

**CITY OF SOCIAL CIRCLE, GEORGIA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

# CITY OF SOCIAL CIRCLE, GEORGIA

## FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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**CITY OF SOCIAL CIRCLE, GEORGIA**

**FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

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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**

### **Report on the Financial Statements**

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 (the "City")** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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### **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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Notes 1 and 16, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress on page 43 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of American require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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*Other Information*

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 fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax, as required by the Official Code of Georgia 48-8-21, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, 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* in considering the City of Social Circle, Georgia's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 6, 2013

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF NET POSITION JUNE 30, 2013

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Better Hometown, Inc.	Downtown Development Authority	Development Authority
ASSETS						
Cash and cash equivalents	\$ 1,427,335	\$ 2,440,075	\$ 3,867,410	\$ 22,391	\$ 3,045	\$ 99,342
Investments	395,227	845,616	1,240,843	-	-	-
Accounts receivable, net of allowances	35,031	486,547	521,578	-	1,544	-
Taxes receivable, net of allowances	50,810	-	50,810	-	-	-
Interest receivable	-	2,875	2,875	-	-	-
Internal balances	82,312	(82,312)	-	-	-	-
Due from other governments	156,252	24,899	181,151	-	-	-
Prepaid expenses	163,312	45,150	208,462	-	-	-
Restricted assets:						
Cash and cash equivalents	-	712,208	712,208	-	-	-
Other assets	-	39,021	39,021	-	-	-
Capital assets:						
Non-depreciable	840,315	705,036	1,545,351	-	100,000	820,783
Depreciable, net of accumulated depreciation	5,771,343	14,427,579	20,198,922	16,081	559,809	-
Total assets	8,921,937	19,646,694	28,568,631	38,472	664,398	920,125
LIABILITIES						
Accounts payable	221,818	151,135	372,953	89	-	250
Accrued liabilities	42,236	60,690	102,926	-	1,298	-
Customer deposits	-	267,274	267,274	-	3,900	-
Long-term liabilities:						
Portion due or payable within one year:						
Capital leases	45,822	12,720	58,542	-	-	-
Notes payable	-	241,107	241,107	-	27,581	-
Compensated absences	57,500	18,166	75,666	-	-	-
Portion due or payable in more than one year:						
Capital leases	-	6,529	6,529	-	-	-
Notes payable	-	4,635,342	4,635,342	-	534,841	-
Bonds payable, net	-	1,893,824	1,893,824	-	-	-
Compensated absences	-	4,561	4,561	-	-	-
Total liabilities	367,376	7,291,348	7,658,724	89	567,620	250
NET POSITION						
Net investment in capital assets	6,565,836	8,798,770	15,364,606	16,081	97,387	820,783
Restricted for:						
Debt service	-	256,532	256,532	-	-	-
Public safety	19,862	-	19,862	-	-	-
Capital projects	226,130	-	226,130	-	-	-
Library - expendable	57,854	-	57,854	-	-	-
Library - nonexpendable	350,000	-	350,000	-	-	-
Unrestricted	1,334,879	3,300,044	4,634,923	22,302	(609)	99,092
Total net position	\$ 8,554,561	\$ 12,355,346	\$ 20,909,907	\$ 38,383	\$ 96,778	\$ 919,875

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, 2013

<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	\$ 945,669	\$ 21,369	\$ 5,627	\$ -
Judicial	8,359	-	-	-
Public safety	1,738,965	111,303	82,588	-
Public works	730,821	15,665	92,485	240,678
Health and welfare	87,527	-	-	-
Culture and recreation	138,796	212	-	-
Housing and development	85,439	-	-	-
Interest on long-term debt	2,202	-	-	-
Total governmental activities	<u>3,737,778</u>	<u>148,549</u>	<u>180,700</u>	<u>240,678</u>
Business-type activities:				
Water and sewer	1,947,253	2,055,467	24,558	-
Natural gas	2,311,418	2,854,668	4,227	-
Solid waste	252,035	278,761	-	-
Total business-type activities	<u>4,510,706</u>	<u>5,188,896</u>	<u>28,785</u>	<u>-</u>
Total primary government	<u>\$ 8,248,484</u>	<u>\$ 5,337,445</u>	<u>\$ 209,485</u>	<u>\$ 240,678</u>
<b>Component units:</b>				
Better Hometown, Inc.	\$ 65,919	\$ 30,712	\$ 18,120	\$ -
Downtown Development Authority	87,944	55,063	1,701	-
Development Authority	756	-	-	-
Total component units	<u>\$ 154,619</u>	<u>\$ 85,775</u>	<u>\$ 19,821</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 position

Net position, beginning of year, restated

Net position, end of year

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

Net (Expenses) Revenues and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Better Hometown, Inc.	Downtown Development Authority	Development Authority
\$ (918,673)	\$ -	\$ (918,673)	\$ -	\$ -	\$ -
(8,359)	-	(8,359)	-	-	-
(1,545,074)	-	(1,545,074)	-	-	-
(381,993)	-	(381,993)	-	-	-
(87,527)	-	(87,527)	-	-	-
(138,584)	-	(138,584)	-	-	-
(85,439)	-	(85,439)	-	-	-
(2,202)	-	(2,202)	-	-	-
(3,167,851)	-	(3,167,851)	-	-	-
-	132,772	132,772	-	-	-
-	547,477	547,477	-	-	-
-	26,726	26,726	-	-	-
-	706,975	706,975	-	-	-
<u>\$ (3,167,851)</u>	<u>\$ 706,975</u>	<u>\$ (2,460,876)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (17,087)	\$ -	\$ -
-	-	-	-	(31,180)	-
-	-	-	-	-	(756)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,087)</u>	<u>\$ (31,180)</u>	<u>\$ (756)</u>
\$ 1,056,637	\$ -	\$ 1,056,637	\$ -	\$ -	\$ -
555,218	-	555,218	-	-	-
439,066	-	439,066	-	-	-
22,751	-	22,751	-	-	-
1,049	-	1,049	-	-	-
332,627	-	332,627	-	-	-
17,289	62,359	79,648	4	1	148
-	13,521	13,521	-	-	285
17,373	-	17,373	-	-	-
735,077	(735,077)	-	-	-	-
3,177,087	(659,197)	2,517,890	4	1	433
9,236	47,778	57,014	(17,083)	(31,179)	(323)
8,545,325	12,307,568	20,852,893	55,466	127,957	920,198
<u>\$ 8,554,561</u>	<u>\$ 12,355,346</u>	<u>\$ 20,909,907</u>	<u>\$ 38,383</u>	<u>\$ 96,778</u>	<u>\$ 919,875</u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2013

ASSETS	General Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 1,227,001	\$ 200,334	\$ 1,427,335
Investments	-	395,227	395,227
Taxes receivable	50,810	-	50,810
Accounts receivable	34,304	727	35,031
Due from other governments	79,272	76,980	156,252
Due from other funds	134,058	7,059	141,117
Prepaid expenditures	163,312	-	163,312
Total assets	<u>\$ 1,688,757</u>	<u>\$ 680,327</u>	<u>\$ 2,369,084</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 203,060	\$ 18,758	\$ 221,818
Accrued liabilities	40,633	-	40,633
Due to other funds	51,082	7,723	58,805
Total liabilities	<u>294,775</u>	<u>26,481</u>	<u>321,256</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable revenue - property taxes	31,189	-	31,189
Total deferred inflow of resources	<u>31,189</u>	<u>-</u>	<u>31,189</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Permanent fund corpus	-	350,000	350,000
Prepays	163,312	-	163,312
Restricted:			
Library	-	57,854	57,854
Public safety	-	19,862	19,862
Capital projects	-	226,130	226,130
Assigned:			
Library	39,803	-	39,803
Cemetery	45,401	-	45,401
Unassigned	1,114,277	-	1,114,277
Total fund balances	<u>1,362,793</u>	<u>653,846</u>	<u>2,016,639</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,688,757</u>	<u>\$ 680,327</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			6,611,658
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			31,189
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(104,925)</u>
Net position of governmental activities			<u>\$ 8,554,561</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, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 2,423,396	\$ 1,150	\$ 2,424,546
Licenses and permits	17,263	-	17,263
Intergovernmental	166,612	240,678	407,290
Fines and forfeitures	111,303	-	111,303
Charges for services	19,783	-	19,783
Interest income	13,469	3,820	17,289
Miscellaneous	17,573	14,088	31,661
Total revenues	<u>2,769,399</u>	<u>259,736</u>	<u>3,029,135</u>
<b>Expenditures</b>			
Current:			
General government	777,470	-	777,470
Judicial	8,359	-	8,359
Public safety	1,630,846	857	1,631,703
Public works	615,445	14,549	629,994
Health and welfare	87,527	-	87,527
Culture and recreation	125,666	9,476	135,142
Housing and development	84,038	-	84,038
Capital outlay	-	2,391	2,391
Debt service:			
Principal retirements	54,328	-	54,328
Interest	3,759	-	3,759
Total expenditures	<u>3,387,438</u>	<u>27,273</u>	<u>3,414,711</u>
Excess (deficiency) of revenues over expenditures	<u>(618,039)</u>	<u>232,463</u>	<u>(385,576)</u>
<b>Other financing sources (uses)</b>			
Proceeds from sale of assets	14,934	-	14,934
Transfers in	772,711	-	772,711
Transfers out	-	(37,634)	(37,634)
Total other financing sources (uses)	<u>787,645</u>	<u>(37,634)</u>	<u>750,011</u>
Net change in fund balances	169,606	194,829	364,435
<b>Fund balances, beginning of year</b>	<u>1,193,187</u>	<u>459,017</u>	<u>1,652,204</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,362,793</u></u>	<u><u>\$ 653,846</u></u>	<u><u>\$ 2,016,639</u></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, 2013

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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	\$ 364,435
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 depreciation exceeded capital outlay in the current period.	(346,937)
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net position.	(39,001)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(17,198)
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 position. This amount represents repayments of the principal of long-term debt.	54,328
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>(6,391)</u>
Change in net position - governmental activities	<u>\$ 9,236</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, 2013

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,427,700	\$ 2,427,700	\$ 2,423,396	\$ (4,304)
Licenses and permits	15,600	15,600	17,263	1,663
Fines and forfeitures	200,000	200,000	111,303	(88,697)
Interest	10,000	10,000	13,469	3,469
Charges for services	20,400	20,400	19,783	(617)
Intergovernmental	51,500	61,930	166,612	104,682
Miscellaneous	21,500	21,500	17,573	(3,927)
Total revenues	2,746,700	2,757,130	2,769,399	12,269
<b>Expenditures</b>				
Current:				
General government:				
Governing body	108,838	109,483	104,368	5,115
Chief executive	126,498	134,702	129,485	5,217
Clerk - administrative	77,234	80,781	77,416	3,365
Elections	1,000	2,207	2,206	1
Financial administration	431,195	460,628	440,389	20,239
Law	25,000	25,000	23,606	1,394
Total general government	769,765	812,801	777,470	35,331
Judicial:				
Municipal court	25,000	25,000	8,359	16,641
Total judicial	25,000	25,000	8,359	16,641
Public safety:				
Police	1,625,548	1,762,940	1,630,846	132,094
Total public safety	1,625,548	1,762,940	1,630,846	132,094
Public works:				
Highways and streets	662,615	708,148	611,250	96,898
Cemetery	1,000	4,195	4,195	-
Total public works	663,615	712,343	615,445	96,898
Health and welfare:				
Transportation services	102,535	104,071	87,527	16,544
Total health and welfare	102,535	104,071	87,527	16,544
Culture and recreation:				
Library	129,300	129,300	125,666	3,634
Total culture and recreation	129,300	129,300	125,666	3,634
Housing and development:				
Urban redevelopment and housing	3,000	3,568	2,582	986
Economic development and assistance	83,015	86,741	81,456	5,285
Total housing and development	86,015	90,309	84,038	6,271
Debt service:				
Principal	54,328	54,329	54,328	1
Interest	3,773	3,772	3,759	13
Total debt service	58,101	58,101	58,087	14
Total expenditures	3,459,879	3,694,865	3,387,438	307,427
Deficiency of revenues over expenditures	(713,179)	(937,735)	(618,039)	319,696
<b>Other financing sources (uses)</b>				
Proceeds from sale of assets	-	-	14,934	14,934
Transfers in	761,179	761,179	772,711	11,532
Transfers out	(48,000)	(40,000)	-	40,000
Total other financing sources (uses)	713,179	721,179	787,645	66,466
Net change in fund balances	-	(216,556)	169,606	386,162
<b>Fund balance, beginning of year</b>	1,193,187	1,193,187	1,193,187	-
<b>Fund balance, end of year</b>	\$ 1,193,187	\$ 976,631	\$ 1,362,793	\$ 386,162

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

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2013

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	\$ 226,551	\$ 2,168,728	\$ 44,796	\$ 2,440,075
Investments	-	845,616	-	845,616
Accounts receivable, net	213,800	237,212	35,535	486,547
Due from other funds	5,000	95,531	5,450	105,981
Due from other governments	24,400	499	-	24,899
Interest receivable	-	2,875	-	2,875
Prepaid items	35,089	10,061	-	45,150
	504,840	3,360,522	85,781	3,951,143
<b>Restricted assets</b>				
Cash and cash equivalents	712,208	-	-	712,208
	1,217,048	3,360,522	85,781	4,663,351
<b>NONCURRENT ASSETS</b>				
Other assets	39,021	-	-	39,021
	39,021	-	-	39,021
<b>CAPITAL ASSETS</b>				
Nondepreciable	-	705,036	-	705,036
Depreciable, net of accumulated depreciation	13,074,624	1,352,955	-	14,427,579
	13,074,624	2,057,991	-	15,132,615
Total assets	14,330,693	5,418,513	85,781	19,834,987
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	9,630	141,505	-	151,135
Accrued liabilities	56,993	3,697	-	60,690
Customer deposits	88,435	178,839	-	267,274
Due to other funds	135,707	12,325	40,261	188,293
Compensated absences payable - current	15,363	2,803	-	18,166
Notes payable - current	241,107	-	-	241,107
Capital lease - current	12,720	-	-	12,720
Total current liabilities	559,955	339,169	40,261	939,385
<b>NONCURRENT LIABILITIES</b>				
Revenue bonds payable	1,893,824	-	-	1,893,824
Notes payable	4,635,342	-	-	4,635,342
Capital lease payable	6,529	-	-	6,529
Compensated absences payable	4,561	-	-	4,561
Total noncurrent liabilities	6,540,256	-	-	6,540,256
Total liabilities	7,100,211	339,169	40,261	7,479,641
<b>NET POSITION</b>				
Net investment in capital assets	6,740,779	2,057,991	-	8,798,770
Restricted:				
Debt service	256,532	-	-	256,532
Unrestricted	233,171	3,021,353	45,520	3,300,044
Total net position	\$ 7,230,482	\$ 5,079,344	\$ 45,520	\$ 12,355,346

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 POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	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	\$ 2,055,467	\$ 2,854,668	\$ 278,761	\$ 5,188,896
Total operating revenues	2,055,467	2,854,668	278,761	5,188,896
<b>OPERATING EXPENSES</b>				
Cost of sales and services	-	1,662,738	-	1,662,738
General operating expenses	1,270,505	579,255	252,035	2,101,795
Depreciation & amortization	387,347	69,425	-	456,772
Total operating expenses	1,657,852	2,311,418	252,035	4,221,305
Operating income	397,615	543,250	26,726	967,591
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	11,074	51,285	-	62,359
Interest expense	(289,401)	-	-	(289,401)
Other revenue	24,558	4,227	-	28,785
Gain on disposal of assets	5,000	8,521	-	13,521
Total non-operating revenues (expenses)	(248,769)	64,033	-	(184,736)
Net income before transfers	148,846	607,283	26,726	782,855
Transfers out	(285,077)	(450,000)	-	(735,077)
Total transfers	(285,077)	(450,000)	-	(735,077)
Change in net position	(136,231)	157,283	26,726	47,778
<b>Net position, beginning of year, restated</b>	7,366,713	4,922,061	18,794	12,307,568
<b>Net position, end of year</b>	<u>\$ 7,230,482</u>	<u>\$ 5,079,344</u>	<u>\$ 45,520</u>	<u>\$ 12,355,346</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, 2013

	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	\$ 2,265,013	\$ 2,776,285	\$ 282,099	\$ 5,323,397
Payments to suppliers	(1,069,995)	(1,992,935)	(239,331)	(3,302,261)
Payments to employees	(326,117)	(232,503)	-	(558,620)
Net cash provided by operating activities	868,901	550,847	42,768	1,462,516
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Other revenue	24,558	4,227	-	28,785
Transfers out to other funds	(285,077)	(450,000)	-	(735,077)
Net cash used in non-capital financing activities	(260,519)	(445,773)	-	(706,292)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of capital assets	5,000	34,612	-	39,612
Purchase of capital assets	(17,901)	(705,036)	-	(722,937)
Principal payments on capital lease	(12,283)	-	-	(12,283)
Principal payments on notes payable	(231,900)	-	-	(231,900)
Interest paid	(290,619)	-	-	(290,619)
Net cash used in capital and related financing activities	(547,703)	(670,424)	-	(1,218,127)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchased investments	-	(5,197)	-	(5,197)
Interest received	11,074	51,284	-	62,358
Net cash provided by investing activities	11,074	46,087	-	57,161
Net increase (decrease) in cash and cash equivalents	71,753	(519,263)	42,768	(404,742)
Cash and cash equivalents, beginning of year	867,006	2,687,991	2,028	3,557,025
Cash and cash equivalents, end of year	<u>\$ 938,759</u>	<u>\$ 2,168,728</u>	<u>\$ 44,796</u>	<u>\$ 3,152,283</u>
<b>Classified as:</b>				
Cash and cash equivalents	\$ 226,551	\$ 2,168,728	\$ 44,796	\$ 2,440,075
Restricted cash and cash equivalents	712,208	-	-	712,208
	<u>\$ 938,759</u>	<u>\$ 2,168,728</u>	<u>\$ 44,796</u>	<u>\$ 3,152,283</u>

(Continued)

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 397,615	\$ 543,250	\$ 26,726	\$ 967,591
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	387,347	69,425	-	456,772
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	237,268	(54,367)	(1,628)	181,273
(Increase) decrease in due from other funds	(3,322)	(24,016)	4,966	(22,372)
Increase in due from other governments	(24,400)	-	-	(24,400)
(Increase) decrease in prepaid items	(3,837)	9,905	4,411	10,479
Increase in accounts payable	9,630	47,925	-	57,555
Increase (decrease) in accrued liabilities	(9,065)	576	-	(8,489)
Increase in customer deposits	894	1,283	-	2,177
Increase (decrease) in compensated absences payable	167	(140)	-	27
Increase (decrease) in due to other funds	(123,345)	(42,994)	8,293	(158,046)
Decrease in due to component unit	(51)	-	-	(51)
Net cash provided by operating activities	<u>\$ 868,901</u>	<u>\$ 550,847</u>	<u>\$ 42,768</u>	<u>\$ 1,462,516</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, 2013

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	Board of Education Fund
<b>ASSETS</b>	
Cash	\$ 34,263
Taxes receivable	163,160
Total assets	<u>\$ 197,423</u>
<b>LIABILITIES</b>	
Due to others	<u>\$ 197,423</u>
Total liabilities	<u>\$ 197,423</u>

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

**CITY OF SOCIAL CIRCLE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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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 position 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 position 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.

In accordance with GASB Statement No. 34, major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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 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 **capital project 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 **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.

In accounting and reporting for its proprietary operations, the City applies all GASB pronouncements. For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

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, 2013, 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:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
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. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has one item that qualifies for reporting in this category.

This item reported as a deferred inflow of resources arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

#### K. 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### L. 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 position. Bond premiums and discounts 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. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

#### M. 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 position.”

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### M. Fund Equity (Continued)

*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.

**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 Position** – Net position represents the difference between assets, liabilities, and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets 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 position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

#### N. 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 Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 \$104,925 difference are as follows:

Capital lease payable	\$ (45,822)
Accrued interest payable	(1,603)
Compensated absences	<u>(57,500)</u>
Net adjustment to reduce <i>fund balance– total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (104,925)</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 position 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 \$346,937 difference are as follows:

Capital outlay	\$ 40,601
Depreciation expense	<u>(387,538)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (346,937)</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 reduce net position." The details of this \$39,001 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 position differs from the change in fund balance by the net book value of the assets sold.	<u>\$ (39,001)</u>
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Net adjustment to reduce <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u><u>\$ (39,001)</u></u>
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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 \$6,391 difference are as follows:

Compensated absences	\$ (7,948)
Accrued interest	<u>1,557</u>
Net adjustment to reduce <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (6,391)</u></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, 2013 are summarized as follows:

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

Cash and cash equivalents	\$ 3,867,409
Restricted cash and cash equivalents	712,208
Investments	1,240,844
Total	<u>\$ 5,820,461</u>
Cash deposited with financial institutions	\$ 5,413,272
Money market mutual funds	11,961
Fixed income mutual funds	395,228
	<u>\$ 5,820,461</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, 2013, the City had the following investments:

Investment	Maturities (in years)	Fair Value
Money market mutual funds	0.25 yrs	\$ 11,961
Certificate of deposit	1 yr	845,616
Fixed income mutual funds	3.89 yrs	16,282
Fixed income mutual funds	4.45 yrs	148,058
Fixed income mutual funds	5.30 yrs	12,478
Fixed income mutual funds	6.20 yrs	7,531
Fixed income mutual funds	6.60 yrs	19,753
Fixed income mutual funds	6.90 yrs	123,430
Fixed income mutual funds	9.11 yrs	67,696
Total		<u>\$ 1,252,805</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, 2013, the City's deposits are insured or collateralized as required by state law.



## NOTES TO FINANCIAL STATEMENTS

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

#### Downtown Development Authority

As of June 30, 2013, the bank balances for the Downtown Development Authority were insured or collateralized as defined by GASB.

#### Development Authority

As of June 30, 2013, the bank balances for the Development Authority were insured or collateralized as defined by GASB.

#### Better Hometown, Inc.

As of June 30, 2013, 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, 2013, 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>Other Governmental</u>	<u>Water &amp; Sewer</u>	<u>Gas</u>	<u>Solid Waste</u>
Receivables:					
Taxes	\$ 133,544	\$ -	\$ -	\$ -	\$ -
Accounts	34,304	727	429,366	319,566	93,406
Other governments	79,272	76,980	24,400	499	-
Less allowance					
for uncollectible	82,734	-	215,566	82,354	57,871
Net total receivable	<u>\$ 164,386</u>	<u>\$ 77,707</u>	<u>\$ 238,200</u>	<u>\$ 237,711</u>	<u>\$ 35,535</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### Primary Government

Capital asset activity for the fiscal year ended June 30, 2013 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	\$ 847,014	\$ -	\$ (32,101)	\$ 814,913
Construction in progress	10,902	14,500	-	25,402
Total	<u>857,916</u>	<u>14,500</u>	<u>(32,101)</u>	<u>840,315</u>
Capital assets, being depreciated:				
Infrastructure	4,150,084	-	-	4,150,084
Buildings and improvements	2,896,942	-	(4,899)	2,892,043
Equipment, furniture & vehicles	2,811,160	26,101	(359,370)	2,477,891
Total	<u>9,858,186</u>	<u>26,101</u>	<u>(364,269)</u>	<u>9,520,018</u>
Less accumulated depreciation for:				
Infrastructure	(414,822)	(104,237)	-	(519,059)
Buildings and improvements	(968,311)	(108,239)	2,204	(1,074,346)
Equipment, furniture & vehicles	(2,335,373)	(175,062)	355,165	(2,155,270)
Total	<u>(3,718,506)</u>	<u>(387,538)</u>	<u>357,369</u>	<u>(3,748,675)</u>
Total capital assets, being depreciated, net	<u>6,139,680</u>	<u>(361,437)</u>	<u>(6,900)</u>	<u>5,771,343</u>
Governmental activities capital assets, net	<u><u>\$ 6,997,596</u></u>	<u><u>\$ (346,937)</u></u>	<u><u>\$ (39,001)</u></u>	<u><u>\$ 6,611,658</u></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	\$ -	\$ 705,036	\$ -	\$ 705,036
Total	-	705,036	-	705,036
Capital assets, being depreciated:				
Infrastructure	19,419,086	-	-	19,419,086
Machinery & equipment	400,967	8,401	(66,508)	342,860
Vehicles	578,239	9,500	(213,551)	374,188
Total	20,398,292	17,901	(280,059)	20,136,134
Less accumulated depreciation for:				
Infrastructure	(4,744,476)	(405,882)	-	(5,150,358)
Machinery & equipment	(317,007)	(17,852)	66,278	(268,581)
Vehicles	(446,128)	(31,178)	187,690	(289,616)
Total	(5,507,611)	(454,912)	253,968	(5,708,555)
Total capital assets, being depreciated, net	14,890,681	(437,011)	(26,091)	14,427,579
Business-type activities capital assets, net	\$ 14,890,681	\$ 268,025	\$ (26,091)	\$ 15,132,615

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

Governmental activities:	
General government	\$ 135,946
Public safety	138,400
Public works	109,538
Culture and recreation	3,654
Total depreciation expense - governmental activities	\$ 387,538
Business-type activities:	
Water & sewer	\$ 385,487
Natural gas	69,425
Total depreciation expense - business-type activities	\$ 454,912

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### Better Hometown, Inc.

Capital asset activity for the fiscal year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery & equipment	\$ 23,279	\$ -	\$ -	\$ 23,279
Total	<u>23,279</u>	<u>-</u>	<u>-</u>	<u>23,279</u>
Less accumulated depreciation for:	(4,960)	(2,238)	-	(7,198)
Machinery & equipment	<u>(4,960)</u>	<u>(2,238)</u>	<u>-</u>	<u>(7,198)</u>
Total				
Total capital assets, net	<u>\$ 18,319</u>	<u>\$ (2,238)</u>	<u>\$ -</u>	<u>\$ 16,081</u>

#### Downtown Development Authority

Capital asset activity for the fiscal year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Total	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Capital assets, being depreciated:				
Buildings	610,183	4,900	-	615,083
Total	<u>610,183</u>	<u>4,900</u>	<u>-</u>	<u>615,083</u>
Less accumulated depreciation for:				
Buildings	(41,040)	(14,234)	-	(55,274)
Total	<u>(41,040)</u>	<u>(14,234)</u>	<u>-</u>	<u>(55,274)</u>
Total capital assets, being depreciated, net	<u>569,143</u>	<u>(9,334)</u>	<u>-</u>	<u>559,809</u>
Total capital assets, net	<u>\$ 669,143</u>	<u>\$ (9,334)</u>	<u>\$ -</u>	<u>\$ 659,809</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### Development Authority

Capital asset activity for the fiscal year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 823,016	\$ -	\$ (2,233)	\$ 820,783
Total	823,016	-	(2,233)	820,783
Total capital assets, net	\$ 823,016	\$ -	\$ (2,233)	\$ 820,783

### NOTE 7. LONG-TERM DEBT

#### Primary Government

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital lease	\$ 100,150	\$ -	\$ (54,328)	\$ 45,822	\$ 45,822
Compensated absences	49,552	52,314	(44,366)	57,500	57,500
Governmental activity					
Long-term liabilities	\$ 149,702	\$ 52,314	\$ (98,694)	\$ 103,322	\$ 103,322
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 1,930,000	\$ -	\$ -	\$ 1,930,000	\$ -
Less: Discount	(38,036)	-	1,860	(36,176)	-
Net bonds payable	1,891,964	-	1,860	1,893,824	-
Note payable	5,108,349	-	(231,900)	4,876,449	241,107
Capital lease	31,532	-	(12,283)	19,249	12,720
Compensated absences	22,700	20,828	(20,801)	22,727	18,166
Business-type activity					
Long-term liabilities	\$ 7,054,545	\$ 20,828	\$ (263,124)	\$ 6,812,249	\$ 271,993

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	
2014	\$ -	\$ 86,850	\$ 86,850
2015	-	86,850	86,850
2016	-	86,850	86,850
2017	-	86,850	86,850
2018	-	86,850	86,850
2019-2023	-	434,250	434,250
2024-2028	-	434,250	434,250
2029-2033	1,265,000	340,875	1,605,875
2034-2035	665,000	45,225	710,225
Total	<u>\$ 1,930,000</u>	<u>\$ 1,688,850</u>	<u>\$ 3,618,850</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, 2013 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,			
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	283,310	150,506	433,816
2019-2023	1,598,621	567,739	2,166,360
2024-2028	1,907,906	212,611	2,120,517
2029	61,028	425	61,453
Total	<u>\$ 4,876,449</u>	<u>\$ 1,640,962</u>	<u>\$ 6,517,411</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, and equipment for the Water and Sewer fund. The leases are for periods of five to fifteen years, at interest rates ranging from 3.5% to 3.9%.

The City's assets under capital lease arrangements at June 30, 2013 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	\$ 367,341	\$ -	\$ -
Machinery & equipment	73,694	73,694	37,737	5,975
Total	<u>\$ 460,369</u>	<u>\$ 441,035</u>	<u>\$ 37,737</u>	<u>\$ 5,975</u>

Future minimum lease payments as of June 30, 2013 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2014	\$ 47,650	\$ 13,230	\$ 60,880
2015	-	6,615	6,615
Total minimum lease payments	47,650	19,845	67,495
Less: interest payments	(1,828)	(596)	(2,424)
Present value minimum lease payments	<u>\$ 45,822</u>	<u>\$ 19,249</u>	<u>\$ 65,071</u>

## NOTES TO FINANCIAL STATEMENTS

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

#### Downtown Development Authority

Long-term liability activity for the year ended June 30, 2013, 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	\$ 531,087	\$ 59,410	\$ (28,075)	\$ 562,422	\$ 27,581
Total long-term liabilities	<u>\$ 531,087</u>	<u>\$ 59,410</u>	<u>\$ (28,075)</u>	<u>\$ 562,422</u>	<u>\$ 27,581</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%. In December 2012, the DDA entered into a debt modification agreement with the financial institution whereby the DDA received additional funds in the amount of \$59,410. All other terms of the note remained the same.

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 27,581	\$ 21,439	\$ 49,020
2015	28,676	20,344	49,020
2016	29,814	19,206	49,020
2017	476,351	4,618	480,969
Total	<u>\$ 562,422</u>	<u>\$ 65,607</u>	<u>\$ 628,029</u>



## NOTES TO FINANCIAL STATEMENTS

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

The composition of interfund balances as of June 30, 2013 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor enterprise fund	\$ 40,261
General fund	Natural gas fund	11,286
General fund	Water and sewer fund	74,788
General fund	Nonmajor governmental funds	7,723
Natural gas fund	Water and sewer fund	60,919
Natural gas fund	General fund	34,612
Water and sewer fund	General fund	5,000
Nonmajor enterprise fund	Natural gas fund	1,039
Nonmajor enterprise fund	General fund	4,411
Nonmajor governmental funds	General fund	7,059
		<u>\$ 247,098</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	Water and sewer fund	\$ 285,077
General Fund	Natural gas fund	450,000
General fund	Nonmajor governmental funds	37,634
		<u>\$ 772,711</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

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### 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, 2013, the date of the most recent actuarial valuation, there were 77 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	21
Terminated vested participants not yet receiving benefits	13
Active employees - vested	13
Active employees - nonvested	30
Total	<u>77</u>

#### 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 2013, the actuarially determined contribution rate was 5.62% of covered payroll. The City makes all contributions to the plan.

For 2013, the City's recommended contribution was \$145,136. Actual contributions totaled \$145,136. The recommended contribution was determined as part of the January 1, 2012 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/ (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2013	\$ 2,122,650	\$ 2,103,012	\$ (19,638)	100.9%	\$ 1,673,423	0.0%

## NOTES TO FINANCIAL STATEMENTS

### 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, 2013.

#### 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>
2013	\$ 145,136	\$ 145,136	100.0 %	\$ -
2012	137,126	137,126	100.0	-
2011	148,754	148,754	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, 2013, there were 15 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, 2013 were \$17,125.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 11. JOINT VENTURE**

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

### **NOTE 12. RELATED ORGANIZATIONS**

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

### **NOTE 13. HOTEL/MOTEL LODGING TAX**

The City has levied a 6% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. During the year ended June 30, 2013, the City received \$1,150 in hotel/motel taxes. Of this amount, \$1,049, or 91%, was used for the promotion of tourism.

### **NOTE 14. RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 14. 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 15. COMMITMENTS AND CONTINGENCIES

#### **Litigation:**

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

#### **Grant Contingencies:**

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### Agreements with the Municipal Gas Authority of Georgia:

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2016, are general obligations of the City to which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$1,622,738 in 2013.

At June 30, 2013, the outstanding debt of MGAG was approximately \$286 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$3.3 million at June 30, 2013.

### NOTE 16. CHANGES IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than accrued and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods. Therefore, in conjunction with the implementation of Statement No. 65, the following restatement was required to the beginning net position of the Water and Sewer Fund and Business-type Activities to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

Net position, Water and Sewer Fund, previously reported	\$ 7,464,209
Recognition of issuance costs incurred in prior periods	(97,496)
Beginning net position, Water and Sewer Fund, restated	<u>\$ 7,366,713</u>
Net position, Business-type Activities, previously reported	\$ 12,405,064
Recognition of issuance costs incurred in prior periods	(97,496)
Beginning net position, Business-type Activities, restated	<u>\$ 12,307,568</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF SOCIAL CIRCLE, GEORGIA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**RETIREMENT PLAN**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded (Surplus)		(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
			Actuarial Accrued Liability (UAAL)				
1/1/2013	\$ 2,122,650	\$ 2,103,012	\$ (19,638)		100.9%	\$ 1,673,423	0.0%
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%

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 6% lodging tax levied in the City.

**CAPITAL PROJECT FUND**

Capital project funds are used to account for the acquisition of capital expenditures funded by sources other than general obligation bond proceeds from governmental funds.

**SPLOST Fund** – This 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.

**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, 2013

ASSETS	Special Revenue Funds		Capital Project Fund	Permanent Fund	Total
	Confiscations Pending Fund	Hotel Motel Fund	SPLOST Fund	Library Fund	Nonmajor Governmental Funds
Cash and cash equivalents	\$ 31,561	\$ 1,913	\$ 154,899	\$ 11,961	\$ 200,334
Accounts receivable	-	61	-	666	727
Investments	-	-	-	395,227	395,227
Due from other governments	-	-	76,980	-	76,980
Due from other funds	7,059	-	-	-	7,059
Total assets	<u>\$ 38,620</u>	<u>\$ 1,974</u>	<u>\$ 231,879</u>	<u>\$ 407,854</u>	<u>\$ 680,327</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 18,758	\$ -	\$ -	\$ -	\$ 18,758
Due to other funds	-	1,974	5,749	-	7,723
Total liabilities	<u>18,758</u>	<u>1,974</u>	<u>5,749</u>	<u>-</u>	<u>26,481</u>
<b>FUND BALANCES</b>					
Nonspendable - corpus	-	-	-	350,000	350,000
Restricted:					
Library	-	-	-	57,854	57,854
Public safety	19,862	-	-	-	19,862
Capital projects	-	-	226,130	-	226,130
Total fund balances	<u>19,862</u>	<u>-</u>	<u>226,130</u>	<u>407,854</u>	<u>653,846</u>
Total liabilities and fund balances	<u>\$ 38,620</u>	<u>\$ 1,974</u>	<u>\$ 231,879</u>	<u>\$ 407,854</u>	<u>\$ 680,327</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, 2013**

	<b>Special Revenue Funds</b>		<b>Capital Project Fund</b>	<b>Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Confiscations Pending Fund</b>	<b>Hotel Motel Fund</b>	<b>SPLOST Fund</b>	<b>Library Fund</b>	
<b>REVENUES</b>					
Taxes	\$ -	\$ 1,150	\$ -	\$ -	\$ 1,150
Intergovernmental	-	-	240,678	-	240,678
Investment income	122	-	-	3,698	3,820
Miscellaneous	14,088	-	-	-	14,088
Total revenues	14,210	1,150	240,678	3,698	259,736
<b>EXPENDITURES</b>					
Current					
Public safety	857	-	-	-	857
Public works	-	-	14,549	-	14,549
Culture and recreation	-	-	-	9,476	9,476
Capital outlay	-	-	2,391	-	2,391
Total expenditures	857	-	16,940	9,476	27,273
Excess (deficiency) of revenues over expenditures	13,353	1,150	223,738	(5,778)	232,463
<b>OTHER FINANCING USES</b>					
Transfers out	-	(1,049)	(35,447)	(1,138)	(37,634)
Total other financing uses	-	(1,049)	(35,447)	(1,138)	(37,634)
Net change in fund balances	13,353	101	188,291	(6,916)	194,829
<b>FUND BALANCES, beginning of year</b>	6,509	(101)	37,839	414,770	459,017
<b>FUND BALANCES, end of year</b>	\$ 19,862	\$ -	\$ 226,130	\$ 407,854	\$ 653,846

**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, 2013**

	<u>Budget</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Interest	\$ 200	\$ 200	\$ 122	\$ (78)
Miscellaneous	1,000	1,000	14,088	13,088
Total revenues	1,200	1,200	14,210	13,010
<b>EXPENDITURES</b>				
Public safety	1,200	1,200	857	343
Total expenditures	1,200	1,200	857	343
Net change in fund balances	-	-	13,353	13,353
<b>FUND BALANCES, beginning of year</b>	6,509	6,509	6,509	-
<b>FUND BALANCES, end of year</b>	<u>\$ 6,509</u>	<u>\$ 6,509</u>	<u>\$ 19,862</u>	<u>\$ 13,353</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, 2013**

	<b>Budget</b>			<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Hotel Motel taxes	\$ 1,050	\$ 1,050	\$ 1,150	\$ 100
Total revenues	1,050	1,050	1,150	100
<b>Other financing uses</b>				
Transfers out	(1,050)	(1,050)	(1,049)	1
Total other financing uses	(1,050)	(1,050)	(1,049)	1
Net change in fund balances	-	-	101	101
<b>FUND BALANCES, beginning of year</b>	(101)	(101)	(101)	-
<b>FUND BALANCES, end of year</b>	<u>\$ (101)</u>	<u>\$ (101)</u>	<u>\$ -</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, 2013**

	<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	\$ 10,000	\$ 10,000	\$ 3,698	\$ (6,302)
Total revenues	10,000	10,000	3,698	(6,302)
<b>EXPENDITURES</b>				
Culture and recreation	10,000	10,000	9,476	524
Total expenditures	10,000	10,000	9,476	524
Deficiency of revenues over expenditures	-	-	(5,778)	(5,778)
<b>Other financing uses</b>				
Transfers out	-	-	(1,138)	(1,138)
Total other financing uses	-	-	(1,138)	(1,138)
Net change in fund balances	-	-	(6,916)	(6,916)
<b>FUND BALANCES, beginning of year</b>	414,770	414,770	414,770	-
<b>FUND BALANCES, end of year</b>	<u>\$ 414,770</u>	<u>\$ 414,770</u>	<u>\$ 407,854</u>	<u>\$ (6,916)</u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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<u>2013 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	\$ 384,500	\$ 384,500	\$ -	\$ 16,940	\$ 16,940
Public safety improvements	242,677	242,677	-	-	-
	<u>\$ 627,177</u>	<u>\$ 627,177</u>	<u>\$ -</u>	<u>\$ 16,940</u>	<u>\$ 16,940</u>

Note: Transfers from the SPLOST Fund to the General Fund in the amount of \$35,447 are related to amounts provided by the General Fund in previous fiscal years and are being transferred back to the General Fund during the year ended June 30, 2013.



## **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, 2013

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 48,832
Payments to suppliers	<u>(63,681)</u>
Net cash used in operating activities	<u>(14,849)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>4</u>
Net cash provided by investing activities	<u>4</u>
Net decrease in cash and cash equivalents	(14,845)
Cash and cash equivalents, beginning of year	<u>37,236</u>
Cash and cash equivalents, end of year	<u><u>\$ 22,391</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>	
<b>CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (17,087)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	<u>2,238</u>
Net cash used in operating activities	<u><u>\$ (14,849)</u></u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 34,720
Payments to suppliers	(52,966)
Net cash used in operating activities	<u>(18,246)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>1</u>
Net cash provided by investing activities	<u>1</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from notes payable	59,410
Purchase of capital assets	(4,900)
Principal payments on notes payable	(28,075)
Interest paid	<u>(21,622)</u>
Net cash provided by capital and related financing activities	<u>4,813</u>
Net decrease in cash and cash equivalents	(13,432)
Cash and cash equivalents, beginning of year	<u>16,477</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,045</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (9,236)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	14,234
Change in assets and liabilities:	
Decrease in accounts receivable	3,436
Decrease in due from primary government	51
Decrease in accounts payable	(1,500)
Increase in customer deposits	300
Decrease in due to primary government	<u>(25,531)</u>
Net cash used in operating activities	<u><u>\$ (18,246)</u></u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments to suppliers	\$ (756)
Net cash used in operating activities	<u>(756)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>148</u>
Net cash provided by investing activities	<u>148</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from sale of capital assets	<u>2,518</u>
Net cash provided by capital and related financing activities	<u>2,518</u>
Net increase in cash and cash equivalents	1,910
Cash and cash equivalents, beginning of year	<u>97,432</u>
Cash and cash equivalents, end of year	<u><u>\$ 99,342</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	<u>\$ (756)</u>
Net cash used in operating activities	<u><u>\$ (756)</u></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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2013. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management, or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2013-001, to be a material weakness.

### **Compliance and Other Matters**

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

### **Social Circle, Georgia's Response to Finding**

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

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**Purpose of this Report**

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

Mauldin & Jenkins, LLC

Atlanta, Georgia  
December 6, 2013



**CITY OF SOCIAL CIRCLE, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SECTION I**  
**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

**Federal Awards**

There was not an audit of major federal award programs for the year ended June 30, 2013 due to the total amount expended being less than \$500,000.

**CITY OF SOCIAL CIRCLE, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2013-001    Receivables and Related Accounts**

**Criteria:** Internal controls should be in place to ensure that receivables and accounts are appropriate and properly valued.

**Condition:** Internal controls were not sufficient to detect misstatements in the reporting of the Downtown Development Authority's accounts receivable.

**Context/Cause:** During our testing of accounts receivable, the related allowance for uncollectible accounts and bad debt expense for the Downtown Development Authority, an audit adjustment was required to properly allow for long outstanding receivable balances and to record the related bad debt expense.

**Effect:** An audit adjustment for approximately \$8,400 was required to properly report receivables, net of allowance for the year ended June 30, 2013.

**Recommendation:** We recommend the City carefully review the year end accounts receivable aging detail to identify uncollectible accounts for proper reporting of and allowance in accordance with GAAP.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that receivables, including any allowances, are reported in accordance with GAAP.

**CITY OF SOCIAL CIRCLE, GEORGIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SECTION III**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS**

None noted