

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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CITY OF SOCIAL CIRCLE, GEORGIA

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FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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, 2014, 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.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

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 48-8-121, 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 8, 2014, 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 8, 2014

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Better Hometown, Inc.	Downtown Development Authority	Development Authority
ASSETS						
Cash and cash equivalents	\$ 1,584,930	\$ 2,440,208	\$ 4,025,138	\$ 21,753	\$ 24,562	\$ 89,535
Investments	401,314	845,616	1,246,930	-	-	-
Accounts receivable, net of allowances	42,404	777,384	819,788	-	10,544	-
Taxes receivable, net of allowances	19,388	-	19,388	-	-	-
Interest receivable	-	2,874	2,874	-	-	-
Internal balances	108,657	(108,657)	-	-	-	-
Due from other governments	115,807	499	116,306	-	-	-
Due from primary government	-	-	-	-	4,085	-
Prepaid expenses	198,422	55,171	253,593	-	-	-
Restricted assets:						
Cash and cash equivalents	-	808,638	808,638	-	-	-
Other assets	-	39,021	39,021	-	-	-
Capital assets:						
Non-depreciable	1,012,848	238,125	1,250,973	-	100,000	820,783
Depreciable, net of accumulated depreciation	6,515,276	14,722,682	21,237,958	13,844	544,758	-
Total assets	9,999,046	19,821,561	29,820,607	35,597	683,949	910,318
LIABILITIES						
Accounts payable	222,210	167,815	390,025	89	-	250
Accrued liabilities	66,391	65,650	132,041	-	986	-
Due to component unit	4,085	-	4,085	-	-	-
Customer deposits	-	268,524	268,524	-	5,000	-
Long-term liabilities:						
Portion due or payable within one year:						
Capital leases	37,621	6,529	44,150	-	-	-
Notes payable	-	251,027	251,027	-	28,676	-
Compensated absences	60,693	20,296	80,989	-	-	-
Portion due or payable in more than one year:						
Capital leases	678,213	-	678,213	-	-	-
Notes payable	-	4,384,315	4,384,315	-	506,487	-
Bonds payable, net	-	1,895,684	1,895,684	-	-	-
Compensated absences	-	2,894	2,894	-	-	-
Total liabilities	1,069,213	7,062,734	8,131,947	89	541,149	250
NET POSITION						
Net investment in capital assets	6,812,290	8,886,967	15,699,257	13,844	109,595	820,783
Restricted for:						
Debt service	-	344,923	344,923	-	-	-
Public safety	15,319	-	15,319	-	-	-
Capital projects	715,615	-	715,615	-	-	-
Library - expendable	64,213	-	64,213	-	-	-
Library - nonexpendable	350,000	-	350,000	-	-	-
Unrestricted	972,396	3,526,937	4,499,333	21,664	33,205	89,285
Total net position	\$ 8,929,833	\$ 12,758,827	\$ 21,688,660	\$ 35,508	\$ 142,800	\$ 910,068

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, 2014

<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>
Primary government:				
Governmental activities:				
General government	\$ 920,069	\$ 20,896	\$ 3,038	\$ -
Judicial	21,936	159,322	-	-
Public safety	1,849,432	-	76,815	-
Public works	685,290	14,275	659,783	4,270
Health and welfare	92,020	-	-	-
Culture and recreation	141,921	15,838	-	-
Housing and development	145,335	-	-	-
Interest on long-term debt	19,374	-	-	-
Total governmental activities	<u>3,875,377</u>	<u>210,331</u>	<u>739,636</u>	<u>4,270</u>
Business-type activities:				
Water and sewer	1,881,290	2,052,699	350	-
Natural gas	2,587,580	3,516,708	1,121	-
Solid waste	253,026	280,782	-	-
Total business-type activities	<u>4,721,896</u>	<u>5,850,189</u>	<u>1,471</u>	<u>-</u>
Total primary government	<u>\$ 8,597,273</u>	<u>\$ 6,060,520</u>	<u>\$ 741,107</u>	<u>\$ 4,270</u>
Component units:				
Better Hometown, Inc.	\$ 42,381	\$ 31,337	\$ 8,165	\$ -
Downtown Development Authority	67,458	63,479	50,000	-
Development Authority	9,940	-	-	-
Total component units	<u>\$ 119,779</u>	<u>\$ 94,816</u>	<u>\$ 58,165</u>	<u>\$ -</u>

General revenues:

Property taxes
 Sales taxes
 Franchise taxes
 Business taxes
 Insurance premium tax
 Hotel Motel taxes
 Other taxes
 Unrestricted investment earnings
 Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

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
\$ (896,135)	\$ -	\$ (896,135)	\$ -	\$ -	\$ -
137,386	-	137,386	-	-	-
(1,772,617)	-	(1,772,617)	-	-	-
(6,962)	-	(6,962)	-	-	-
(92,020)	-	(92,020)	-	-	-
(126,083)	-	(126,083)	-	-	-
(145,335)	-	(145,335)	-	-	-
(19,374)	-	(19,374)	-	-	-
(2,921,140)	-	(2,921,140)	-	-	-
-	171,759	171,759	-	-	-
-	930,249	930,249	-	-	-
-	27,756	27,756	-	-	-
-	1,129,764	1,129,764	-	-	-
\$ (2,921,140)	\$ 1,129,764	\$ (1,791,376)	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (2,879)	\$ -	\$ -
-	-	-	-	46,021	-
-	-	-	-	-	(9,940)
\$ -	\$ -	\$ -	\$ (2,879)	\$ 46,021	\$ (9,940)
\$ 1,097,216	\$ -	\$ 1,097,216	\$ -	\$ -	\$ -
526,201	-	526,201	-	-	-
436,966	-	436,966	-	-	-
16,799	-	16,799	-	-	-
219,851	-	219,851	-	-	-
332	-	332	-	-	-
103,851	-	103,851	-	-	-
37,578	48,717	86,295	4	1	133
82,618	-	82,618	-	-	-
775,000	(775,000)	-	-	-	-
3,296,412	(726,283)	2,570,129	4	1	133
375,272	403,481	778,753	(2,875)	46,022	(9,807)
8,554,561	12,355,346	20,909,907	38,383	96,778	919,875
\$ 8,929,833	\$ 12,758,827	\$ 21,688,660	\$ 35,508	\$ 142,800	\$ 910,068

CITY OF SOCIAL CIRCLE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2014

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 867,258	\$ 672,708	\$ 44,964	\$ 1,584,930
Investments	-	-	401,314	401,314
Taxes receivable	19,388	-	-	19,388
Accounts receivable	41,711	-	693	42,404
Due from other governments	75,195	40,612	-	115,807
Due from other funds	168,455	2,295	7,058	177,808
Prepaid expenditures	198,422	-	-	198,422
Total assets	<u>\$ 1,370,429</u>	<u>\$ 715,615</u>	<u>\$ 454,029</u>	<u>\$ 2,540,073</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 197,713	\$ -	\$ 24,497	\$ 222,210
Accrued liabilities	47,241	-	-	47,241
Due to other funds	69,151	-	-	69,151
Due to component unit	4,085	-	-	4,085
Total liabilities	<u>318,190</u>	<u>-</u>	<u>24,497</u>	<u>342,687</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	<u>9,593</u>	<u>-</u>	<u>-</u>	<u>9,593</u>
Total deferred inflow of resources	<u>9,593</u>	<u>-</u>	<u>-</u>	<u>9,593</u>
FUND BALANCES				
Nonspendable:				
Permanent fund corpus	-	-	350,000	350,000
Prepays	198,422	-	-	198,422
Restricted:				
Library	-	-	64,213	64,213
Public safety	-	-	15,319	15,319
Capital projects	-	715,615	-	715,615
Assigned:				
Library	37,827	-	-	37,827
Cemetery	49,224	-	-	49,224
Unassigned	<u>757,173</u>	<u>-</u>	<u>-</u>	<u>757,173</u>
Total fund balances	<u>1,042,646</u>	<u>715,615</u>	<u>429,532</u>	<u>2,187,793</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,370,429</u>	<u>\$ 715,615</u>	<u>\$ 454,029</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.	7,528,124
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	9,593
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(795,677)

Net position of governmental activities	<u>\$ 8,929,833</u>
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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, 2014

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,422,480	\$ -	\$ 332	\$ 2,422,812
Licenses and permits	16,980	-	-	16,980
Intergovernmental	253,933	485,703	-	739,636
Fines and forfeitures	159,322	-	-	159,322
Charges for services	18,215	-	-	18,215
Interest income	20,251	4,270	17,327	41,848
Miscellaneous	15,814	-	-	15,814
Total revenues	<u>2,906,995</u>	<u>489,973</u>	<u>17,659</u>	<u>3,414,627</u>
Expenditures				
Current:				
General government	982,725	-	-	982,725
Judicial	21,936	-	-	21,936
Public safety	2,623,855	-	5,161	2,629,016
Public works	762,744	488	-	763,232
Health and welfare	92,020	-	-	92,020
Culture and recreation	127,917	-	10,350	138,267
Housing and development	145,380	-	-	145,380
Debt service:				
Principal retirements	45,822	-	-	45,822
Interest	1,827	-	-	1,827
Total expenditures	<u>4,804,226</u>	<u>488</u>	<u>15,511</u>	<u>4,820,225</u>
Excess (deficiency) of revenues over expenditures	<u>(1,897,231)</u>	<u>489,485</u>	<u>2,148</u>	<u>(1,405,598)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	85,918	-	-	85,918
Issuance of capital lease	715,834	-	-	715,834
Transfers in	775,332	-	-	775,332
Transfers out	-	-	(332)	(332)
Total other financing sources (uses)	<u>1,577,084</u>	<u>-</u>	<u>(332)</u>	<u>1,576,752</u>
Net change in fund balances	(320,147)	489,485	1,816	171,154
Fund balances, beginning of year	<u>1,362,793</u>	<u>226,130</u>	<u>427,716</u>	<u>2,016,639</u>
Fund balances, end of year	<u>\$ 1,042,646</u>	<u>\$ 715,615</u>	<u>\$ 429,532</u>	<u>\$ 2,187,793</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, 2014

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

Net change in fund balances - total governmental funds	\$	171,154
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		919,766
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and sales) is to decrease net position.		(3,300)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(21,596)
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 is the net effect of these differences in the treatment of long-term debt and related items.		(670,012)
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>(20,740)</u>
Change in net position - governmental activities	\$	<u>375,272</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, 2014

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,448,700	\$ 2,448,700	\$ 2,422,480	\$ (26,220)
Licenses and permits	16,220	16,220	16,980	760
Fines and forfeitures	175,000	175,000	159,322	(15,678)
Interest	11,000	11,000	20,251	9,251
Charges for services	15,700	15,700	18,215	2,515
Intergovernmental	137,000	269,090	253,933	(15,157)
Miscellaneous	20,510	20,510	15,814	(4,696)
Total revenues	2,824,130	2,956,220	2,906,995	(49,225)
Expenditures				
Current:				
General government:				
Governing body	110,610	111,493	106,163	5,330
Chief executive	126,021	127,619	123,522	4,097
Clerk - administrative	82,032	83,447	81,396	2,051
Elections	10,000	10,000	4,892	5,108
Financial administration	408,386	643,825	626,759	17,066
Law	25,000	39,993	39,993	-
Total general government	762,049	1,016,377	982,725	33,652
Judicial:				
Municipal court	15,000	24,247	21,936	2,311
Total judicial	15,000	24,247	21,936	2,311
Public safety:				
Police	1,149,670	1,252,921	1,113,984	138,937
Fire	683,194	1,565,288	1,509,871	55,417
Total public safety	1,832,864	2,818,209	2,623,855	194,354
Public works:				
Highways and streets	585,354	774,900	761,961	12,939
Cemetery	1,500	1,500	783	717
Total public works	586,854	776,400	762,744	13,656
Health and welfare:				
Transportation services	103,162	103,426	92,020	11,406
Total health and welfare	103,162	103,426	92,020	11,406
Culture and recreation:				
Library	127,150	128,059	127,917	142
Total culture and recreation	127,150	128,059	127,917	142
Housing and development:				
Urban redevelopment and housing	3,000	3,561	3,561	-
Economic development and assistance	87,797	143,187	141,819	1,368
Total housing and development	90,797	146,748	145,380	1,368
Debt service:				
Principal	45,822	45,822	45,822	-
Interest	1,830	1,830	1,827	3
Total debt service	47,652	47,652	47,649	3
Total expenditures	3,565,528	5,061,118	4,804,226	256,892
Deficiency of revenues over expenditures	(741,398)	(2,104,898)	(1,897,231)	207,667
Other financing sources (uses)				
Proceeds from sale of capital assets	-	85,918	85,918	-
Issuance of capital lease	-	715,918	715,834	(84)
Transfers in	778,000	778,300	775,332	(2,968)
Transfers out	(36,602)	-	-	-
Total other financing sources (uses)	741,398	1,580,136	1,577,084	(3,052)
Net change in fund balances	-	(524,762)	(320,147)	204,615
Fund balance, beginning of year	1,362,793	1,362,793	1,362,793	-
Fund balance, end of year	\$ 1,362,793	\$ 838,031	\$ 1,042,646	\$ 204,615

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

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2014

ASSETS	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
CURRENT ASSETS				
Cash and cash equivalents	\$ 38,660	\$ 2,353,190	\$ 48,358	\$ 2,440,208
Investments	-	845,616	-	845,616
Accounts receivable, net	197,838	545,852	33,694	777,384
Due from other funds	25,867	94,852	1,039	121,758
Due from other governments	-	499	-	499
Interest receivable	-	2,874	-	2,874
Prepaid items	42,554	12,617	-	55,171
	304,919	3,855,500	83,091	4,243,510
Restricted assets				
Cash and cash equivalents	808,638	-	-	808,638
Total current assets	1,113,557	3,855,500	83,091	5,052,148
NONCURRENT ASSETS				
Advances to other funds	-	84,975	-	84,975
Other assets	39,021	-	-	39,021
	39,021	84,975	-	123,996
CAPITAL ASSETS				
Nondepreciable	107,995	130,130	-	238,125
Depreciable, net of accumulated depreciation	12,813,931	1,908,751	-	14,722,682
	12,921,926	2,038,881	-	14,960,807
Total assets	14,074,504	5,979,356	83,091	20,136,951
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	13,137	154,678	-	167,815
Accrued liabilities	61,160	4,490	-	65,650
Customer deposits	89,964	178,560	-	268,524
Due to other funds	156,106	39,499	34,810	230,415
Compensated absences payable - current	16,125	4,171	-	20,296
Notes payable - current	251,027	-	-	251,027
Capital lease - current	6,529	-	-	6,529
Total current liabilities	594,048	381,398	34,810	1,010,256
NONCURRENT LIABILITIES				
Advances from other funds	84,975	-	-	84,975
Revenue bonds payable	1,895,684	-	-	1,895,684
Notes payable	4,384,315	-	-	4,384,315
Compensated absences payable	2,894	-	-	2,894
Total noncurrent liabilities	6,367,868	-	-	6,367,868
Total liabilities	6,961,916	381,398	34,810	7,378,124
NET POSITION				
Net investment in capital assets	6,848,086	2,038,881	-	8,886,967
Restricted:				
Debt service	344,923	-	-	344,923
Unrestricted	(80,421)	3,559,077	48,281	3,526,937
Total net position	\$ 7,112,588	\$ 5,597,958	\$ 48,281	\$ 12,758,827

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, 2014

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
OPERATING REVENUES				
Charges for sales and services	\$ 2,052,699	\$ 3,516,708	\$ 280,782	\$ 5,850,189
Total operating revenues	2,052,699	3,516,708	280,782	5,850,189
OPERATING EXPENSES				
Cost of sales and services	-	2,093,242	-	2,093,242
General operating expenses	1,213,002	429,392	253,026	1,895,420
Depreciation & amortization	389,057	64,946	-	454,003
Total operating expenses	1,602,059	2,587,580	253,026	4,442,665
Operating income	450,640	929,128	27,756	1,407,524
NON-OPERATING REVENUES (EXPENSES)				
Interest income	10,347	38,365	5	48,717
Interest expense	(279,231)	-	-	(279,231)
Other revenue	350	1,121	-	1,471
Total non-operating revenues (expenses)	(268,534)	39,486	5	(229,043)
Net income before transfers	182,106	968,614	27,761	1,178,481
Transfers out	(300,000)	(450,000)	(25,000)	(775,000)
Total transfers	(300,000)	(450,000)	(25,000)	(775,000)
Change in net position	(117,894)	518,614	2,761	403,481
Net position, beginning of year	7,230,482	5,079,344	45,520	12,355,346
Net position, end of year	<u>\$ 7,112,588</u>	<u>\$ 5,597,958</u>	<u>\$ 48,281</u>	<u>\$ 12,758,827</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, 2014

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,072,194	\$ 3,484,837	\$ 287,034	\$ 5,844,065
Payments to suppliers	(694,774)	(2,245,702)	(258,477)	(3,198,953)
Payments to employees	(496,158)	(237,259)	-	(733,417)
Net cash provided by operating activities	881,262	1,001,876	28,557	1,911,695
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Other revenue	350	1,121	-	1,471
Receipt of advances from other funds	84,975	-	-	84,975
Advances to other funds	-	(84,975)	-	(84,975)
Transfers out to other funds	(300,000)	(450,000)	(25,000)	(775,000)
Net cash used in non-capital financing activities	(214,675)	(533,854)	(25,000)	(773,529)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(234,498)	(321,926)	-	(556,424)
Principal payments on capital lease	(12,720)	-	-	(12,720)
Principal payments on notes payable	(241,107)	-	-	(241,107)
Interest paid	(280,070)	-	-	(280,070)
Net cash used in capital and related financing activities	(768,395)	(321,926)	-	(1,090,321)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	10,347	38,366	5	48,718
Net cash provided by investing activities	10,347	38,366	5	48,718
Net increase (decrease) in cash and cash equivalents	(91,461)	184,462	3,562	96,563
Cash and cash equivalents, beginning of year	938,759	2,168,728	44,796	3,152,283
Cash and cash equivalents, end of year	\$ 847,298	\$ 2,353,190	\$ 48,358	\$ 3,248,846
Classified as:				
Cash and cash equivalents	\$ 38,660	\$ 2,353,190	\$ 48,358	\$ 2,440,208
Restricted cash and cash equivalents	808,638	-	-	808,638
	\$ 847,298	\$ 2,353,190	\$ 48,358	\$ 3,248,846

(Continued)

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 450,640	\$ 929,128	\$ 27,756	\$ 1,407,524
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	389,057	64,946	-	454,003
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	15,962	(32,550)	1,841	(14,747)
(Increase) decrease in due from other funds	(20,867)	679	4,411	(15,777)
Decrease in due from other governments	24,400	-	-	24,400
Increase in prepaid items	(7,465)	(2,556)	-	(10,021)
Increase in accounts payable	3,507	13,173	-	16,680
Increase in accrued liabilities	5,005	793	-	5,798
Increase (decrease) in customer deposits	1,529	(279)	-	1,250
Increase (decrease) in compensated absences payable	(905)	1,368	-	463
Increase (decrease) in due to other funds	20,399	27,174	(5,451)	42,122
Net cash provided by operating activities	<u>\$ 881,262</u>	<u>\$ 1,001,876</u>	<u>\$ 28,557</u>	<u>\$ 1,911,695</u>

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

In the Natural Gas Fund, \$276,090 was moved from capital assets to accounts receivable to account for a deposit on a construction project that was in excess of the project cost, and will be refunded during the fiscal year ended June 30, 2015.

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, 2014

	Board of Education Fund
ASSETS	
Cash	\$ 17,397
Taxes receivable	120,997
Total assets	<u>\$ 138,394</u>
LIABILITIES	
Due to others	<u>\$ 138,394</u>
Total liabilities	<u>\$ 138,394</u>

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

CITY OF SOCIAL CIRCLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, entities for which the City is considered to be financially accountable. Each discretely presented component units is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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

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 funds:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **Special Purpose Local Option Sales Tax Fund (SPLOST)** is used to account for the revenues and expenditures relating to the City's 2013 Special Purpose Local Option Sales tax referendum.

The City reports the following major enterprise funds:

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

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

The City also reports the following fund types:

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

The **Solid Waste Fund** accounts for the activities associated with the collection of residential garbage, including recyclables, non-recyclables and yard waste. Activity is rendered on a user charge basis.

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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Budgets

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

E. Deposits and Investments

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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

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

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 (revenue) until that time. The City has one type of item that qualifies for reporting in this category, which only arises under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized as 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

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

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 and liabilities 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

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 \$795,677 difference are as follows:

Capital lease payable	\$ (715,834)
Accrued interest payable	(19,150)
Compensated absences	<u>(60,693)</u>
Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (795,677)</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 \$919,766 difference are as follows:

Capital outlay	\$ 1,292,229
Depreciation expense	<u>(372,463)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 919,766</u></u>

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of the reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and sales) is to reduce net position." The details of this \$3,300 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.	\$ (3,300)
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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>\$ (3,300)</u></u>
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Another element of the reconciliation states that "The issuance of long-term debt (e.g., capital leases) 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." The details of this \$670,012 difference are as follows:

Issuance of capital lease	\$ (715,834)
Current year payment on capital lease payable	<u>45,822</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>\$ (670,012)</u></u>

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$20,740 difference are as follows:

Compensated absences	\$ (3,193)
Accrued interest	<u>(17,547)</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>\$ (20,740)</u></u>

NOTES TO FINANCIAL STATEMENTS

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, 2014 are summarized as follows:

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

Cash and cash equivalents	\$ 4,025,138
Restricted cash and cash equivalents	808,638
Investments	1,246,930
Cash per Statement of Fiduciary Assets and Liabilities	17,397
Total	<u>\$ 6,098,103</u>
Cash deposited with financial institutions	\$ 5,684,828
Money market mutual funds	11,961
Fixed income mutual funds	401,314
	<u>\$ 6,098,103</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, 2014, 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	2.30 yrs	12,223
Fixed income mutual funds	2.90 yrs	28,874
Fixed income mutual funds	4.50 yrs	74,023
Fixed income mutual funds	4.80 yrs	45,186
Fixed income mutual funds	5.00 yrs	16,327
Fixed income mutual funds	5.20 yrs	49,467
Fixed income mutual funds	6.20 yrs	8,592
Fixed income mutual funds	6.40 yrs	8,641
Fixed income mutual funds	6.50 yrs	71,055
Fixed income mutual funds	6.60 yrs	86,926
Total		<u>\$ 1,258,891</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, 2014, 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, 2014, the bank balances for the Downtown Development Authority were insured or collateralized as defined by GASB.

Development Authority

As of June 30, 2014, the bank balances for the Development Authority were insured or collateralized as defined by GASB.

Better Hometown, Inc.

As of June 30, 2014, 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 October 16 based on the assessed value of property as listed on the previous January 1 and are due on December 17.

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

Receivables at June 30, 2014, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental</u>	<u>Water & Sewer</u>	<u>Gas</u>	<u>Solid Waste</u>
Receivables:						
Taxes	\$ 105,971	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	41,711	-	693	421,284	631,834	93,605
Interest	-	-	-	-	2,874	-
Other governments	75,195	40,612	-	-	499	-
Less allowance for uncollectible	86,583	-	-	223,446	85,982	59,911
Net total receivable	<u>\$ 136,294</u>	<u>\$ 40,612</u>	<u>\$ 693</u>	<u>\$ 197,838</u>	<u>\$ 549,225</u>	<u>\$ 33,694</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 814,913	\$ 167,148	\$ -	\$ -	\$ 982,061
Construction in progress	25,402	16,287	-	(10,902)	30,787
Total	<u>840,315</u>	<u>183,435</u>	<u>-</u>	<u>(10,902)</u>	<u>1,012,848</u>
Capital assets, being depreciated:					
Infrastructure	4,150,084	78,122	-	10,902	4,239,108
Buildings and improvements	2,901,216	-	-	-	2,901,216
Equipment, furniture & vehicles	2,468,718	1,030,672	(219,436)	-	3,279,954
Total	<u>9,520,018</u>	<u>1,108,794</u>	<u>(219,436)</u>	<u>10,902</u>	<u>10,420,278</u>
Less accumulated depreciation for:					
Infrastructure	(519,059)	(105,062)	-	-	(624,121)
Buildings and improvements	(1,074,346)	(108,116)	-	-	(1,182,462)
Equipment, furniture & vehicles	(2,155,270)	(159,285)	216,136	-	(2,098,419)
Total	<u>(3,748,675)</u>	<u>(372,463)</u>	<u>216,136</u>	<u>-</u>	<u>(3,905,002)</u>
Total capital assets, being depreciated, net	<u>5,771,343</u>	<u>736,331</u>	<u>(3,300)</u>	<u>10,902</u>	<u>6,515,276</u>
Governmental activities capital assets, net	<u><u>\$ 6,611,658</u></u>	<u><u>\$ 919,766</u></u>	<u><u>\$ (3,300)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,528,124</u></u>

The City has reclassified \$9,173 of assets in the beginning balances of equipment, furniture and vehicles to building and improvements in order to more appropriately categorize those assets.

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 705,036	\$ 391,229	\$ (276,090)	\$ (582,050)	\$ 238,125
Total	<u>705,036</u>	<u>391,229</u>	<u>(276,090)</u>	<u>(582,050)</u>	<u>238,125</u>
Capital assets, being depreciated:					
Infrastructure	19,419,086	78,422	-	582,050	20,079,558
Machinery & equipment	342,860	86,773	(8,688)	-	420,945
Vehicles	374,188	-	(26,722)	-	347,466
Total	<u>20,136,134</u>	<u>165,195</u>	<u>(35,410)</u>	<u>582,050</u>	<u>20,847,969</u>
Less accumulated depreciation for:					
Infrastructure	(5,150,358)	(406,171)	-	-	(5,556,529)
Machinery & equipment	(268,581)	(22,871)	8,688	-	(282,764)
Vehicles	(289,616)	(23,100)	26,722	-	(285,994)
Total	<u>(5,708,555)</u>	<u>(452,142)</u>	<u>35,410</u>	<u>-</u>	<u>(6,125,287)</u>
Total capital assets, being depreciated, net	<u>14,427,579</u>	<u>(286,947)</u>	<u>-</u>	<u>582,050</u>	<u>14,722,682</u>
Business-type activities capital assets, net	<u>\$ 15,132,615</u>	<u>\$ 104,282</u>	<u>\$ (276,090)</u>	<u>\$ -</u>	<u>\$ 14,960,807</u>

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

Governmental activities:	
General government	\$ 137,276
Public safety	136,093
Public works	95,440
Culture and recreation	<u>3,654</u>
Total depreciation expense - governmental activities	<u>\$ 372,463</u>
Business-type activities:	
Water & sewer	\$ 387,196
Natural gas	<u>64,946</u>
Total depreciation expense - business-type activities	<u>\$ 452,142</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Better Hometown, Inc.

Capital asset activity for the fiscal year ended June 30, 2014 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:	<u>(7,198)</u>	<u>(2,237)</u>	<u>-</u>	<u>(9,435)</u>
Machinery & equipment	<u>(7,198)</u>	<u>(2,237)</u>	<u>-</u>	<u>(9,435)</u>
Total				
Total capital assets, net	<u>\$ 16,081</u>	<u>\$ (2,237)</u>	<u>\$ -</u>	<u>\$ 13,844</u>

Downtown Development Authority

Capital asset activity for the fiscal year ended June 30, 2014 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	615,083	-	-	615,083
Total	<u>615,083</u>	<u>-</u>	<u>-</u>	<u>615,083</u>
Less accumulated depreciation for:				
Buildings	(55,274)	(15,051)	-	(70,325)
Total	<u>(55,274)</u>	<u>(15,051)</u>	<u>-</u>	<u>(70,325)</u>
Total capital assets, being depreciated, net	<u>559,809</u>	<u>(15,051)</u>	<u>-</u>	<u>544,758</u>
Total capital assets, net	<u>\$ 659,809</u>	<u>\$ (15,051)</u>	<u>\$ -</u>	<u>\$ 644,758</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Development Authority

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 820,783	\$ -	\$ -	\$ 820,783
Total	820,783	-	-	820,783
Total capital assets, net	\$ 820,783	\$ -	\$ -	\$ 820,783

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease	\$ 45,822	\$ 715,834	\$ (45,822)	\$ 715,834	\$ 37,621
Compensated absences	57,500	49,852	(46,659)	60,693	60,693
Governmental activity Long-term liabilities	\$ 103,322	\$ 765,686	\$ (92,481)	\$ 776,527	\$ 98,314
Business-type activities:					
Revenue bonds payable	\$ 1,930,000	\$ -	\$ -	\$ 1,930,000	\$ -
Less: Discount	(36,176)	-	1,860	(34,316)	-
Net bonds payable	1,893,824	-	1,860	1,895,684	-
Note payable	4,876,449	-	(241,107)	4,635,342	251,027
Capital lease	19,249	-	(12,720)	6,529	6,529
Compensated absences	22,727	9,189	(8,726)	23,190	20,296
Business-type activity Long-term liabilities	\$ 6,812,249	\$ 9,189	\$ (260,693)	\$ 6,560,745	\$ 277,852

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	
2015	\$ -	\$ 86,850	\$ 86,850
2016	-	86,850	86,850
2017	-	86,850	86,850
2018	-	86,850	86,850
2019	-	86,850	86,850
2020-2024	-	434,250	434,250
2025-2029	95,000	434,250	529,250
2030-2034	1,495,000	283,950	1,778,950
2035	340,000	15,300	355,300
Total	<u>\$ 1,930,000</u>	<u>\$ 1,602,000</u>	<u>\$ 3,532,000</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, 2014 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,			
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	294,971	138,845	433,816
2020-2024	1,660,617	502,116	2,162,733
2025-2029	1,611,967	139,815	1,751,782
Total	<u>\$ 4,635,342</u>	<u>\$ 1,448,254</u>	<u>\$ 6,083,596</u>

Capital Leases. The City has entered into a lease-purchase agreement to finance the acquisition of two fire trucks and equipment for the Water and Sewer fund. The leases are for periods of five to fifteen years, at interest rates ranging from 3.3% to 3.5%.

The City's assets under capital lease arrangements at June 30, 2014 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	\$ 811,180	\$ 33,799	\$ -	\$ -
Machinery & equipment	-	-	37,737	9,749
Total	<u>\$ 811,180</u>	<u>\$ 33,799</u>	<u>\$ 37,737</u>	<u>\$ 9,749</u>

The current year's amortization related to the above capital assets is reported as part of the capital assets' depreciation expense.

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NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Future minimum lease payments as of June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-type Activities	Total
2015	\$ 61,315	\$ 6,615	\$ 67,930
2016	61,315	-	61,315
2017	61,315	-	61,315
2018	61,315	-	61,315
2019	61,315	-	61,315
2020-2024	367,893	-	367,893
2025-2029	245,264	-	245,264
Total minimum lease payments	919,732	6,615	926,347
Less: interest payments	(203,898)	(86)	(203,984)
Present value minimum lease payments	<u>\$ 715,834</u>	<u>\$ 6,529</u>	<u>\$ 722,363</u>

Downtown Development Authority

Long-term liability activity for the year ended June 30, 2014, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 562,422	\$ -	\$ (27,259)	\$ 535,163	\$ 28,676
Total long-term liabilities	<u>\$ 562,422</u>	<u>\$ -</u>	<u>\$ (27,259)</u>	<u>\$ 535,163</u>	<u>\$ 28,676</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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2015	\$ 28,676	\$ 20,344	\$ 49,020
2016	29,814	19,206	49,020
2017	476,673	4,618	481,291
Total	<u>\$ 535,163</u>	<u>\$ 44,168</u>	<u>\$ 579,331</u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014 is as follows:

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Natural gas fund	Water and sewer fund	\$ 84,975

In 2014 the Natural Gas Fund loaned the Water and Sewer Fund \$84,975 to help finance the upfront cost of construction for the City's waste water treatment plant project. The Water and Sewer Fund will repay the Natural Gas Fund once it has obtained financing for the project through a third party financial institution.

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 95,185
General fund	Natural gas fund	38,460
General fund	Nonmajor enterprise fund	34,810
SPLOST fund	General fund	2,295
Nonmajor governmental funds	General fund	7,058
Water and sewer fund	General fund	25,867
Natural gas fund	General fund	33,931
Natural gas fund	Water and sewer fund	60,921
Nonmajor enterprise fund	Natural gas fund	1,039
		<u>\$ 299,566</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.

NOTES TO FINANCIAL STATEMENTS

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 300,000
General fund	Natural gas fund	450,000
General fund	Nonmajor governmental funds	332
General fund	Nonmajor enterprise fund	25,000
		<u>\$ 775,332</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.

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, 2014, the date of the most recent actuarial valuation, there were 74 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	21
Terminated vested participants not yet receiving benefits	13
Active employees - vested	15
Active employees - nonvested	25
Total	74

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 2014, the actuarially determined contribution rate was 6.91% of covered payroll. The City makes all contributions to the plan.

For 2014, the City's recommended contribution was \$95,710. Actual contributions totaled \$95,710. The recommended contribution was determined as part of the January 1, 2013 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)
1/1/2014	\$ 2,292,482	\$ 2,196,726	\$ (95,756)	104.4%	\$ 1,387,784	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, 2014.

Employer Contributions

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 95,710	\$ 95,710	100.0 %	\$ -
2013	145,136	145,136	100.0	-
2012	137,126	137,126	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, 2014, there were 18 plan members.

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to the maximum amount allowed by the IRS. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. Total employee contributions for the year ended June 30, 2014 were \$20,024.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. JOINT VENTURE

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

NOTE 12. RELATED ORGANIZATIONS

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

NOTE 13. HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. During the year ended June 30, 2014, the City received \$332 in hotel/motel taxes. Of this amount, \$332, or 100%, was used for the promotion of tourism.

NOTE 14. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

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 City is a defendant in various lawsuits, which arose in the ordinary course of its activities. The City has identified one lawsuit where the likelihood of an unfavorable outcome is reasonably possible and the amount of the potential loss is reasonably estimable, however the outcome of the lawsuit is still uncertain. In the event of an unfavorable outcome from this lawsuit, the City has estimated the potential loss to be approximately \$90,000, however this contingent liability is not accrued as a liability as of June 30, 2014.

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

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 \$2,093,242 in 2014.

At June 30, 2014, the outstanding debt of MGAG was approximately \$419 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$4.8 million at June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOCIAL CIRCLE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded (Surplus) Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
1/1/2014	\$ 2,292,482	\$ 2,196,726	\$ (95,756)	104.4%	\$ 1,387,784	0.0%
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%

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

CITY OF SOCIAL CIRCLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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, 2014

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Confiscations Pending Fund</u>	<u>Hotel Motel Fund</u>	<u>Library Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 32,728	\$ -	\$ 12,236	\$ 44,964
Accounts receivable	30	-	663	693
Investments	-	-	401,314	401,314
Due from other funds	7,058	-	-	7,058
Total assets	<u>\$ 39,816</u>	<u>\$ -</u>	<u>\$ 414,213</u>	<u>\$ 454,029</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	<u>\$ 24,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,497</u>
Total liabilities	<u>24,497</u>	<u>-</u>	<u>-</u>	<u>24,497</u>
FUND BALANCES				
Nonspendable - corpus	-	-	350,000	350,000
Restricted:				
Library	-	-	64,213	64,213
Public safety	15,319	-	-	15,319
Total fund balances	<u>15,319</u>	<u>-</u>	<u>414,213</u>	<u>429,532</u>
Total liabilities and fund balances	<u>\$ 39,816</u>	<u>\$ -</u>	<u>\$ 414,213</u>	<u>\$ 454,029</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, 2014

	Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Confiscations Pending Fund	Hotel Motel Fund	Library Fund	
REVENUES				
Taxes	\$ -	\$ 332	\$ -	\$ 332
Investment income	618	-	16,709	17,327
Total revenues	618	332	16,709	17,659
EXPENDITURES				
Current				
Public safety	5,161	-	-	5,161
Culture and recreation	-	-	10,350	10,350
Total expenditures	5,161	-	10,350	15,511
Excess (deficiency) of revenues over expenditures	(4,543)	332	6,359	2,148
OTHER FINANCING USES				
Transfers out	-	(332)	-	(332)
Total other financing uses	-	(332)	-	(332)
Net change in fund balances	(4,543)	-	6,359	1,816
FUND BALANCES, beginning of year	19,862	-	407,854	427,716
FUND BALANCES, end of year	<u>\$ 15,319</u>	<u>\$ -</u>	<u>\$ 414,213</u>	<u>\$ 429,532</u>

**CITY OF SOCIAL CIRCLE, GEORGIA
CONFISCATIONS PENDING FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 700	\$ 700	\$ 618	\$ (82)
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total revenues	<u>5,700</u>	<u>5,700</u>	<u>618</u>	<u>(5,082)</u>
EXPENDITURES				
Public safety	<u>5,700</u>	<u>5,700</u>	<u>5,161</u>	<u>539</u>
Total expenditures	<u>5,700</u>	<u>5,700</u>	<u>5,161</u>	<u>539</u>
Net change in fund balances	-	-	(4,543)	(4,543)
FUND BALANCES, beginning of year	<u>19,862</u>	<u>19,862</u>	<u>19,862</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 19,862</u></u>	<u><u>\$ 19,862</u></u>	<u><u>\$ 15,319</u></u>	<u><u>\$ (4,543)</u></u>

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

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Hotel Motel taxes	\$ 400	\$ 400	\$ 332	\$ (68)
Total revenues	400	400	332	(68)
Other financing uses				
Transfers out	(400)	(400)	(332)	68
Total other financing uses	(400)	(400)	(332)	68
Net change in fund balances	-	-	-	-
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2014**

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Investment income	\$ 17,000	\$ 17,000	\$ 16,709	\$ (291)
Total revenues	17,000	17,000	16,709	(291)
EXPENDITURES				
Culture and recreation	17,000	17,000	10,350	6,650
Total expenditures	17,000	17,000	10,350	6,650
Net change in fund balances	-	-	6,359	6,359
FUND BALANCES, beginning of year	407,854	407,854	407,854	-
FUND BALANCES, end of year	<u>\$ 407,854</u>	<u>\$ 407,854</u>	<u>\$ 414,213</u>	<u>\$ 6,359</u>

CITY OF SOCIAL CIRCLE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<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>
Roads, sidewalks, drainage	\$ 850,000	\$ 850,000	\$ -	\$ -	\$ -
Library improvements and expansion	500,000	500,000	-	-	-
Water and sewer improvements	500,000	500,000	-	-	-
Recreation playgrounds	250,000	250,000	-	-	-
Public safety improvements	1,000,000	1,000,000	16,940	\$ 488	\$ 17,428
	<u>\$ 3,100,000</u>	<u>\$ 3,100,000</u>	<u>\$ 16,940</u>	<u>\$ 488</u>	<u>\$ 17,428</u>

COMPONENT UNITS

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - BETTER HOMETOWN, INC. FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 39,502
Payments to suppliers	<u>(40,144)</u>
Net cash used in operating activities	<u>(642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>4</u>
Net cash provided by investing activities	<u>4</u>
Net decrease in cash and cash equivalents	(638)
Cash and cash equivalents, beginning of year	<u>22,391</u>
Cash and cash equivalents, end of year	<u><u>\$ 21,753</u></u>
RECONCILIATION OF OPERATING LOSS TO NET	
CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (2,879)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	<u>2,237</u>
Net cash used in operating activities	<u><u>\$ (642)</u></u>

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 100,394
Payments to suppliers	<u>(29,857)</u>
Net cash provided by operating activities	<u>70,537</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1</u>
Net cash provided by investing activities	<u>1</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on notes payable	(27,259)
Interest paid	<u>(21,762)</u>
Net cash used in capital and related financing activities	<u>(49,021)</u>
Net increase in cash and cash equivalents	21,517
Cash and cash equivalents, beginning of year	<u>3,045</u>
Cash and cash equivalents, end of year	<u><u>\$ 24,562</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 67,471
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	15,051
Change in assets and liabilities:	
Increase in accounts receivable	(9,000)
Increase in due from primary government	(4,085)
Increase in customer deposits	<u>1,100</u>
Net cash provided by operating activities	<u><u>\$ 70,537</u></u>

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	\$ (9,940)
Net cash used in operating activities	<u>(9,940)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>133</u>
Net cash provided by investing activities	<u>133</u>
Net decrease in cash and cash equivalents	(9,807)
Cash and cash equivalents, beginning of year	<u>99,342</u>
Cash and cash equivalents, end of year	<u><u>\$ 89,535</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (9,940)
Net cash used in operating activities	<u><u>\$ (9,940)</u></u>

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, 2014, 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 8, 2014.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 8, 2014