

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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CITY OF SOCIAL CIRCLE, GEORGIA

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JUNE 30, 2015**

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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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 9 and 15, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the City's Net Pension Liability and the Schedule of City Contributions on pages 47 and 48 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 November 24, 2015, 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
November 24, 2015

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2015

| | Primary Government | | | Component Units | | |
|---|---------------------|----------------------|----------------------|--------------------------|--------------------------|--------------------------|
| | Governmental | Business-type | Total | Better Hometown, Inc. | Downtown | |
| | Activities | Activities | | | Development Authority | Development Authority |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,798,643 | \$ 2,135,469 | \$ 3,934,112 | \$ 24,142 | \$ 1,900 | \$ 76,656 |
| Investments | 394,385 | 847,117 | 1,241,502 | - | - | - |
| Accounts receivable, net of allowances | 38,838 | 539,556 | 578,394 | - | 6,734 | - |
| Taxes receivable, net of allowances | 26,248 | - | 26,248 | - | - | - |
| Interest receivable | - | 1,298 | 1,298 | - | - | - |
| Internal balances | 307,712 | (307,712) | - | - | - | - |
| Due from other governments | 124,545 | 499 | 125,044 | - | - | - |
| Prepaid expenses | 216,575 | 57,798 | 274,373 | - | - | - |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | - | 842,101 | 842,101 | - | - | - |
| Other assets | - | 39,021 | 39,021 | - | - | - |
| Capital assets: | | | | | | |
| Non-depreciable | 1,023,994 | 292,790 | 1,316,784 | - | 100,000 | 864,436 |
| Depreciable, net of accumulated depreciation | 6,312,454 | 15,645,582 | 21,958,036 | 11,607 | 528,132 | - |
| Total assets | 10,243,394 | 20,093,519 | 30,336,913 | 35,749 | 636,766 | 941,092 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Pension plan contributions | 55,937 | 17,219 | 73,156 | - | - | - |
| Pension plan experience differences | 14,258 | 4,390 | 18,648 | - | - | - |
| Total deferred outflows of resources | 70,195 | 21,609 | 91,804 | - | - | - |
| LIABILITIES | | | | | | |
| Accounts payable | 264,775 | 142,736 | 407,511 | 89 | - | 250 |
| Accrued liabilities | 66,062 | 67,414 | 133,476 | - | 932 | - |
| Customer deposits | - | 279,255 | 279,255 | - | 5,960 | - |
| Long-term liabilities: | | | | | | |
| Portion due or payable within one year: | | | | | | |
| Capital leases | 38,867 | - | 38,867 | - | - | - |
| Notes payable | - | 261,081 | 261,081 | - | 29,814 | - |
| Compensated absences | 61,594 | 15,486 | 77,080 | - | - | - |
| Portion due or payable in more than one year: | | | | | | |
| Capital leases | 639,346 | - | 639,346 | - | - | - |
| Notes payable | - | 4,123,234 | 4,123,234 | - | 476,673 | - |
| Bonds payable, net | - | 1,897,544 | 1,897,544 | - | - | - |
| Net pension liability | 187,759 | 57,799 | 245,558 | - | - | - |
| Compensated absences | 7,131 | 11,713 | 18,844 | - | - | - |
| Total liabilities | 1,265,534 | 6,856,262 | 8,121,796 | 89 | 513,379 | 250 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Net difference between projected and actual investment earnings | 48,216 | 14,844 | 63,060 | - | - | - |
| Pension plan assumption changes | 39,601 | 12,191 | 51,792 | - | - | - |
| Total deferred inflows of resources | 87,817 | 27,035 | 114,852 | - | - | - |
| NET POSITION | | | | | | |
| Net investment in capital assets | 6,658,235 | 10,128,409 | 16,786,644 | 11,607 | 121,645 | 864,436 |
| Restricted for: | | | | | | |
| Debt service | - | 370,205 | 370,205 | - | - | - |
| Public safety | 14,409 | - | 14,409 | - | - | - |
| Capital projects | 1,116,519 | - | 1,116,519 | - | - | - |
| Library - expendable | 57,411 | - | 57,411 | - | - | - |
| Library - nonexpendable | 350,000 | - | 350,000 | - | - | - |
| Unrestricted | 763,664 | 2,733,217 | 3,496,881 | 24,053 | 1,742 | 76,406 |
| Total net position | \$ 8,960,238 | \$ 13,231,831 | \$ 22,192,069 | \$ 35,660 | \$ 123,387 | \$ 940,842 |

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, 2015

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--------------------------------|-----------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,034,382 | \$ 19,956 | \$ 3,963 | \$ - |
| Judicial | 16,471 | 161,885 | - | - |
| Public safety | 1,903,699 | - | 57,005 | 197,172 |
| Public works | 853,730 | 39,070 | 161,202 | 321,702 |
| Health and welfare | 89,334 | - | - | - |
| Culture and recreation | 143,046 | 22,219 | - | - |
| Housing and development | 78,733 | - | 4,085 | - |
| Interest on long-term debt | 22,688 | - | - | - |
| Total governmental activities | 4,142,083 | 243,130 | 226,255 | 518,874 |
| Business-type activities: | | | | |
| Water and sewer | 1,945,411 | 2,336,046 | 1,756 | - |
| Natural gas | 2,292,868 | 3,229,394 | 398 | - |
| Solid waste | 242,062 | 313,616 | - | - |
| Total business-type activities | 4,480,341 | 5,879,056 | 2,154 | - |
| Total primary government | \$ 8,622,424 | \$ 6,122,186 | \$ 228,409 | \$ 518,874 |
| Component units: | | | | |
| Better Hometown, Inc. | \$ 53,285 | \$ 32,449 | \$ 20,981 | \$ - |
| Downtown Development Authority | 80,996 | 61,582 | - | - |
| Development Authority | 12,990 | - | - | 43,653 |
| Total component units | \$ 147,271 | \$ 94,031 | \$ 20,981 | \$ 43,653 |

General revenues:
 Property taxes
 Sales taxes
 Franchise taxes
 Business taxes
 Insurance premium tax
 Other taxes
 Unrestricted investment earnings

Transfers
 Total general revenues and transfers
 Change in net position

Net position, beginning of year, restated
 Net position, end of year

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

| Net (Expenses) Revenues and Changes in Net Position | | | | | |
|--|-------------------------------------|-----------------------|----------------------------------|---|----------------------------------|
| Primary Government | | | Component Units | | |
| Governmental Activities | Business-type Activities | Total | Better Hometown, Inc. | Downtown Development Authority | Development Authority |
| \$ (1,010,463) | \$ - | \$ (1,010,463) | \$ - | \$ - | \$ - |
| 145,414 | - | 145,414 | - | - | - |
| (1,649,522) | - | (1,649,522) | - | - | - |
| (331,756) | - | (331,756) | - | - | - |
| (89,334) | - | (89,334) | - | - | - |
| (120,827) | - | (120,827) | - | - | - |
| (74,648) | - | (74,648) | - | - | - |
| (22,688) | - | (22,688) | - | - | - |
| <u>(3,153,824)</u> | <u>-</u> | <u>(3,153,824)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | 392,391 | 392,391 | - | - | - |
| - | 936,924 | 936,924 | - | - | - |
| - | 71,554 | 71,554 | - | - | - |
| <u>-</u> | <u>1,400,869</u> | <u>1,400,869</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ (3,153,824)</u> | <u>\$ 1,400,869</u> | <u>\$ (1,752,955)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ 145 | \$ - | \$ - |
| - | - | - | - | (19,414) | - |
| - | - | - | - | - | 30,663 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 145</u> | <u>\$ (19,414)</u> | <u>\$ 30,663</u> |
| \$ 1,076,226 | \$ - | \$ 1,076,226 | \$ - | \$ - | \$ - |
| 546,425 | - | 546,425 | - | - | - |
| 465,481 | - | 465,481 | - | - | - |
| 25,101 | - | 25,101 | - | - | - |
| 228,036 | - | 228,036 | - | - | - |
| 85,175 | - | 85,175 | - | - | - |
| 19,444 | 42,826 | 62,270 | 7 | 1 | 111 |
| 916,000 | (916,000) | - | - | - | - |
| <u>3,361,888</u> | <u>(873,174)</u> | <u>2,488,714</u> | <u>7</u> | <u>1</u> | <u>111</u> |
| 208,064 | 527,695 | 735,759 | 152 | (19,413) | 30,774 |
| 8,752,174 | 12,704,136 | 21,456,310 | 35,508 | 142,800 | 910,068 |
| <u>\$ 8,960,238</u> | <u>\$ 13,231,831</u> | <u>\$ 22,192,069</u> | <u>\$ 35,660</u> | <u>\$ 123,387</u> | <u>\$ 940,842</u> |

CITY OF SOCIAL CIRCLE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2015

| ASSETS | General Fund | SPLOST Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|--------------------------------|--------------------------------|
| Cash | \$ 741,120 | \$ 970,960 | \$ 86,563 | \$ 1,798,643 |
| Investments | - | - | 394,385 | 394,385 |
| Taxes receivable | 26,248 | - | - | 26,248 |
| Accounts receivable | 38,220 | - | 618 | 38,838 |
| Due from other governments | 82,706 | 41,839 | - | 124,545 |
| Due from other funds | 310,142 | - | - | 310,142 |
| Prepaid expenditures | 216,575 | - | - | 216,575 |
| Total assets | \$ 1,415,011 | \$ 1,012,799 | \$ 481,566 | \$ 2,909,376 |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 205,029 | \$ - | \$ 59,746 | \$ 264,775 |
| Accrued liabilities | 47,918 | - | - | 47,918 |
| Due to other funds | - | 2,430 | - | 2,430 |
| Total liabilities | 252,947 | 2,430 | 59,746 | 315,123 |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 19,968 | - | - | 19,968 |
| Total deferred inflow of resources | 19,968 | - | - | 19,968 |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Permanent fund corpus | - | - | 350,000 | 350,000 |
| Prepays | 216,575 | - | - | 216,575 |
| Restricted: | | | | |
| Library | - | - | 57,411 | 57,411 |
| Public safety | - | - | 14,409 | 14,409 |
| Capital projects | 106,150 | 1,010,369 | - | 1,116,519 |
| Assigned: | | | | |
| Library | 35,435 | - | - | 35,435 |
| Cemetery | 64,455 | - | - | 64,455 |
| Unassigned | 719,481 | - | - | 719,481 |
| Total fund balances | 1,142,096 | 1,010,369 | 421,820 | 2,574,285 |
| Total liabilities, deferred inflow of resources and fund balances | \$ 1,415,011 | \$ 1,012,799 | \$ 481,566 | |

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

| | |
|--|---------------------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | 7,336,448 |
| Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 19,968 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (765,082) |
| The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds. | (205,381) |
| Net position of governmental activities | \$ 8,960,238 |

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, 2015

| | General Fund | SPLOST Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 2,416,069 | \$ - | \$ - | \$ 2,416,069 |
| Licenses and permits | 16,207 | - | - | 16,207 |
| Intergovernmental | 226,250 | 505,017 | - | 731,267 |
| Fines and forfeitures | 161,885 | - | - | 161,885 |
| Charges for services | 42,855 | - | - | 42,855 |
| Interest income | 14,782 | 13,857 | 4,662 | 33,301 |
| Miscellaneous | 22,183 | - | 5 | 22,188 |
| Total revenues | <u>2,900,231</u> | <u>518,874</u> | <u>4,667</u> | <u>3,423,772</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 872,380 | - | - | 872,380 |
| Judicial | 16,471 | - | - | 16,471 |
| Public safety | 1,744,499 | - | 1,564 | 1,746,063 |
| Public works | 726,162 | 224,120 | - | 950,282 |
| Health and welfare | 88,827 | - | - | 88,827 |
| Culture and recreation | 129,042 | - | 10,350 | 139,392 |
| Housing and development | 78,550 | - | - | 78,550 |
| Debt service: | | | | |
| Principal retirements | 37,621 | - | - | 37,621 |
| Interest | 23,694 | - | - | 23,694 |
| Total expenditures | <u>3,717,246</u> | <u>224,120</u> | <u>11,914</u> | <u>3,953,280</u> |
| Excess (deficiency) of revenues over expenditures | <u>(817,015)</u> | <u>294,754</u> | <u>(7,247)</u> | <u>(529,508)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 916,465 | - | - | 916,465 |
| Transfers out | - | - | (465) | (465) |
| Total other financing sources (uses) | <u>916,465</u> | <u>-</u> | <u>(465)</u> | <u>916,000</u> |
| Net change in fund balances | 99,450 | 294,754 | (7,712) | 386,492 |
| Fund balances, beginning of year | <u>1,042,646</u> | <u>715,615</u> | <u>429,532</u> | <u>2,187,793</u> |
| Fund balances, end of year | <u>\$ 1,142,096</u> | <u>\$ 1,010,369</u> | <u>\$ 421,820</u> | <u>\$ 2,574,285</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, 2015

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

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 386,492 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. | (148,023) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net position. | (43,653) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 10,375 |
| 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. | 37,621 |
| 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>(34,748)</u> |
| Change in net position - governmental activities | <u>\$ 208,064</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, 2015

| | Budget | | Actual | Variance With Final Budget |
|--|---------------------|-------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 2,387,900 | \$ 2,387,900 | \$ 2,416,069 | \$ 28,169 |
| Licenses and permits | 16,220 | 16,220 | 16,207 | (13) |
| Fines and forfeitures | 150,000 | 150,000 | 161,885 | 11,885 |
| Interest | 20,000 | 20,000 | 14,782 | (5,218) |
| Charges for services | 15,500 | 15,500 | 42,855 | 27,355 |
| Intergovernmental | 123,000 | 189,990 | 226,250 | 36,260 |
| Miscellaneous | 20,000 | 20,000 | 22,183 | 2,183 |
| Total revenues | <u>2,732,620</u> | <u>2,799,610</u> | <u>2,900,231</u> | <u>100,621</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Governing body | 141,483 | 141,483 | 128,628 | 12,855 |
| Chief executive | 128,795 | 145,190 | 143,404 | 1,786 |
| Clerk - administrative | 83,740 | 83,740 | 83,088 | 652 |
| Financial administration | 476,801 | 503,446 | 474,913 | 28,533 |
| Law | 25,000 | 42,347 | 42,347 | - |
| Total general government | <u>855,819</u> | <u>916,206</u> | <u>872,380</u> | <u>43,826</u> |
| Judicial: | | | | |
| Municipal court | 13,487 | 16,480 | 16,471 | 9 |
| Total judicial | <u>13,487</u> | <u>16,480</u> | <u>16,471</u> | <u>9</u> |
| Public safety: | | | | |
| Police | 1,125,006 | 1,144,876 | 1,056,285 | 88,591 |
| Fire | 706,617 | 706,617 | 688,214 | 18,403 |
| Total public safety | <u>1,831,623</u> | <u>1,851,493</u> | <u>1,744,499</u> | <u>106,994</u> |
| Public works: | | | | |
| Highways and streets | 492,306 | 647,346 | 661,527 | (14,181) |
| Cemetery | 92,830 | 92,830 | 64,635 | 28,195 |
| Total public works | <u>585,136</u> | <u>740,176</u> | <u>726,162</u> | <u>14,014</u> |
| Health and welfare: | | | | |
| Transportation services | 92,305 | 100,268 | 88,827 | 11,441 |
| Total health and welfare | <u>92,305</u> | <u>100,268</u> | <u>88,827</u> | <u>11,441</u> |
| Culture and recreation: | | | | |
| Library | 126,400 | 129,056 | 129,042 | 14 |
| Total culture and recreation | <u>126,400</u> | <u>129,056</u> | <u>129,042</u> | <u>14</u> |
| Housing and development: | | | | |
| Urban redevelopment and housing | 2,000 | 2,000 | 1,748 | 252 |
| Economic development and assistance | 79,186 | 79,186 | 76,802 | 2,384 |
| Total housing and development | <u>81,186</u> | <u>81,186</u> | <u>78,550</u> | <u>2,636</u> |
| Debt service: | | | | |
| Principal | 37,625 | 37,625 | 37,621 | 4 |
| Interest | 23,700 | 23,700 | 23,694 | 6 |
| Total debt service | <u>61,325</u> | <u>61,325</u> | <u>61,315</u> | <u>10</u> |
| Total expenditures | <u>3,647,281</u> | <u>3,896,190</u> | <u>3,717,246</u> | <u>178,944</u> |
| Deficiency of revenues over expenditures | (914,661) | (1,096,580) | (817,015) | 279,565 |
| Other financing sources (uses) | | | | |
| Transfers in | 919,000 | 919,000 | 916,465 | (2,535) |
| Transfers out | (4,339) | - | - | - |
| Total other financing sources (uses) | <u>914,661</u> | <u>919,000</u> | <u>916,465</u> | <u>(2,535)</u> |
| Net change in fund balances | - | (177,580) | 99,450 | 277,030 |
| Fund balance, beginning of year | <u>1,042,646</u> | <u>1,042,646</u> | <u>1,042,646</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 1,042,646</u> | <u>\$ 865,066</u> | <u>\$ 1,142,096</u> | <u>\$ 277,030</u> |

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

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2015

| 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 | \$ 165,481 | \$ 1,919,976 | \$ 50,012 | \$ 2,135,469 |
| Investments | - | 847,117 | - | 847,117 |
| Accounts receivable, net | 269,006 | 224,482 | 46,068 | 539,556 |
| Due from other funds | - | 29 | - | 29 |
| Due from other governments | - | 499 | - | 499 |
| Interest receivable | - | 1,298 | - | 1,298 |
| Prepaid items | 41,069 | 16,729 | - | 57,798 |
| | 475,556 | 3,010,130 | 96,080 | 3,581,766 |
| Restricted assets | | | | |
| Cash and cash equivalents | 842,101 | - | - | 842,101 |
| | 1,317,657 | 3,010,130 | 96,080 | 4,423,867 |
| NONCURRENT ASSETS | | | | |
| Advances to other funds | - | 260,270 | - | 260,270 |
| Other assets | 39,021 | - | - | 39,021 |
| | 39,021 | 260,270 | - | 299,291 |
| CAPITAL ASSETS | | | | |
| Nondepreciable | 292,790 | - | - | 292,790 |
| Depreciable, net of accumulated depreciation | 12,502,404 | 3,143,178 | - | 15,645,582 |
| | 12,795,194 | 3,143,178 | - | 15,938,372 |
| | 14,151,872 | 6,413,578 | 96,080 | 20,661,530 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension plan contributions | 11,886 | 5,333 | - | 17,219 |
| Pension plan experience differences | 3,030 | 1,360 | - | 4,390 |
| | 14,916 | 6,693 | - | 21,609 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 2,750 | 139,986 | - | 142,736 |
| Accrued liabilities | 62,600 | 4,814 | - | 67,414 |
| Customer deposits | 93,883 | 185,372 | - | 279,255 |
| Due to other funds | 61,416 | 220,086 | 26,239 | 307,741 |
| Compensated absences payable - current | 10,023 | 5,463 | - | 15,486 |
| Notes payable - current | 261,081 | - | - | 261,081 |
| | 491,753 | 555,721 | 26,239 | 1,073,713 |
| NONCURRENT LIABILITIES | | | | |
| Advances from other funds | 260,270 | - | - | 260,270 |
| Revenue bonds payable | 1,897,544 | - | - | 1,897,544 |
| Notes payable | 4,123,234 | - | - | 4,123,234 |
| Net pension liability | 39,897 | 17,902 | - | 57,799 |
| Compensated absences payable | 11,713 | - | - | 11,713 |
| | 6,332,658 | 17,902 | - | 6,350,560 |
| | 6,824,411 | 573,623 | 26,239 | 7,424,273 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Net difference between projected and actual investment earnings | 10,246 | 4,598 | - | 14,844 |
| Pension plan assumption changes | 8,415 | 3,776 | - | 12,191 |
| | 18,661 | 8,374 | - | 27,035 |
| NET POSITION | | | | |
| Net investment in capital assets | 6,985,231 | 3,143,178 | - | 10,128,409 |
| Restricted: | | | | |
| Debt service | 370,205 | - | - | 370,205 |
| Unrestricted | (31,720) | 2,695,096 | 69,841 | 2,733,217 |
| Total net position | \$ 7,323,716 | \$ 5,838,274 | \$ 69,841 | \$ 13,231,831 |

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, 2015

| | Business-type Activities - Enterprise Funds | | | Totals |
|--|---|------------------------|-------------------------------------|----------------------|
| | Water and Sewer Fund | Natural Gas Fund | Non-major Solid Waste Fund | |
| OPERATING REVENUES | | | | |
| Charges for sales and services | \$ 2,336,046 | \$ 3,229,394 | \$ 313,616 | \$ 5,879,056 |
| Total operating revenues | 2,336,046 | 3,229,394 | 313,616 | 5,879,056 |
| OPERATING EXPENSES | | | | |
| Cost of sales and services | - | 1,756,268 | - | 1,756,268 |
| General operating expenses | 1,292,028 | 462,194 | 242,062 | 1,996,284 |
| Depreciation & amortization | 384,170 | 74,406 | - | 458,576 |
| Total operating expenses | 1,676,198 | 2,292,868 | 242,062 | 4,211,128 |
| Operating income | 659,848 | 936,526 | 71,554 | 1,667,928 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 10,818 | 32,002 | 6 | 42,826 |
| Interest expense | (269,213) | - | - | (269,213) |
| Other revenue | 1,756 | 398 | - | 2,154 |
| Total non-operating revenues (expenses) | (256,639) | 32,400 | 6 | (224,233) |
| Net income before transfers | 403,209 | 968,926 | 71,560 | 1,443,695 |
| Transfers in | 170,670 | - | - | 170,670 |
| Transfers out | (325,000) | (711,670) | (50,000) | (1,086,670) |
| Total transfers | (154,330) | (711,670) | (50,000) | (916,000) |
| Change in net position | 248,879 | 257,256 | 21,560 | 527,695 |
| Net position, beginning of year, restated | 7,074,837 | 5,581,018 | 48,281 | 12,704,136 |
| Net position, end of year | <u>\$ 7,323,716</u> | <u>\$ 5,838,274</u> | <u>\$ 69,841</u> | <u>\$ 13,231,831</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, 2015

| | 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 | \$ 2,290,745 | \$ 3,645,587 | \$ 302,281 | \$ 6,238,613 |
| Payments to suppliers | (874,556) | (1,792,995) | (250,633) | (2,918,184) |
| Payments to employees | (506,715) | (252,613) | - | (759,328) |
| Net cash provided by operating activities | 909,474 | 1,599,979 | 51,648 | 2,561,101 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Other revenue | 1,756 | 398 | - | 2,154 |
| Receipt of advances from other funds | 175,295 | - | - | 175,295 |
| Advances to other funds | - | (175,295) | - | (175,295) |
| Transfers in from other funds | 170,670 | - | - | 170,670 |
| Transfers out to other funds | (325,000) | (711,670) | (50,000) | (1,086,670) |
| Net cash provided by (used in) non-capital financing activities | 22,721 | (886,567) | (50,000) | (913,846) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | (255,578) | (1,178,703) | - | (1,434,281) |
| Principal payments on capital lease | (6,529) | - | - | (6,529) |
| Principal payments on notes payable | (251,027) | - | - | (251,027) |
| Interest paid | (269,595) | - | - | (269,595) |
| Net cash used in capital and related financing activities | (782,729) | (1,178,703) | - | (1,961,432) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of investments | - | (1,501) | - | (1,501) |
| Interest received | 10,818 | 33,578 | 6 | 44,402 |
| Net cash provided by investing activities | 10,818 | 32,077 | 6 | 42,901 |
| Net increase (decrease) in cash and cash equivalents | 160,284 | (433,214) | 1,654 | (271,276) |
| Cash and cash equivalents, beginning of year | 847,298 | 2,353,190 | 48,358 | 3,248,846 |
| Cash and cash equivalents, end of year | \$ 1,007,582 | \$ 1,919,976 | \$ 50,012 | \$ 2,977,570 |
| Classified as: | | | | |
| Cash and cash equivalents | \$ 165,481 | \$ 1,919,976 | \$ 50,012 | \$ 2,135,469 |
| Restricted cash and cash equivalents | 842,101 | - | - | 842,101 |
| | \$ 1,007,582 | \$ 1,919,976 | \$ 50,012 | \$ 2,977,570 |

(Continued)

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 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 | \$ 659,848 | \$ 936,526 | \$ 71,554 | \$ 1,667,928 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 384,170 | 74,406 | - | 458,576 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | (71,168) | 321,370 | (12,374) | 237,828 |
| Decrease in due from other funds | 25,867 | 94,823 | 1,039 | 121,729 |
| (Increase) decrease in prepaid items | 1,485 | (4,112) | - | (2,627) |
| Increase in pension related deferred outflows of resources | (14,916) | (6,693) | - | (21,609) |
| Decrease in accounts payable | (10,387) | (14,692) | - | (25,079) |
| Increase in accrued liabilities | 1,822 | 324 | - | 2,146 |
| Increase in customer deposits | 3,919 | 6,812 | - | 10,731 |
| Increase in net pension liability | 2,146 | 962 | - | 3,108 |
| Increase in pension related deferred inflows of resources | 18,661 | 8,374 | - | 27,035 |
| Increase in compensated absences payable | 2,717 | 1,292 | - | 4,009 |
| Increase (decrease) in due to other funds | (94,690) | 180,587 | (8,571) | 77,326 |
| Net cash provided by operating activities | <u>\$ 909,474</u> | <u>\$ 1,599,979</u> | <u>\$ 51,648</u> | <u>\$ 2,561,101</u> |

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

CITY OF SOCIAL CIRCLE, GEORGIA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2015**

| | ASSETS | Board of Education Fund |
|-------------------|--------------------|--|
| Taxes receivable | | <u>\$ 166,614</u> |
| Total assets | | <u><u>\$ 166,614</u></u> |
| | LIABILITIES | |
| Due to others | | <u>\$ 166,614</u> |
| Total liabilities | | <u><u>\$ 166,614</u></u> |

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

CITY OF SOCIAL CIRCLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 unit 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 fund** accounts for revenue sources that are legally restricted to expenditures for specific purposes, such as law enforcement.

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, 2015, 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

Fund balances are classified as follows:

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

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

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

O. 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.

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 \$765,082 difference are as follows:

| | | |
|--|----|------------------|
| Capital lease payable | \$ | (678,213) |
| Accrued interest payable | | (18,144) |
| Compensated absences | | (68,725) |
| Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i> | \$ | <u>(765,082)</u> |

NOTES TO FINANCIAL STATEMENTS

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

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Another element of that reconciliation states that “deferred outflows of resources, deferred inflows of resources and the net pension liability are not expected to be liquidated with expendable available resources and therefore are not reported in the funds.” The details of this \$205,381 difference are as follows:

| | |
|--|--------------|
| Net pension liability | \$ (187,759) |
| Deferred outflows of resources: | |
| Pension plan contributions | 55,937 |
| Pension plan experience differences | 14,258 |
| Deferred inflows of resources | |
| Net difference between projected and actual investment earnings | (48,216) |
| Pension plan assumption changes | (39,601) |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | \$ (205,381) |

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 \$148,023 difference are as follows:

| | |
|--|--------------|
| Capital outlay | \$ 262,465 |
| Depreciation expense | (410,488) |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | \$ (148,023) |

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 \$43,653 difference are as follows:

| | |
|--|---------------------------|
| In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold. | <u>\$ (43,653)</u> |
| 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>\$ (43,653)</u></u> |

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 \$37,621 difference are as follows:

| | |
|--|-------------------------|
| Current year payment on capital lease payable | <u>\$ 37,621</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>\$ 37,621</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 \$34,748 difference are as follows:

| | |
|--|---------------------------|
| Compensated absences | \$ (8,032) |
| Pension expense | (27,722) |
| Accrued interest | <u>1,006</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>\$ (34,748)</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.

Excess Expenditures Over Appropriations

For the year ended June 30, 2015 expenditures exceeded the budget in the General Fund departments as follows:

| Fund/Department | Excess |
|------------------------|---------------|
| Public Works: | |
| Highways and streets | \$ 14,181 |

The excess of expenditures over budget that are noted above were primarily funded by greater than anticipated revenues.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2015 are summarized as follows:

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

| | |
|--|--------------|
| Cash and cash equivalents | \$ 3,934,112 |
| Restricted cash and cash equivalents | 842,101 |
| Investments | 1,241,502 |
| Total | \$ 6,017,715 |
| Cash deposited with financial institutions | \$ 5,610,892 |
| Money market mutual funds | 12,438 |
| Fixed income mutual funds | 394,385 |
| | \$ 6,017,715 |

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, 2015, the City had the following investments:

| <u>Investment</u> | <u>Maturities (in years)</u> | <u>Fair Value</u> |
|---------------------------|------------------------------|---------------------|
| Money market mutual funds | 0.25 yrs | \$ 12,438 |
| Certificate of deposit | 1 yr | 847,117 |
| Fixed income mutual funds | 3.2 yrs | 14,053 |
| Fixed income mutual funds | 5.1 yrs | 36,652 |
| Fixed income mutual funds | 6.4 yrs | 99,393 |
| Fixed income mutual funds | 6.2 yrs | 85,510 |
| Fixed income mutual funds | 7.1 yrs | 118,344 |
| Equity stocks | -- | 40,433 |
| Total | | <u>\$ 1,253,940</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, 2015, 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, 2015, the bank balances for the Downtown Development Authority were insured or collateralized as defined by GASB.

Development Authority

As of June 30, 2015, the bank balances for the Development Authority were insured or collateralized as defined by GASB.

Better Hometown, Inc.

As of June 30, 2015, the bank balances for Better Hometown, Inc. were insured or collateralized as defined by GASB.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The City bills and collects its own property taxes. The taxes are levied by November 10 based on the assessed value of property as listed on the previous January 1 and are due on January 10.

Property taxes are recorded as receivables and deferred inflows of resources when assessed. Revenues are recognized when available.

Receivables at June 30, 2015, 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>Natural Gas</u> | <u>Other Enterprise</u> |
|-------------------------------------|-------------------|------------------|-------------------------------|------------------------------|------------------------|-----------------------------|
| Receivables: | | | | | | |
| Taxes | \$ 88,271 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts | 38,220 | - | 618 | 485,348 | 306,015 | 102,341 |
| Interest | - | - | - | - | 1,298 | - |
| Other governments | 82,706 | 41,839 | - | - | 499 | - |
| Less allowance for uncollectible | 62,023 | - | - | 216,342 | 81,533 | 56,273 |
| Net total receivable | <u>\$ 147,174</u> | <u>\$ 41,839</u> | <u>\$ 618</u> | <u>\$ 269,006</u> | <u>\$ 226,279</u> | <u>\$ 46,068</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2015 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 | \$ 982,061 | \$ - | \$ (43,653) | \$ - | \$ 938,408 |
| Construction in progress | 30,787 | 54,799 | - | - | 85,586 |
| Total | <u>1,012,848</u> | <u>54,799</u> | <u>(43,653)</u> | <u>-</u> | <u>1,023,994</u> |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 4,239,108 | 94,829 | - | - | 4,333,937 |
| Buildings and improvements | 2,901,216 | - | - | - | 2,901,216 |
| Equipment, furniture & vehicles | 3,279,954 | 112,837 | - | - | 3,392,791 |
| Total | <u>10,420,278</u> | <u>207,666</u> | <u>-</u> | <u>-</u> | <u>10,627,944</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (624,121) | (111,849) | - | - | (735,970) |
| Buildings and improvements | (1,182,462) | (108,116) | - | - | (1,290,578) |
| Equipment, furniture & vehicles | (2,098,419) | (190,523) | - | - | (2,288,942) |
| Total | <u>(3,905,002)</u> | <u>(410,488)</u> | <u>-</u> | <u>-</u> | <u>(4,315,490)</u> |
| Total capital assets, being depreciated, net | <u>6,515,276</u> | <u>(202,822)</u> | <u>-</u> | <u>-</u> | <u>6,312,454</u> |
| Governmental activities capital assets, net | <u>\$ 7,528,124</u> | <u>\$ (148,023)</u> | <u>\$ (43,653)</u> | <u>\$ -</u> | <u>\$ 7,336,448</u> |

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|------------------|---------------------------|
| Business-type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Construction in progress | \$ 238,125 | \$ 184,795 | \$ - | \$ (130,130) | \$ 292,790 |
| Total | <u>238,125</u> | <u>184,795</u> | <u>-</u> | <u>(130,130)</u> | <u>292,790</u> |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 20,079,558 | 1,159,052 | - | 118,621 | 21,357,231 |
| Machinery & equipment | 420,945 | 19,650 | - | 11,509 | 452,104 |
| Vehicles | 347,466 | 70,784 | - | - | 418,250 |
| Total | <u>20,847,969</u> | <u>1,249,486</u> | <u>-</u> | <u>130,130</u> | <u>22,227,585</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (5,556,529) | (411,336) | - | - | (5,967,865) |
| Machinery & equipment | (282,764) | (24,953) | - | - | (307,717) |
| Vehicles | (285,994) | (20,427) | - | - | (306,421) |
| Total | <u>(6,125,287)</u> | <u>(456,716)</u> | <u>-</u> | <u>-</u> | <u>(6,582,003)</u> |
| Total capital assets, being depreciated, net | <u>14,722,682</u> | <u>792,770</u> | <u>-</u> | <u>130,130</u> | <u>15,645,582</u> |
| Business-type activities capital assets, net | <u>\$ 14,960,807</u> | <u>\$ 977,565</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,938,372</u> |

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

| | |
|---|-------------------|
| Governmental activities: | |
| General government | \$ 135,567 |
| Public safety | 154,580 |
| Public works | 116,687 |
| Culture and recreation | <u>3,654</u> |
| Total depreciation expense - governmental activities | <u>\$ 410,488</u> |
| Business-type activities: | |
| Water & sewer | \$ 382,310 |
| Natural gas | <u>74,406</u> |
| Total depreciation expense - business-type activities | <u>\$ 456,716</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Better Hometown, Inc.

Capital asset activity for the fiscal year ended June 30, 2015 is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|------------------------------------|------------------------------|-------------------|------------------|---------------------------|
| 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: | (9,435) | (2,237) | - | (11,672) |
| Machinery & equipment | <u>(9,435)</u> | <u>(2,237)</u> | <u>-</u> | <u>(11,672)</u> |
| Total | | | | |
| Total capital assets, net | <u>\$ 13,844</u> | <u>\$ (2,237)</u> | <u>\$ -</u> | <u>\$ 11,607</u> |

Downtown Development Authority

Capital asset activity for the fiscal year ended June 30, 2015 is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| 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 | (70,325) | (16,626) | - | (86,951) |
| Total | <u>(70,325)</u> | <u>(16,626)</u> | <u>-</u> | <u>(86,951)</u> |
| Total capital assets, being depreciated, net | <u>544,758</u> | <u>(16,626)</u> | <u>-</u> | <u>528,132</u> |
| Total capital assets, net | <u>\$ 644,758</u> | <u>\$ (16,626)</u> | <u>\$ -</u> | <u>\$ 628,132</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Development Authority

Capital asset activity for the fiscal year ended June 30, 2015 is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 820,783 | \$ 43,653 | \$ - | \$ 864,436 |
| Total | <u>820,783</u> | <u>43,653</u> | <u>-</u> | <u>864,436</u> |
| Total capital assets, net | <u>\$ 820,783</u> | <u>\$ 43,653</u> | <u>\$ -</u> | <u>\$ 864,436</u> |

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended June 30, 2015 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Capital lease | \$ 715,834 | \$ - | \$ (37,621) | \$ 678,213 | \$ 38,867 |
| Compensated absences | 60,693 | 62,427 | (54,395) | 68,725 | 61,594 |
| Net pension liability | 232,545 | 102,188 | (146,974) | 187,759 | - |
| Governmental activity Long-term liabilities | <u>\$ 776,527</u> | <u>\$ 62,427</u> | <u>\$ (92,016)</u> | <u>\$ 746,938</u> | <u>\$ 100,461</u> |
| Business-type activities: | | | | | |
| Revenue bonds payable | \$ 1,930,000 | \$ - | \$ - | \$ 1,930,000 | \$ - |
| Less: Discount | (34,316) | - | 1,860 | (32,456) | - |
| Net bonds payable | 1,895,684 | - | 1,860 | 1,897,544 | - |
| Note payable | 4,635,342 | - | (251,027) | 4,384,315 | 261,081 |
| Capital lease | 6,529 | - | (6,529) | - | - |
| Compensated absences | 23,190 | 21,487 | (17,478) | 27,199 | 15,486 |
| Net pension liability | 71,587 | 31,457 | (45,245) | 57,799 | - |
| Business-type activity Long-term liabilities | <u>\$ 6,632,332</u> | <u>\$ 52,944</u> | <u>\$ (318,419)</u> | <u>\$ 6,366,857</u> | <u>\$ 276,567</u> |

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

The amount of interest expense incurred and expensed for business-type activities was \$269,213 for the year ended June 30, 2015. No interest was capitalized for the year ended June 30, 2015.

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 | |
| 2016 | \$ - | \$ 86,850 | \$ 86,850 |
| 2017 | - | 86,850 | 86,850 |
| 2018 | - | 86,850 | 86,850 |
| 2019 | - | 86,850 | 86,850 |
| 2020 | - | 86,850 | 86,850 |
| 2021-2025 | - | 434,250 | 434,250 |
| 2026-2030 | 370,000 | 429,975 | 799,975 |
| 2031-2035 | 1,560,000 | 216,675 | 1,776,675 |
| Total | \$ 1,930,000 | \$ 1,515,150 | \$ 3,445,150 |

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, 2015 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 |
| | | | \$ 5,896,811 |

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:

| | Principal | Interest | Total |
|----------------------|------------------|-----------------|--------------|
| Year Ending June 30, | | | |
| 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 | 306,912 | 126,905 | 433,817 |
| 2021-2025 | 1,725,567 | 433,538 | 2,159,105 |
| 2026-2029 | 1,240,105 | 81,488 | 1,321,593 |
| Total | \$ 4,384,315 | \$ 1,265,465 | \$ 5,649,780 |

Capital Leases. The City has entered into a lease-purchase agreement to finance the acquisition of two fire trucks. The lease is for a period of fifteen years, at an interest rate of 3.3%.

The City's assets under capital lease arrangements at June 30, 2015 are as follows:

| | Governmental Activities | |
|----------|--------------------------------|-------------------------------------|
| | Original Cost | Accumulated Depreciation |
| Vehicles | \$ 811,180 | \$ 114,917 |
| Total | \$ 811,180 | \$ 114,917 |

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, 2015 are as follows:

| Fiscal Year Ending June 30, | Governmental Activities |
|--------------------------------------|------------------------------------|
| 2016 | \$ 61,315 |
| 2017 | 61,315 |
| 2018 | 61,315 |
| 2019 | 61,315 |
| 2020 | 61,315 |
| 2021-2025 | 306,577 |
| 2026-2029 | 245,262 |
| Total minimum lease payments | <u>858,414</u> |
| Less: interest payments | <u>(180,201)</u> |
| Present value minimum lease payments | <u><u>\$ 678,213</u></u> |

Downtown Development Authority

Long-term liability activity for the year ended June 30, 2015, is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-----------------------------|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Notes payable | \$ 535,163 | \$ - | \$ (28,676) | \$ 506,487 | \$ 29,814 |
| Total long-term liabilities | <u>\$ 535,163</u> | <u>\$ -</u> | <u>\$ (28,676)</u> | <u>\$ 506,487</u> | <u>\$ 29,814</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:

| | Principal | Interest | Total |
|----------------------|------------------|-----------------|--------------|
| Year Ending June 30, | | | |
| 2016 | \$ 29,814 | \$ 19,206 | \$ 49,020 |
| 2017 | 476,673 | 4,618 | 481,291 |
| Total | \$ 506,487 | \$ 23,824 | \$ 530,311 |

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015 is as follows:

Advances to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|------------------------|----------------------|---------------|
| Natural gas fund | Water and sewer fund | \$ 260,270 |

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. An additional \$175,295 was loaned during 2015. 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:

| Receivable Fund | Payable Fund | Amount |
|------------------------|--------------------------|---------------|
| General fund | Water and sewer fund | \$ 61,416 |
| General fund | Natural gas fund | 220,086 |
| General fund | Nonmajor enterprise fund | 26,210 |
| General fund | SPLOST fund | 2,430 |
| Natural gas fund | Nonmajor enterprise fund | 29 |
| | | \$ 310,171 |

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 | \$ 325,000 |
| General fund | Natural gas fund | 541,000 |
| General fund | Nonmajor governmental funds | 465 |
| General fund | Nonmajor enterprise fund | 50,000 |
| Water and sewer fund | Natural gas fund | 170,670 |
| | | \$ 1,087,135 |

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)

Plan Membership. At January 1, 2015, the date of the most recent actuarial valuation, there were 74 participants consisting of the following:

| | |
|---|-----------|
| Retirees and beneficiaries currently receiving benefits | 22 |
| Terminated vested participants not yet receiving benefits | 11 |
| Active employees - vested | 19 |
| Active employees - nonvested | 28 |
| Total | <u>80</u> |

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2015, the actuarially determined contribution rate was 6.91% of covered payroll. The City makes all contributions to the plan. For 2015, the City's contribution to the Plan was \$97,541.

Net Pension Liability of the City

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014.

Actuarial assumptions. The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------|
| Inflation | 3.25% |
| Salary increases | 3.25% |
| Investment rate of return | 7.75% |

Mortality rates for the January 1, 2014 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2013.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Cost of living adjustments were assumed to be 3.25% for Class 1 and 2.00% for Class 2.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the table below.

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

* Rates shown are net of the 3.25% assumed rate of inflation

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended June 30, 2015 were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
| Balances at 6/30/14 | \$ 2,450,290 | \$ 2,146,158 | \$ 304,132 |
| Changes for the year: | | | |
| Service cost | 82,778 | - | 82,778 |
| Interest | 186,271 | - | 186,271 |
| Differences between expected and actual experience | 23,309 | - | 23,309 |
| Assumption Changes | (64,740) | - | (64,740) |
| Contributions—employer | - | 96,015 | (96,015) |
| Contributions—employee | - | - | - |
| Net investment income | - | 244,943 | (244,943) |
| Benefit payments, including refunds of employee contributions | (93,585) | (93,585) | - |
| Administrative expense | - | (7,860) | 7,860 |
| Other changes | 46,906 | - | 46,906 |
| Net changes | 180,939 | 239,513 | (58,574) |
| Balances at 6/30/15 | \$ 2,631,229 | \$ 2,385,671 | \$ 245,558 |

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--------------------------------------|------------------------|-------------------------------------|------------------------|
| City's net pension liability (asset) | \$ 620,576 | \$ 245,558 | \$ (63,971) |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014 and the current sharing pattern of costs between employer and employee.

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

For the fiscal year ended June 30, 2015, the City recognized pension expense of \$133,645. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 18,648 | \$ - |
| Changes in assumptions | - | 51,792 |
| Net difference between projected and actual earnings on pension plan investments | - | 63,060 |
| City contributions subsequent to the measurement date | 73,156 | - |
| Total | \$ 91,804 | \$ 114,852 |

City contributions subsequent to the measurement date of \$73,156 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending June 30: | |
|----------------------|-------------|
| 2016 | \$ (24,051) |
| 2017 | (24,051) |
| 2018 | (24,051) |
| 2019 | (24,051) |
| Total | \$ (96,204) |

NOTES TO FINANCIAL STATEMENTS

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, 2015, there were 17 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, 2015 were \$18,070.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of City operations. The City's potential loss, which might result from these proceedings, is estimated to be approximately \$115,000.

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.

Agreements with the Municipal Gas Authority of Georgia:

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2016, are general obligations of the City to which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$1,756,268 in 2015.

At June 30, 2015, the outstanding debt of MGAG was approximately \$358 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$4.1 million at June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 9, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective July 1, 2014. The new standards significantly changed the City's accounting for pension amounts. As a result of this change in accounting principle, the City was required to restate beginning net position for the following opinion units as shown below:

| | |
|--|-----------------------------|
| Net position, governmental activities, as previously reported | \$ 8,929,833 |
| City's net pension liability, beginning balance | (232,545) |
| Deferred outflows of resources, pension related items, beginning balance | 54,886 |
| Beginning net position, governmental activities, restated | <u><u>\$ 8,752,174</u></u> |
| | |
| Net position, business-type activities, as previously reported | \$ 12,758,827 |
| City's net pension liability, beginning balance | (71,587) |
| Deferred outflows of resources, pension related items, beginning balance | 16,896 |
| Beginning net position, business-type activities, restated | <u><u>\$ 12,704,136</u></u> |
| | |
| Net position, water & sewer fund, as previously reported | \$ 7,112,588 |
| City's net pension liability, beginning balance | (49,414) |
| Deferred outflows of resources, pension related items, beginning balance | 11,663 |
| Beginning net position, water & sewer fund, restated | <u><u>\$ 7,074,837</u></u> |
| | |
| Net position, natural gas fund, as previously reported | \$ 5,597,958 |
| City's net pension liability, beginning balance | (22,173) |
| Deferred outflows of resources, pension related items, beginning balance | 5,233 |
| Beginning net position, natural gas fund, restated | <u><u>\$ 5,581,018</u></u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOCIAL CIRCLE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

| | <u>2015</u> |
|---|----------------------------|
| Total pension liability | |
| Service cost | \$ 82,778 |
| Interest on total pension liability | 186,271 |
| Differences between expected and actual experience | 23,309 |
| Changes of assumptions | (64,740) |
| Changes of benefit terms | 46,906 |
| Benefit payments, including refunds of employee contributions | <u>(93,585)</u> |
| Net change in total pension liability | 180,939 |
| Total pension liability - beginning | <u>2,450,290</u> |
| Total pension liability - ending (a) | <u><u>\$ 2,631,229</u></u> |
| Plan fiduciary net position | |
| Contributions - employer | \$ 96,015 |
| Net investment income | 244,943 |
| Benefit payments, including refunds of member contributions | (93,585) |
| Administrative expenses | <u>(7,860)</u> |
| Net change in plan fiduciary net position | 239,513 |
| Plan fiduciary net position - beginning | <u>2,146,158</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 2,385,671</u></u> |
| City's net pension liability - ending (a) - (b) | <u><u>\$ 245,558</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 90.67% |
| Covered-employee payroll | \$ 1,703,641 |
| City's net pension liability as a percentage of covered-employee payroll | 14.41% |

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF SOCIAL CIRCLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CITY CONTRIBUTIONS

| | 2015 |
|--|--------------|
| Actuarially determined contribution | \$ 97,541 |
| Contributions in relation to the actuarially determined contribution | 97,541 |
| Contribution deficiency (excess) | \$ - |
| Covered-employee payroll | \$ 1,387,784 |
| Contributions as a percentage of covered-employee payroll | 7.03% |

Notes to the Schedule:

(1) Actuarial Assumptions:

| | |
|---------------------------------------|---|
| Valuation Date | January 1, 2015 |
| Cost Method | Projected Unit Credit |
| Actuarial Asset Valuation Method | Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Assumed Rate of Return on Investments | 7.75% |
| Projected Salary Increases | 3.25% plus service based merit increases |
| Cost-of-living Adjustment | 3.25% for Class 1; 2.00% for Class 2 |
| Amortization Method | Closed level dollar for unfunded liability |
| Remaining Amortization Period | None remaining |

(2) The schedule will present 10 years of information once it is accumulated.

CITY OF SOCIAL CIRCLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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.

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, 2015

| | Special Revenue Fund | Permanent Fund | Total |
|--------------------------------------|----------------------------------|-------------------|-----------------------------------|
| ASSETS | Confiscations Pending Fund | Library Fund | Nonmajor Governmental Funds |
| Cash and cash equivalents | \$ 74,125 | \$ 12,438 | \$ 86,563 |
| Accounts receivable | 30 | 588 | 618 |
| Investments | - | 394,385 | 394,385 |
| Due from other funds | - | - | - |
| Total assets | \$ 74,155 | \$ 407,411 | \$ 481,566 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 59,746 | \$ - | \$ 59,746 |
| Total liabilities | 59,746 | - | 59,746 |
| FUND BALANCES | | | |
| Nonspendable - corpus | - | 350,000 | 350,000 |
| Restricted: | | | |
| Library | - | 57,411 | 57,411 |
| Public safety | 14,409 | - | 14,409 |
| Total fund balances | 14,409 | 407,411 | 421,820 |
| Total liabilities and fund balances | \$ 74,155 | \$ 407,411 | \$ 481,566 |

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, 2015

| | <u>Special Revenue Fund</u> | <u>Permanent Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|---|---------------------------|--|
| | <u>Confiscations Pending Fund</u> | <u>Library Fund</u> | |
| REVENUES | | | |
| Investment income | \$ 649 | \$ 4,013 | \$ 4,662 |
| Miscellaneous income | 5 | - | 5 |
| Total revenues | <u>654</u> | <u>4,013</u> | <u>4,667</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | 1,564 | - | 1,564 |
| Culture and recreation | - | 10,350 | 10,350 |
| Total expenditures | <u>1,564</u> | <u>10,350</u> | <u>11,914</u> |
| Deficiency of revenues over expenditures | <u>(910)</u> | <u>(6,337)</u> | <u>(7,247)</u> |
| OTHER FINANCING USES | | | |
| Transfers out | - | (465) | (465) |
| Total other financing uses | <u>-</u> | <u>(465)</u> | <u>(465)</u> |
| Net change in fund balances | (910) | (6,802) | (7,712) |
| FUND BALANCES, beginning of year | <u>15,319</u> | <u>414,213</u> | <u>429,532</u> |
| FUND BALANCES, end of year | <u>\$ 14,409</u> | <u>\$ 407,411</u> | <u>\$ 421,820</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, 2015**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|------------------|------------------|------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Interest | \$ 700 | \$ 700 | \$ 649 | \$ (51) |
| Fines and forfeitures | 1,000 | 1,000 | - | (1,000) |
| Miscellaneous | 10 | 10 | 5 | (5) |
| | <u>1,710</u> | <u>1,710</u> | <u>654</u> | <u>(1,056)</u> |
| Total revenues | | | | |
| EXPENDITURES | | | | |
| Public safety | <u>1,710</u> | <u>1,710</u> | <u>1,564</u> | <u>146</u> |
| Total expenditures | <u>1,710</u> | <u>1,710</u> | <u>1,564</u> | <u>146</u> |
| Net change in fund balances | - | - | (910) | (910) |
| FUND BALANCES, beginning of year | <u>15,319</u> | <u>15,319</u> | <u>15,319</u> | <u>-</u> |
| FUND BALANCES, end of year | <u>\$ 15,319</u> | <u>\$ 15,319</u> | <u>\$ 14,409</u> | <u>\$ (910)</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, 2015**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|--------------------------|--------------------------|--------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Investment income | \$ 12,400 | \$ 12,400 | \$ 4,013 | \$ (8,387) |
| Total revenues | <u>12,400</u> | <u>12,400</u> | <u>4,013</u> | <u>(8,387)</u> |
| EXPENDITURES | | | | |
| Culture and recreation | <u>11,900</u> | <u>11,900</u> | <u>10,350</u> | <u>1,550</u> |
| Total expenditures | <u>11,900</u> | <u>11,900</u> | <u>10,350</u> | <u>1,550</u> |
| Excess (deficiency) of revenues over expenditures | <u>500</u> | <u>500</u> | <u>(6,337)</u> | <u>(6,837)</u> |
| Other financing uses | | | | |
| Transfers out | <u>(500)</u> | <u>(500)</u> | <u>(465)</u> | <u>35</u> |
| Total other financing uses | <u>(500)</u> | <u>(500)</u> | <u>(465)</u> | <u>35</u> |
| Net change in fund balances | - | - | (6,802) | (6,802) |
| FUND BALANCES, beginning of year | <u>414,213</u> | <u>414,213</u> | <u>414,213</u> | <u>-</u> |
| FUND BALANCES, end of year | <u><u>\$ 414,213</u></u> | <u><u>\$ 414,213</u></u> | <u><u>\$ 407,411</u></u> | <u><u>\$ (6,802)</u></u> |

CITY OF SOCIAL CIRCLE, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE
LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <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> |
|------------------------------------|--|---------------------------------------|--|--|--|
| <u>2013 Project</u> | | | | | |
| Roads, sidewalks, drainage | \$ 850,000 | \$ 850,000 | \$ - | \$ 180,607 | \$ 180,607 |
| Library improvements and expansion | 500,000 | 500,000 | - | - | - |
| Water and sewer improvements | 500,000 | 500,000 | - | 10,050 | 10,050 |
| Recreation playgrounds | 250,000 | 250,000 | - | - | - |
| Public safety improvements | 1,000,000 | 1,000,000 | 17,428 | 33,463 | 50,891 |
| | <u>\$ 3,100,000</u> | <u>\$ 3,100,000</u> | <u>\$ 17,428</u> | <u>\$ 224,120</u> | <u>\$ 241,548</u> |

COMPONENT UNITS

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - BETTER HOMETOWN, INC. FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| CASH FLOWS FROM OPERATING ACTIVITIES | |
|--|-------------------------|
| Receipts from customers and users | \$ 53,430 |
| Payments to suppliers | <u>(51,048)</u> |
| Net cash provided by operating activities | <u>2,382</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | <u>7</u> |
| Net cash provided by investing activities | <u>7</u> |
| Net increase in cash and cash equivalents | 2,389 |
| Cash and cash equivalents, beginning of year | <u>21,753</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 24,142</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET | |
| CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 145 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | <u>2,237</u> |
| Net cash provided by operating activities | <u><u>\$ 2,382</u></u> |

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| CASH FLOWS FROM OPERATING ACTIVITIES | |
|---|------------------|
| Receipts from customers and users | \$ 69,477 |
| Payments to suppliers | (43,119) |
| Net cash provided by operating activities | <u>26,358</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 | (28,676) |
| Interest paid | (20,345) |
| Net cash used in capital and related financing activities | <u>(49,021)</u> |
| Net decrease in cash and cash equivalents | (22,662) |
| Cash and cash equivalents, beginning of year | <u>24,562</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,900</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 877 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 16,626 |
| Change in assets and liabilities: | |
| Increase in accounts receivable | 3,810 |
| Increase in due from primary government | 4,085 |
| Increase in customer deposits | <u>960</u> |
| Net cash provided by operating activities | <u>\$ 26,358</u> |

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | |
|--|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Payments to suppliers | \$ (12,990) |
| Net cash used in operating activities | <u>(12,990)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | <u>111</u> |
| Net cash provided by investing activities | <u>111</u> |
| Net decrease in cash and cash equivalents | (12,879) |
| Cash and cash equivalents, beginning of year | <u>89,535</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 76,656</u></u> |
| RECONCILIATION OF OPERATING LOSS TO NET | |
| CASH USED IN OPERATING ACTIVITIES | |
| Operating loss | <u>\$ (12,990)</u> |
| Net cash used in operating activities | <u><u>\$ (12,990)</u></u> |
| NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital contribution | <u><u>\$ 43,653</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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2015. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control as described in the accompanying schedule of findings and responses, as item 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

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

The City's Response to the Finding

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

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
November 24, 2015

CITY OF SOCIAL CIRCLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

| | |
|---|--|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: Material weaknesses identified? | <input checked="" type="checkbox"/> yes <input type="checkbox"/> no |
| Significant deficiencies identified? | <input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported |
| Noncompliance material to financial statements noted? | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no |

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2015 due to the total amount expended being less than \$500,000.

CITY OF SOCIAL CIRCLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2015-001 Revenues and Related Receivables

Criteria: Internal controls should be in place to ensure that revenues are appropriately recognized, including any related receivables at their net realizable value.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the City's revenues and related receivables.

Context/Cause: During our testing of revenues and related receivables, certain audit adjustments were required to correct current year amounts. The nature of these adjustments is as follows:

- The Water & Sewer Fund required an audit adjustment of approximately \$21,500 to adjust the allowance for doubtful accounts on the accrued service revenues.
- The Natural Gas Fund required an audit adjustment of approximately \$30,100 to adjust the allowance for doubtful accounts on the accrued service revenues.
- The Solid Waste Fund required an audit adjustment of approximately \$8,600 to adjust the allowance for doubtful accounts on the accrued service revenues.

Effects: Audit adjustments totaling approximately \$60,200 were needed to correctly report revenues and related receivables.

Recommendation: We recommend the City carefully review all revenue and related receivable accounts to ensure all necessary transactions are reported in the proper period and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that revenues and related receivables are properly recorded.