</u>

**Notes payable.** In July 2009, the Downtown Development Authority (“DDA”) issued a \$605,000 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,			
2013	\$ 28,864	\$ 20,157	\$ 49,021
2014	30,010	19,011	49,021
2015	31,201	17,819	49,020
2016	32,440	16,580	49,020
2017	408,572	3,955	412,527
Total	<u>\$ 531,087</u>	<u>\$ 77,522</u>	<u>\$ 608,609</u>

#### Development Authority

Long-term liability activity for the year ended June 30, 2012, 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	\$ 125,158	\$ -	\$ (125,158)	\$ -	\$ -
Total long-term liabilities	<u>\$ 125,158</u>	<u>\$ -</u>	<u>\$ (125,158)</u>	<u>\$ -</u>	<u>\$ -</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor enterprise fund	\$ 31,968
General fund	Natural gas fund	55,024
General fund	Water and sewer fund	195,281
General fund	SPLOST fund	30,912
General fund	Nonmajor governmental funds	925
Natural gas fund	Water and sewer fund	60,919
Natural gas fund	General fund	10,596
Nonmajor enterprise fund	Water and sewer fund	2,852
Nonmajor enterprise fund	Natural gas fund	295
Nonmajor enterprise fund	General fund	7,269
Water and sewer fund	General fund	1,678
		<u>\$ 397,719</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	\$ 6,114
Nonmajor enterprise fund	General fund	78,000
		<u>\$ 84,114</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	25,531
		<u>\$ 25,582</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, 2012, the date of the most recent actuarial valuation, there were 79 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	21
Terminated vested participants not yet receiving benefits	12
Active employees - vested	13
Active employees - nonvested	33
Total	79

#### 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 2012, the actuarially determined contribution rate was 9.36% of covered payroll. The City makes all contributions to the plan.

For 2012, the City's recommended contribution was \$137,126. Actual contributions totaled \$137,126. The recommended contribution was determined as part of the January 1, 2011 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)
1/1/2012	1,957,659	1,994,157	36,498	98.2%	1,524,151	2.4%

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLAN (CONTINUED)

The previous 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, 2012.

#### Employer Contributions

<b>Fiscal Year Ended June 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Actual Pension Contribution</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2012	\$ 137,126	\$ 137,126	100.0 %	\$ -
2011	148,754	148,754	100.0	-
2010	135,557	135,557	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, 2012, there were 19 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, 2012 were \$24,794.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 11. FUND DEFICITS**

For the year ended June 30, 2012, the City's Hotel Motel Fund had a fund deficit of \$101. The fund deficit in the Hotel Motel Fund will be reduced through future recognition of deferred revenues.

### **NOTE 12. 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 13. 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 14. 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, 2012, the City received \$1,313 in hotel/motel taxes. Of this amount, \$1,313, or 100%, was used for the promotion of tourism.

### **NOTE 15. 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 15. RISK MANAGEMENT (CONTINUED)

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.

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 16. 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 16. 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 \$1,549,670 in 2012.

At June 30, 2012, the outstanding debt of MGAG was approximately \$277.4 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$3.2 million at June 30, 2012.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF SOCIAL CIRCLE, GEORGIA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**RETIREMENT PLAN**

**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)</b>	<b>(b-a) Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>(a/b) Funded Ratio</b>	<b>(c) Covered Payroll</b>	<b>[(b-a)/c] UAAL as a Percentage of Covered Payroll</b>
1/1/2012	\$ 1,957,659	\$ 1,994,157	\$ 36,498	98.2%	\$ 1,524,151	2.4%
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%

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**

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**SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are restricted 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, 2012

	Special Revenue Funds		Permanent Fund	Total
	Confiscations Pending Fund	Hotel Motel Fund	Library Fund	Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,724	\$ 11	\$ 12,615	\$ 36,350
Accounts receivable	-	914	855	1,769
Investments	-	-	401,300	401,300
Total assets	<u>\$ 23,724</u>	<u>\$ 925</u>	<u>\$ 414,770</u>	<u>\$ 439,419</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 17,215	\$ -	\$ -	\$ 17,215
Deferred revenues	-	101	-	101
Due to other funds	-	925	-	925
Total liabilities	<u>17,215</u>	<u>1,026</u>	<u>-</u>	<u>18,241</u>
<b>FUND BALANCES</b>				
Nonspendable - corpus	-	-	350,000	350,000
Restricted:				
Library	-	-	64,770	64,770
Public safety	6,509	-	-	6,509
Unassigned	-	(101)	-	(101)
Total fund balances	<u>6,509</u>	<u>(101)</u>	<u>414,770</u>	<u>421,178</u>
Total liabilities and fund balances	<u>\$ 23,724</u>	<u>\$ 925</u>	<u>\$ 414,770</u>	<u>\$ 439,419</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, 2012

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total</u>
	<u>Confiscations</u>	<u>Hotel</u>		<u>Nonmajor</u>
	<u>Pending</u>	<u>Motel</u>	<u>Library</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ 1,313	\$ -	\$ 1,313
Fines and forfeitures	13,135	-	-	13,135
Investment income	458	-	17,832	18,290
Total revenues	13,593	1,313	17,832	32,738
<b>EXPENDITURES</b>				
Current				
Public safety	8,514	-	-	8,514
Culture and recreation	-	-	9,023	9,023
Total expenditures	8,514	-	9,023	17,537
Excess of revenues over expenditures	5,079	1,313	8,809	15,201
<b>OTHER FINANCING USES</b>				
Transfers out	-	(1,414)	(4,700)	(6,114)
Total other financing uses	-	(1,414)	(4,700)	(6,114)
Net change in fund balances	5,079	(101)	4,109	9,087
<b>FUND BALANCES, beginning of year</b>	1,430	-	410,661	412,091
<b>FUND BALANCES, end of year</b>	<u>\$ 6,509</u>	<u>\$ (101)</u>	<u>\$ 414,770</u>	<u>\$ 421,178</u>

**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, 2012**

	<u>Budget</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 13,135	\$ (6,865)
Interest	500	500	458	(42)
Total revenues	20,500	20,500	13,593	(6,907)
<b>EXPENDITURES</b>				
Public safety	20,500	20,500	8,514	11,986
Total expenditures	20,500	20,500	8,514	11,986
Net change in fund balances	-	-	5,079	5,079
<b>FUND BALANCES, beginning of year</b>	1,430	1,430	1,430	-
<b>FUND BALANCES, end of year</b>	<u>\$ 1,430</u>	<u>\$ 1,430</u>	<u>\$ 6,509</u>	<u>\$ 5,079</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Hotel Motel taxes	\$ 1,200	\$ 1,200	\$ 1,313	\$ 113
Interest	20	20	-	(20)
Total revenues	1,220	1,220	1,313	93
<b>Other financing uses</b>				
Transfers out	(1,220)	(1,220)	(1,414)	(194)
Total other financing uses	(1,220)	(1,220)	(1,414)	(194)
Net change in fund balances	-	-	(101)	(101)
<b>FUND BALANCES, beginning of year</b>	-	-	-	-
<b>FUND BALANCES, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101)</u>	<u>\$ (101)</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, 2012**

	<b>Budget</b>			<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Investment income	\$ 18,100	\$ 18,100	\$ 17,832	\$ (268)
Total revenues	18,100	18,100	17,832	(268)
<b>EXPENDITURES</b>				
Culture and recreation	18,100	18,100	9,023	9,077
Total expenditures	18,100	18,100	9,023	9,077
Excess of revenues over expenditures	-	-	8,809	8,809
<b>Other financing uses</b>				
Transfers out	-	-	(4,700)	(4,700)
Total other financing uses	-	-	(4,700)	(4,700)
Net change in fund balances	-	-	4,109	4,109
<b>FUND BALANCES, beginning of year</b>	410,661	410,661	410,661	-
<b>FUND BALANCES, end of year</b>	<u>\$ 410,661</u>	<u>\$ 410,661</u>	<u>\$ 414,770</u>	<u>\$ 4,109</u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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<u>2007 Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years Cumulative Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Cumulative Expenditures</u>
Transportation, drainage and sidewalks	\$ 3,536,000	\$ 3,580,522	\$ 3,315,678	\$ 264,844	\$ 3,580,522
Public safety improvements	1,500,000	-	-	-	-
Cemetery and park improvements	200,000	-	-	-	-
	<u>\$ 5,236,000</u>	<u>\$ 3,580,522</u>	<u>\$ 3,315,678</u>	<u>264,844</u>	<u>\$ 3,580,522</u>
Public works project paid with Walton County grant funds				<u>327,943</u>	
Total expenditures in SPLOST Fund				<u>\$ 592,787</u>	

## **COMPONENT UNITS**

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# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - BETTER HOMETOWN, INC. FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 36,903
Payments to suppliers	<u>(26,221)</u>
Net cash provided by operating activities	<u>10,682</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>25</u>
Net cash provided by investing activities	<u>25</u>
Net increase in cash and cash equivalents	10,707
Cash and cash equivalents, beginning of year	<u>26,529</u>
Cash and cash equivalents, end of year	<u><u>\$ 37,236</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>	
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 8,444
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	<u>2,238</u>
Net cash provided by operating activities	<u><u>\$ 10,682</u></u>



# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 81,771
Payments to suppliers	(19,900)
Net cash provided by operating activities	<u>61,871</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments on notes payable	(27,243)
Interest paid	(21,776)
Net cash used in capital and related financing activities	<u>(49,019)</u>
Net increase in cash and cash equivalents	12,852
Cash and cash equivalents, beginning of year	<u>3,625</u>
Cash and cash equivalents, end of year	<u><u>\$ 16,477</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 2,513
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	14,071
Interest expense	21,663
Change in assets and liabilities:	
Increase in accounts receivable	(1,740)
Decrease in accounts payable	(786)
Increase in customer deposits	1,500
Increase in due to primary government	<u>24,650</u>
Net cash provided by operating activities	<u><u>\$ 61,871</u></u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 11,396
Payments to suppliers	<u>(1,200)</u>
Net provided by operating activities	<u>10,196</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest paid	<u>(6,160)</u>
Net cash used in capital and related financing activities	<u>(6,160)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>252</u>
Net cash provided by investing activities	<u>252</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from sale of capital assets	124,732
Principal payments on notes payable	<u>(125,158)</u>
Net cash used in financing activities	<u>(426)</u>
 Net increase in cash and cash equivalents	 3,862
 Cash and cash equivalents, beginning of year	 <u>93,570</u>
 Cash and cash equivalents, end of year	 <u>\$ 97,432</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	<u>\$ 10,196</u>
 Net cash provided by operating activities	 <u>\$ 10,196</u>

## **COMPLIANCE SECTION**

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the 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 (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

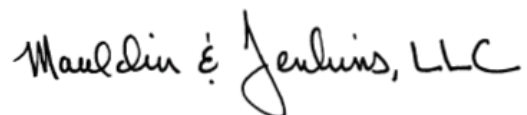
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### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated December 19, 2012.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City, and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia  
December 19, 2012