

**CITY OF SOCIAL CIRCLE, GEORGIA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017

---

TABLE OF CONTENTS

Page

**INTRODUCTORY SECTION**

Table of Contents ..... i and ii

**FINANCIAL SECTION**

Independent Auditor's Report..... 1-3

Management's Discussion and Analysis ..... 4-11

**Basic Financial Statements:**

**Government-wide Financial Statements:**

Statement of Net Position ..... 12

Statement of Activities ..... 13

**Fund Financial Statements:**

Balance Sheet – Governmental Funds ..... 14

**Statement of Revenues, Expenditures, and Changes in Fund**

Balances – Governmental Funds ..... 15

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**

Fund Balances of Governmental Funds to the Statement of Activities ..... 16

**General Fund - Statement of Revenues, Expenditures, and Changes in**

Fund Balances – Budget (GAAP Basis) and Actual ..... 17

Statement of Net Position – Proprietary Funds ..... 18

**Statement of Revenues, Expenses, and Changes in Fund Net**

Position – Proprietary Funds ..... 19

Statement of Cash Flows – Proprietary Funds ..... 20 and 21

Statement of Fiduciary Assets and Liabilities – Agency Fund ..... 22

Notes to Financial Statements ..... 23-56

**Required Supplementary Information:**

**Schedule of Changes in the City's Net Pension Liability**

and Related Ratios – Retirement Plan ..... 57

Schedule of City Contributions – Retirement Plan ..... 58

**Combining and Individual Fund Financial Statements and Schedules:**

Combining Balance Sheet – Nonmajor Governmental Funds ..... 59

**Combining Statement of Revenues, Expenditures, and Changes in Fund**

Balances – Nonmajor Governmental Funds ..... 60

**Schedule of Revenues, Expenditures, and Changes in Fund**

Balances – Budget and Actual – Confiscations Pending Fund ..... 61

**CITY OF SOCIAL CIRCLE, GEORGIA**

**FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

---

**TABLE OF CONTENTS**

**Page**

**FINANCIAL SECTION (CONTINUED)**

**Combining and Individual Fund Statements and Schedules (Continued):**

**Schedule of Revenues, Expenditures, and Changes in Fund**

**Balances – Budget and Actual – Library Fund .....62**

**Schedule of Expenditures of Special Purpose Local Option Sales Tax .....63**

**Statement of Cash Flows – Component Unit – Main Street, Inc. ....64**

**Statement of Cash Flows – Component Unit – Main Street Commission .....65**

**Statement of Cash Flows – Component Unit – Downtown Development Authority.....66**

**Statement of Cash Flows – Component Unit – Development Authority .....67**

**COMPLIANCE SECTION**

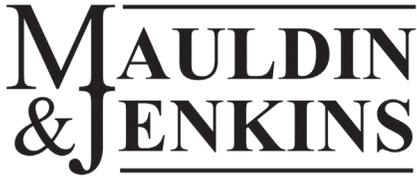
**Independent Auditor’s Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial**

**Statements Performed in Accordance with *Government Auditing Standards*..... 68-70**

**Schedule of Findings and Responses ..... 71 and 72**

## **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, 2017, 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 the 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 – 11, the Schedule of Changes in the City's Net Pension Liability on page 57 and the Schedule of City Contributions on page 58 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Social Circle, Georgia's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax, as required by the Official Code of Georgia 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

---

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, 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 solely 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 the effectiveness of the City of Social Circle, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Social Circle, Georgia's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 8, 2017

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

As management of the City of Social Circle, Georgia we present management's analysis of the City's financial condition and activities for the fiscal year ended June 30, 2017. This information should be read and considered in conjunction with the financial statements.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2017 by \$23,334,977 (total net position).
- Of this amount, \$4,911,860 (unrestricted net position) was available for use to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased by \$646,638.
- At the close of fiscal year 2017 the City's governmental funds reported combined ending fund balances of \$1,680,786. Of this amount, \$625,759 or 37.23% is available for spending at the government's discretion (Unassigned). The remaining balance of \$1,055,027, is allocated as \$460,216 (Nonspendable), \$319,631 (Restricted) and \$275,180 (Assigned).

**Overview of the Financial Statements**

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

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

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

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

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial, public safety, public

works, health and welfare, culture and recreation, and housing and development. The business-type activities of the City include water and sewer, natural gas, and solid waste management.

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

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

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

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

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison has been provided to demonstrate compliance with this budget. The City also adopted an annual budget for its special revenue and permanent funds. A project length budget was adopted for the capital project fund. Budgetary comparisons for the non-major funds are included as supplementary information.

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

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

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

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

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources at the close of fiscal year 2017 by \$23,334,977.

The largest component of net position is investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that are still outstanding, which comprises \$17,160,470 or 73.54%. The City uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### City of Social Circle Net Position

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<b>Assets:</b>						
Current assets	\$ 1,685,437	\$ 2,062,545	\$ 4,501,113	\$ 5,063,311	\$ 6,186,550	\$ 7,125,856
Restricted assets	-	-	480,232	593,016	480,232	593,016
Other assets	-	-	56,642	55,631	56,642	55,631
Capital assets	8,369,551	8,127,478	16,073,221	15,951,388	24,442,772	24,078,866
Total assets	10,054,988	10,190,023	21,111,208	21,663,346	31,166,196	31,853,369
<b>Deferred outflows of resources:</b>	200,049	135,887	60,609	40,435	260,658	176,322
<b>Liabilities:</b>						
Current liabilities	277,074	397,789	552,949	579,897	830,023	977,686
Long-term liabilities	1,106,206	1,012,543	6,763,442	6,628,397	7,869,648	7,640,940
Total liabilities	1,383,280	1,410,332	7,316,391	7,208,294	8,699,671	8,618,626
<b>Deferred inflows of resources:</b>	29,811	58,639	9,033	17,449	38,844	76,088
<b>Net position:</b>						
Net investment in capital assets	7,730,205	7,528,285	9,933,490	9,632,185	17,663,695	17,160,470
Restricted for:						
Public safety	10,409	14,455	-	-	10,409	14,455
Capital projects	160,494	248,136	-	593,016	160,494	841,152
Library expendable	67,676	57,040	-	-	67,676	57,040
Library nonexpendable	350,000	350,000	-	-	350,000	350,000
Unrestricted	523,162	659,023	3,912,903	4,252,837	4,436,065	4,911,860
Total net position	\$ 8,841,946	\$ 8,856,939	\$ 13,846,393	\$ 14,478,038	\$ 22,688,339	\$ 23,334,977

An additional portion of the City's net position, \$669,631 (7.56%), represents resources that are subject to external restrictions on how they may be used. \$407,040 for the library of which \$350,000 is nonexpendable, \$14,455 for public safety and \$248,136 for capital projects.

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

**Governmental Activities.** Governmental activities increased the City's net position by \$14,993.

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for service	\$ 261,141	\$ 206,668	\$ 5,788,320	\$ 6,687,038	\$ 6,049,461	\$ 6,893,706
Operating grants and contributions	165,000	267,979	10,373	3,422	175,373	271,401
Capital grants and contributions	509,192	527,971	-	-	509,192	527,971
General revenues:						
Property taxes	1,152,799	1,333,682	-	-	1,152,799	1,333,682
Sales tax	538,663	563,656	-	-	538,663	563,656
Other Taxes	823,949	824,328	-	-	823,949	824,328
Investment earnings	36,052	4,710	50,131	4,421	86,183	9,131
Other	21,629	12,224	-	-	21,629	12,224
Total revenue	<u>3,508,425</u>	<u>3,741,218</u>	<u>5,848,824</u>	<u>6,694,881</u>	<u>9,357,249</u>	<u>10,436,099</u>
<b>Expenses:</b>						
General government	1,105,137	1,151,102	-	-	1,105,137	1,151,102
Judicial	17,481	21,144	-	-	17,481	21,144
Public safety	2,030,208	2,280,633	-	-	2,030,208	2,280,633
Public works	806,483	1,059,128	-	-	806,483	1,059,128
Health & Welfare	78,492	101,600	-	-	78,492	101,600
Culture and recreation	142,423	145,085	-	-	142,423	145,085
Housing and development	85,403	98,761	-	-	85,403	98,761
Interest and fiscal charges	21,409	20,088	-	-	21,409	20,088
Water and sewer	-	-	2,224,622	2,412,541	2,224,622	2,412,541
Natural gas	-	-	2,097,356	2,220,727	2,097,356	2,220,727
Solid waste	-	-	251,965	278,652	251,965	278,652
Total Expenses	<u>4,287,036</u>	<u>4,877,541</u>	<u>4,573,943</u>	<u>4,911,920</u>	<u>8,860,979</u>	<u>9,789,461</u>
Change in net position before transfers	(778,611)	(1,136,323)	1,274,881	1,782,961	496,270	646,638
Transfers	660,319	1,151,316	(660,319)	(1,151,316)	-	-
Increase (decrease) in net position	(118,292)	14,993	614,562	631,645	496,270	646,638
Net position - beginning	8,960,238	8,841,946	13,231,831	13,846,393	22,192,069	22,688,339
Net position - ending	<u>\$ 8,841,946</u>	<u>\$ 8,856,939</u>	<u>\$ 13,846,393</u>	<u>\$ 14,478,038</u>	<u>\$ 22,688,339</u>	<u>\$ 23,334,977</u>

**Revenues.** Property taxes of \$1,333,682 and sales tax of \$563,656 accounted for 48.78% of total general revenues.

Operating Grants and contributions of governmental activities consisted of the following:

- GMA Health Promotion Grant \$4,000
- GMA Safety Grant \$5,200
- Firefighters Charitable Foundation Grant \$900
- Department of Justice Bullet Proof Vest Grant \$1,450
- Housing Authority In Lieu of Taxes \$7,566
- Walton County Fire \$52,000
- Section 18 Transportation Grant \$38,709
- GDOT LMIG \$68,826
- Walton County Healthcare Grant \$86,007
- FLPA \$3,321

Capital Grants and Contributions consisted of the following:

- Public Works \$147,462
- Culture and recreation \$380,509

**Expenses.** The total expense for the governmental activities is \$4,877,541. The largest single expenditure activity is public safety. Public safety includes the police department and the fire department. Total public safety expenses are \$2,280,633 or 46.75% of total governmental activities expenses.

Total program revenues, general revenues and transfers of governmental activities were more than expenses by \$14,993.

**Business-type activities.** Business-type activities increased the City's net position by \$631,645. Water and Sewer, Gas and Solid Waste revenues increased due to increased sales.

**Revenues.** Water and sewer charges for service were \$2,830,367. Natural gas charges for service were \$3,531,202. Solid Waste charges for service were \$325,469. Water and sewer revenue is derived from the sale of water and sewer services to the citizens of the City. Natural gas revenue is derived from the sale of natural gas to the citizens of the City. Solid Waste revenue is derived from the billing of the service to pick up household garbage.

**Expenses.** Water and sewer expenses were \$2,412,541. Natural gas expenses were \$2,220,727. Solid Waste expenses were \$278,652.

### **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,680,786. Approximately 37.23% of this amount \$625,759 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reported as Non-spendable, Restricted or Assigned and may only be used within the guidelines of those categories.

The General Fund is the chief operating fund of the City. At June 30, 2017 unassigned fund balance of the General Fund was \$625,759. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balances to total fund expenditures. Unassigned fund balance represents 14.04% of total General Fund expenditures and total General Fund fund balance represents 22.68% of total General Fund expenditures.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Water revenues increased mainly due to increased sales. Expenses were higher due to supplies and higher operating costs along with additional water projects. In the Gas Fund during the year, revenues were higher than budgetary estimates mostly due to the revenues received from gas sales at Stanton Springs. Expenses were lower overall due to lower operating costs. In Solid Waste revenues and expenses were slightly higher due to increased sales.

Unrestricted net position of the Water and Sewer Fund at June 30, 2017 amounted to \$1,298,208; those of the Natural Gas Fund amounted to \$2,916,094; and those of the Solid Waste Fund amounted to \$38,535. The total change in Water and Sewer net position was \$221,079; the change in Natural Gas net position was \$396,995; and the change in Solid Waste net position was \$13,571.

### **General Fund Budgetary Highlights**

General fund revenues were \$177,294, or 6%, less than the final budget. The variance in tax receipts in the amount of \$74,392 can be attributed to reduced electric franchise fees, a significant reduction in penalties and interest on delinquent taxes, a continuing decline in motor vehicle tax, and real property tax receipts 2.5% below budget. Municipal court fines and forfeitures were \$23,639, or 20% below budgeted amounts. In addition, awarded grant revenues of \$24,983 of which expenditures were not incurred and contracted per lot cost sharing payments from a developer for storm drainage improvements of \$43,114 were not received by the end of the fiscal year.

General Fund expenditures were \$239,621 less than budgeted. This variance reflects paving and financial software upgrade projects that were underway, but not completed during the year. In addition, position vacancies in Public Safety resulted in reduced expenditures during the year.

## Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$24,078,866, (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, building and improvements, equipment and vehicles.

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

### GOVERNMENTAL CAPITAL ASSETS

- Police Vehicles \$24,400
- Tyler Software \$22,004
- Fire Equipment \$54,187
- Street Vehicle \$50,452
- Drainage Improvements \$50,606
- Downtown Sidewalks \$46,520

### WATER

- Tyler Software \$21,830
- Roof at Water Plant \$47,364
- Water Maps \$28,500
- WWTP Additions \$5,539

### GAS

- Tyler Software \$21,830
- Gas Equipment \$31,500
- Stanton Springs Connection \$349,936
- City Share of Stanton Springs Gas System \$159,450

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Land	\$ 938,408	\$ 938,408	\$ -	\$ -	\$ 938,408	\$ 938,408
Construction in progress	23,754	142,884	583,922	391,768	607,676	534,652
Infrastructure	3,798,479	3,669,352	15,268,657	15,340,065	19,067,136	19,009,417
Building	2,522,390	2,394,399	-	-	2,522,390	2,394,399
Equipment and vehicles	1,086,520	982,435	220,642	219,555	1,307,162	1,201,990
<b>Total</b>	<b>\$ 8,369,551</b>	<b>\$ 8,127,478</b>	<b>\$ 16,073,221</b>	<b>\$ 15,951,388</b>	<b>\$ 24,442,772</b>	<b>\$ 24,078,866</b>

Long-term debt. At the end of the current fiscal year, the City had total outstanding revenue bond and loan indebtedness in the amount of \$7,099,640. Water and sewerage revenue bonds account for \$6,483,634, Governmental Activities capital leases account for \$599,193, and notes payable account for \$16,813.

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Revenue bonds payable	\$ -	\$ -	\$ 6,600,385	\$ 6,483,634	\$ 6,600,385	\$ 6,483,634
Notes payable	-	-	19,578	16,813	19,578	16,813
Compensated absences	63,890	83,503	21,386	29,798	85,276	113,301
Net pension liability	402,970	329,847	122,093	98,152	525,063	427,999
Capital leases payable	639,346	599,193	-	-	639,346	599,193
<b>Total</b>	<b>\$ 1,106,206</b>	<b>\$ 1,012,543</b>	<b>\$ 6,763,442</b>	<b>\$ 6,628,397</b>	<b>\$ 7,869,648</b>	<b>\$ 7,640,940</b>

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

**Economic Factors**

The local economy continued to exhibit signs of growth during fiscal year 2017 as evidenced by increased building permits and value of construction, new home construction, new business starts in the downtown, and increasing industry operations and employment.

There are fewer vacant storefronts remaining in the downtown, and an increase in potential new business inquiries are being received. The supply of homes available is low reflecting strong demand in the housing sales market. New home construction is steady and spread across the City in three developments and on larger lots. Reassessment of property values in 2016 reflected a continuation of the appreciation of property values that was first apparent in 2015 since the recession.

Utility sales are increasing reflecting increasing industrial activity as well as increases in population.

Social Circle contains portions of two potential large scale future industrial sites which are being marketed by the Newton County and Walton County Economic Development Authorities. In addition, Stanton Springs, on the southern border of the City, is home to Shire, a new pharmaceutical industry plant which completed its pre-production testing during fiscal year 2017. Shire will initiate production in 2018 and has announced plans to hire 700 employees in 2018. Additional industrial sites are available in the Stanton Springs Park. The number of inquiries associated with these sites increased significantly during fiscal year 2017 providing further indication of the strengthening local economic conditions.

**Requests for Information**

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

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF NET POSITION JUNE 30, 2017

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Main Street, Inc.	Main Street Commission	Downtown Development Authority	Development Authority
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,137,238	\$ 3,753,048	\$ 4,890,286	\$ 23,099	\$ 18,038	\$ 25,888	\$ 76,779
Investments	394,357	850,683	1,245,040	-	-	-	-
Accounts receivable, net of allowances	41,141	612,008	653,149	-	-	2,050	-
Taxes receivable, net of allowances	8,557	-	8,557	-	-	-	-
Internal balances	184,838	(184,838)	-	-	-	-	-
Due from component unit	16,600	-	16,600	-	-	-	-
Due from other governments	169,598	514	170,112	-	-	-	-
Prepaid expenses	110,216	31,896	142,112	-	-	-	-
Restricted assets:							
Cash and cash equivalents	-	593,016	593,016	-	-	-	-
Other assets	-	39,021	39,021	-	-	-	-
Prepaid bond insurance	-	16,610	16,610	-	-	-	-
Capital assets:							
Non-depreciable	1,081,292	391,768	1,473,060	-	-	100,000	864,436
Depreciable, net of accumulated depreciation	7,046,186	15,559,620	22,605,806	-	-	497,261	-
<b>Total assets</b>	<b>10,190,023</b>	<b>21,663,346</b>	<b>31,853,369</b>	<b>23,099</b>	<b>18,038</b>	<b>625,199</b>	<b>941,215</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension related items	135,887	40,435	176,322	-	-	-	-
<b>Total deferred outflows of resources</b>	<b>135,887</b>	<b>40,435</b>	<b>176,322</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>							
Accounts payable	273,839	155,687	429,526	89	-	-	-
Accrued liabilities	123,950	126,362	250,312	-	-	932	-
Customer deposits	-	297,848	297,848	-	-	7,605	-
Due to primary government	-	-	-	-	-	16,600	-
Long-term liabilities:							
Portion due or payable within one year:							
Capital leases	41,482	-	41,482	-	-	-	-
Notes payable	-	2,896	2,896	-	-	42,180	-
Bonds payable	-	110,000	110,000	-	-	-	-
Compensated absences	61,428	12,549	73,977	-	-	-	-
Portion due or payable in more than one year:							
Capital leases	557,711	-	557,711	-	-	-	-
Notes payable	-	13,917	13,917	-	-	409,649	-
Bonds payable, net	-	6,373,634	6,373,634	-	-	-	-
Net pension liability	329,847	98,152	427,999	-	-	-	-
Compensated absences	22,075	17,249	39,324	-	-	-	-
<b>Total liabilities</b>	<b>1,410,332</b>	<b>7,208,294</b>	<b>8,618,626</b>	<b>89</b>	<b>-</b>	<b>476,966</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension related items	58,639	17,449	76,088	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>58,639</b>	<b>17,449</b>	<b>76,088</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>							
Net investment in capital assets	7,528,285	9,632,185	17,160,470	-	-	145,432	864,436
Restricted for:							
Public safety	14,455	-	14,455	-	-	-	-
Capital projects	248,136	593,016	841,152	-	-	-	-
Library - expendable	57,040	-	57,040	-	-	-	-
Library - nonexpendable	350,000	-	350,000	-	-	-	-
Unrestricted	659,023	4,252,837	4,911,860	23,010	18,038	2,801	76,779
<b>Total net position</b>	<b>\$ 8,856,939</b>	<b>\$ 14,478,038</b>	<b>\$ 23,334,977</b>	<b>\$ 23,010</b>	<b>\$ 18,038</b>	<b>\$ 148,233</b>	<b>\$ 941,215</b>

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, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,151,102	\$ 22,225	\$ 7,566	\$ -
Judicial	21,144	94,361	-	-
Public safety	2,280,633	15,155	147,207	-
Public works	1,059,128	63,836	113,206	147,462
Health and welfare	101,600	-	-	-
Culture and recreation	145,085	11,091	-	380,509
Housing and development	98,761	-	-	-
Interest on long-term debt	20,088	-	-	-
Total governmental activities	4,877,541	206,668	267,979	527,971
Business-type activities:				
Water and sewer	2,412,541	2,830,367	1,824	-
Natural gas	2,220,727	3,531,202	1,598	-
Solid waste	278,652	325,469	-	-
Total business-type activities	4,911,920	6,687,038	3,422	-
Total primary government	\$ 9,789,461	\$ 6,893,706	\$ 271,401	\$ 527,971
<b>Component units:</b>				
Main Street, Inc.	\$ 32,643	\$ 118	\$ 23,838	\$ -
Main Street Commission	12,112	-	30,150	-
Downtown Development Authority	68,959	87,119	-	-
Development Authority	-	-	-	-
Total component units	\$ 113,714	\$ 87,237	\$ 53,988	\$ -

General revenues:

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

Transfers

- Total general revenues and transfers
- Change in net position

Net position, beginning of year

Net position, end of year

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

**Net (Expenses) Revenues and Changes in Net Position**

Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Main Street, Inc.	Main Street Commission	Downtown Development Authority	Development Authority
\$ (1,121,311)	\$ -	\$ (1,121,311)	\$ -	\$ -	\$ -	\$ -
73,217	-	73,217	-	-	-	-
(2,118,271)	-	(2,118,271)	-	-	-	-
(734,624)	-	(734,624)	-	-	-	-
(101,600)	-	(101,600)	-	-	-	-
246,515	-	246,515	-	-	-	-
(98,761)	-	(98,761)	-	-	-	-
(20,088)	-	(20,088)	-	-	-	-
<u>(3,874,923)</u>	<u>-</u>	<u>(3,874,923)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	419,650	419,650	-	-	-	-
-	1,312,073	1,312,073	-	-	-	-
-	46,817	46,817	-	-	-	-
-	1,778,540	1,778,540	-	-	-	-
<u>\$ (3,874,923)</u>	<u>\$ 1,778,540</u>	<u>\$ (2,096,383)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (8,687)	\$ -	\$ -	\$ -
-	-	-	-	18,038	-	-
-	-	-	-	-	18,160	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,687)</u>	<u>\$ 18,038</u>	<u>\$ 18,160</u>	<u>\$ -</u>
\$ 1,333,682	\$ -	\$ 1,333,682	\$ -	\$ -	\$ -	\$ -
563,656	-	563,656	-	-	-	-
454,899	-	454,899	-	-	-	-
19,750	-	19,750	-	-	-	-
263,887	-	263,887	-	-	-	-
85,792	-	85,792	-	-	-	-
4,710	4,421	9,131	6	-	2	44
12,224	-	12,224	-	-	-	-
1,151,316	(1,151,316)	-	-	-	-	-
<u>3,889,916</u>	<u>(1,146,895)</u>	<u>2,743,021</u>	<u>6</u>	<u>-</u>	<u>2</u>	<u>44</u>
14,993	631,645	646,638	(8,681)	18,038	18,162	44
8,841,946	13,846,393	22,688,339	31,691	-	130,071	941,171
<u>\$ 8,856,939</u>	<u>\$ 14,478,038</u>	<u>\$ 23,334,977</u>	<u>\$ 23,010</u>	<u>\$ 18,038</u>	<u>\$ 148,233</u>	<u>\$ 941,215</u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2017

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 924,091	\$ 178,960	\$ 34,187	\$ 1,137,238
Investments	-	-	394,357	394,357
Taxes receivable, net of allowance	8,557	-	-	8,557
Accounts receivable	38,457	-	2,684	41,141
Due from other governments	81,983	87,615	-	169,598
Due from other funds	203,277	-	-	203,277
Due from component unit	16,600	-	-	16,600
Prepaid items	110,216	-	-	110,216
<b>Total assets</b>	<b>\$ 1,383,181</b>	<b>\$ 266,575</b>	<b>\$ 431,228</b>	<b>\$ 2,080,984</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 264,106	\$ -	\$ 9,733	\$ 273,839
Accrued liabilities	107,920	-	-	107,920
Due to other funds	-	18,439	-	18,439
<b>Total liabilities</b>	<b>372,026</b>	<b>18,439</b>	<b>9,733</b>	<b>400,198</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Permanent fund corpus	-	-	350,000	350,000
Prepays	110,216	-	-	110,216
Restricted:				
Library	-	-	57,040	57,040
Public safety	-	-	14,455	14,455
Capital projects	-	248,136	-	248,136
Assigned:				
Library	31,267	-	-	31,267
Cemetery	70,573	-	-	70,573
UB software	30,028	-	-	30,028
Cardiac monitor	26,998	-	-	26,998
Gabriel way storm drainage	47,317	-	-	47,317
LMIG paving	68,997	-	-	68,997
Unassigned	625,759	-	-	625,759
<b>Total fund balances</b>	<b>1,011,155</b>	<b>248,136</b>	<b>421,495</b>	<b>1,680,786</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,383,181</b>	<b>\$ 266,575</b>	<b>\$ 431,228</b>	
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.				8,127,478
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(698,726)
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.				(252,599)
Net position of governmental activities				<b>\$ 8,856,939</b>

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, 2017**

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,732,792	\$ -	\$ -	\$ 2,732,792
Licenses and permits	74,507	-	-	74,507
Intergovernmental	267,979	518,549	-	786,528
Fines and forfeitures	94,361	-	15,155	109,516
Charges for services	11,590	-	-	11,590
Interest income	751	54	3,959	4,764
Miscellaneous	11,055	-	-	11,055
Total revenues	<u>3,193,035</u>	<u>518,603</u>	<u>19,114</u>	<u>3,730,752</u>
<b>Expenditures</b>				
Current:				
General government	1,012,662	-	-	1,012,662
Judicial	20,835	-	-	20,835
Public safety	2,123,179	-	11,136	2,134,315
Public works	911,373	153,217	-	1,064,590
Health and welfare	101,269	-	-	101,269
Culture and recreation	128,988	1,000	10,350	140,338
Housing and development	98,761	-	-	98,761
Debt service:				
Principal retirements	40,153	-	-	40,153
Interest	21,162	-	-	21,162
Total expenditures	<u>4,458,382</u>	<u>154,217</u>	<u>21,486</u>	<u>4,634,085</u>
Excess (deficiency) of revenues over expenditures	<u>(1,265,347)</u>	<u>364,386</u>	<u>(2,372)</u>	<u>(903,333)</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,155,534	-	-	1,155,534
Transfers out	-	-	(4,218)	(4,218)
Proceeds from sale of capital assets	18,462	-	-	18,462
Total other financing sources (uses)	<u>1,173,996</u>	<u>-</u>	<u>(4,218)</u>	<u>1,169,778</u>
Net change in fund balances	(91,351)	364,386	(6,590)	266,445
<b>Fund balances, beginning of year</b>	<u>1,102,506</u>	<u>(116,250)</u>	<u>428,085</u>	<u>1,414,341</u>
<b>Fund balances, end of year</b>	<u>\$ 1,011,155</u>	<u>\$ 248,136</u>	<u>\$ 421,495</u>	<u>\$ 1,680,786</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, 2017

---

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

Net change in fund balances - total governmental funds	\$	266,445
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.		(245,203)
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and donations) is to increase net position.		3,130
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(11,126)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents the principal repayment of long-term debt.		40,153
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>(38,406)</u>
Change in net position - governmental activities	\$	<u>14,993</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, 2017

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,688,250	\$ 2,807,184	\$ 2,732,792	\$ (74,392)
Licenses and permits	69,700	69,700	74,507	4,807
Fines and forfeitures	118,000	118,000	94,361	(23,639)
Interest	100	100	751	651
Charges for services	21,500	21,500	11,590	(9,910)
Intergovernmental	113,000	292,014	267,979	(24,035)
Miscellaneous	15,400	61,831	11,055	(50,776)
Total revenues	<u>3,025,950</u>	<u>3,370,329</u>	<u>3,193,035</u>	<u>(177,294)</u>
<b>Expenditures</b>				
Current:				
General government:				
Governing body	125,376	125,376	120,705	4,671
Chief executive	139,804	141,004	140,679	325
Board of elections	200	200	60	140
Clerk - administrative	102,624	102,624	101,336	1,288
Financial administration	604,778	579,778	550,437	29,341
Law	25,000	99,480	99,445	35
Total general government	<u>997,782</u>	<u>1,048,462</u>	<u>1,012,662</u>	<u>35,800</u>
Judicial:				
Municipal court	17,909	20,979	20,835	144
Total judicial	<u>17,909</u>	<u>20,979</u>	<u>20,835</u>	<u>144</u>
Public safety:				
Police	1,225,809	1,163,846	1,133,726	30,120
Fire	941,945	1,050,534	989,453	61,081
Total public safety	<u>2,167,754</u>	<u>2,214,380</u>	<u>2,123,179</u>	<u>91,201</u>
Public works:				
Highways and streets	601,783	923,964	823,336	100,628
Cemetery	101,300	93,764	88,037	5,727
Total public works	<u>703,083</u>	<u>1,017,728</u>	<u>911,373</u>	<u>106,355</u>
Health and welfare:				
Transportation services	92,806	101,942	101,269	673
Total health and welfare	<u>92,806</u>	<u>101,942</u>	<u>101,269</u>	<u>673</u>
Culture and recreation:				
Library	131,374	131,374	128,988	2,386
Total culture and recreation	<u>131,374</u>	<u>131,374</u>	<u>128,988</u>	<u>2,386</u>
Housing and development:				
Urban redevelopment and housing	4,000	4,000	1,198	2,802
Economic development and assistance	89,608	97,821	97,563	258
Total housing and development	<u>93,608</u>	<u>101,821</u>	<u>98,761</u>	<u>3,060</u>
Debt service:				
Principal	41,483	40,154	40,153	1
Interest	19,834	21,163	21,162	1
Total debt service	<u>61,317</u>	<u>61,317</u>	<u>61,315</u>	<u>2</u>
Total expenditures	<u>4,265,633</u>	<u>4,698,003</u>	<u>4,458,382</u>	<u>239,621</u>
Deficiency of revenues over expenditures	(1,239,683)	(1,327,674)	(1,265,347)	62,327
<b>Other financing sources</b>				
Transfers in	1,145,300	1,026,366	1,155,534	129,168
Sale of capital assets	-	-	18,462	18,462
Total other financing sources	<u>1,145,300</u>	<u>1,026,366</u>	<u>1,173,996</u>	<u>147,630</u>
Net change in fund balances	(94,383)	(301,308)	(91,351)	209,957
<b>Fund balance, beginning of year</b>	<u>1,102,506</u>	<u>1,102,506</u>	<u>1,102,506</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,008,123</u>	<u>\$ 801,198</u>	<u>\$ 1,011,155</u>	<u>\$ 209,957</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, 2017

ASSETS	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,543,257	\$ 2,189,113	\$ 20,678	\$ 3,753,048
Investments	-	850,683	-	850,683
Accounts receivable, net	271,881	297,779	42,348	612,008
Due from other funds	182	-	-	182
Due from other governments	-	499	15	514
Prepaid items	26,195	5,701	-	31,896
	1,841,515	3,343,775	63,041	5,248,331
<b>Restricted assets</b>				
Cash and cash equivalents	593,016	-	-	593,016
	2,434,531	3,343,775	63,041	5,841,347
<b>NONCURRENT ASSETS</b>				
Prepaid bond insurance	16,610	-	-	16,610
Other assets	39,021	-	-	39,021
	55,631	-	-	55,631
<b>CAPITAL ASSETS</b>				
Nondepreciable	369,939	21,829	-	391,768
Depreciable, net of accumulated depreciation	12,105,451	3,454,169	-	15,559,620
	12,475,390	3,475,998	-	15,951,388
	14,965,552	6,819,773	63,041	21,848,366
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	27,598	12,837	-	40,435
	27,598	12,837	-	40,435
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	-	155,687	-	155,687
Accrued liabilities	121,012	5,350	-	126,362
Customer deposits	100,718	197,130	-	297,848
Due to other funds	118,047	42,467	24,506	185,020
Compensated absences payable - current	9,365	3,184	-	12,549
Revenue bonds payable - current	110,000	-	-	110,000
Notes payable - current	2,896	-	-	2,896
	462,038	403,818	24,506	890,362
<b>NONCURRENT LIABILITIES</b>				
Revenue bonds payable	6,373,634	-	-	6,373,634
Notes payable	13,917	-	-	13,917
Net pension liability	66,992	31,160	-	98,152
Compensated absences payable	17,249	-	-	17,249
	6,471,792	31,160	-	6,502,952
	6,933,830	434,978	24,506	7,393,314
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	11,909	5,540	-	17,449
	11,909	5,540	-	17,449
<b>NET POSITION</b>				
Net investment in capital assets	6,156,187	3,475,998	-	9,632,185
Restricted for capital projects	593,016	-	-	593,016
Unrestricted	1,298,208	2,916,094	38,535	4,252,837
	\$ 8,047,411	\$ 6,392,092	\$ 38,535	\$ 14,478,038

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, 2017**

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$ 2,830,367	\$ 3,531,202	\$ 325,469	\$ 6,687,038
Total operating revenues	<u>2,830,367</u>	<u>3,531,202</u>	<u>325,469</u>	<u>6,687,038</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and services	56,998	1,744,876	-	1,801,874
General operating expenses	1,718,013	374,105	278,652	2,370,770
Depreciation & amortization	384,652	101,746	-	486,398
Total operating expenses	<u>2,159,663</u>	<u>2,220,727</u>	<u>278,652</u>	<u>4,659,042</u>
Operating income	<u>670,704</u>	<u>1,310,475</u>	<u>46,817</u>	<u>2,027,996</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	1,429	2,988	4	4,421
Interest expense	(252,878)	-	-	(252,878)
Other revenue	1,824	1,598	-	3,422
Total non-operating revenues (expenses)	<u>(249,625)</u>	<u>4,586</u>	<u>4</u>	<u>(245,035)</u>
Net income before transfers	421,079	1,315,061	46,821	1,782,961
Transfers out	(200,000)	(918,066)	(33,250)	(1,151,316)
Total transfers	<u>(200,000)</u>	<u>(918,066)</u>	<u>(33,250)</u>	<u>(1,151,316)</u>
Change in net position	221,079	396,995	13,571	631,645
<b>Net position, beginning of year</b>	<u>7,826,332</u>	<u>5,995,097</u>	<u>24,964</u>	<u>13,846,393</u>
<b>Net position, end of year</b>	<u>\$ 8,047,411</u>	<u>\$ 6,392,092</u>	<u>\$ 38,535</u>	<u>\$ 14,478,038</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, 2017

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,853,258	\$ 3,441,963	\$ 326,906	\$ 6,622,127
Payments to suppliers	(961,290)	(1,845,328)	(275,592)	(3,082,210)
Payments to employees	(677,061)	(195,827)	-	(872,888)
Net cash provided by operating activities	1,214,907	1,400,808	51,314	2,667,029
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Other revenue	1,824	1,598	-	3,422
Transfers out to other funds	(200,000)	(918,066)	(33,250)	(1,151,316)
Net cash used in non-capital financing activities	(198,176)	(916,468)	(33,250)	(1,147,894)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(103,233)	(267,072)	-	(370,305)
Principal payments on bonds payable	(110,000)	-	-	(110,000)
Principal payments on notes payable	(2,765)	-	-	(2,765)
Interest and bond issuance costs paid	(252,910)	-	-	(252,910)
Net cash used in capital and related financing activities	(468,908)	(267,072)	-	(735,980)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	(2,705)	-	(2,705)
Interest received	1,429	4,286	4	5,719
Net cash provided by investing activities	1,429	1,581	4	3,014
Net increase in cash and cash equivalents	549,252	218,849	18,068	786,169
Cash and cash equivalents, beginning of year	1,587,021	1,970,264	2,610	3,559,895
Cash and cash equivalents, end of year	\$ 2,136,273	\$ 2,189,113	\$ 20,678	\$ 4,346,064
<b>Classified as:</b>				
Cash and cash equivalents	\$ 1,543,257	\$ 2,189,113	\$ 20,678	\$ 3,753,048
Restricted cash and cash equivalents	593,016	-	-	593,016
	\$ 2,136,273	\$ 2,189,113	\$ 20,678	\$ 4,346,064

(Continued)

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 670,704	\$ 1,310,475	\$ 46,817	\$ 2,027,996
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	384,652	101,746	-	486,398
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	23,073	(91,153)	1,362	(66,718)
Decrease in due from other governments	-	-	75	75
(Increase) decrease in due from other funds	(182)	1,914	-	1,732
Decrease in prepaid items	42,837	5,408	-	48,245
Decrease in pension related deferred outflows of resources	14,186	5,988	-	20,174
Increase (decrease) in accounts payable	(13,615)	31,092	-	17,477
Increase (decrease) in accrued liabilities	4,371	(726)	-	3,645
Increase in customer deposits	2,246	3,612	-	5,858
Decrease in net pension liability	(17,177)	(6,764)	-	(23,941)
Increase in pension related deferred inflows of resources	5,682	2,734	-	8,416
Increase in compensated absences payable	7,811	601	-	8,412
Increase in due to other funds	90,319	35,881	3,060	129,260
Net cash provided by operating activities	<u>\$ 1,214,907</u>	<u>\$ 1,400,808</u>	<u>\$ 51,314</u>	<u>\$ 2,667,029</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, 2017**

---

	<b>ASSETS</b>	<b>Board of Education Fund</b>
Cash		\$ 33,294
Taxes receivable		<u>119,010</u>
Total assets		<u><u>\$ 152,304</u></u>
	<b>LIABILITIES</b>	
Due to others		<u>\$ 152,304</u>
Total liabilities		<u><u>\$ 152,304</u></u>

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

**CITY OF SOCIAL CIRCLE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**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 Main Street, 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 Social Circle Main Street, Inc. was also established as an independent 501c3. This entity entered into a memoranda of understanding with the City and Georgia Department of Community Affairs to serve as the Main Street Program – Governing Body for Social Circle Main Street Program. The governing body of Social Circle Main Street, Inc. consisted of 15 individuals selected at large by the current Board Members and the Social Circle City manager, who served as an ex-officio member. Although the City did not have the authority to approve or modify Social Circle Main Street, Inc's operational and capital budgets, the City provided a significant amount of their operating support while they served the City under the Georgia Main Street Program. Social Circle Main Street, Inc. does not issue separate financial statements and is included as a discretely presented component unit in the City's financial report.

In February 2017, the City entered into a MOU with the Social Circle Main Street Commission to serve as the governing body for the Social Circle Main Street program. The Social Circle Main Street, Inc. continues as a 501c3; however since February 2017 the City does not provide revenues or operating support.

## NOTES TO FINANCIAL STATEMENTS

---

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

#### A. Reporting Entity (Continued)

Social Circle Main Street Commission was activated by resolution in 2017 to promote and revitalize the downtown business district of Social Circle, oversee the Main Street Program as described in the rules and regulations of the Georgia Department of Community Affairs, and raise and oversee the use of contributed private capital for Main Street program initiatives. The Governing body of Social Circle Main Street Commission consists of 15 individuals appointed by City Council 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 Main Street Commission grants and contributions funded budgets, the City provides a significant amount of their operating support. Social Circle Main Street Commission does not issue separate financial statements and is included as a discretely presented component unit in the City's financial report.

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 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 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.

## NOTES TO FINANCIAL STATEMENTS

---

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

#### **B. Government-wide and Fund Financial Statements (Continued)**

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.

#### **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.

## NOTES TO FINANCIAL STATEMENTS

---

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

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

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.

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.

## NOTES TO FINANCIAL STATEMENTS

---

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

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

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.

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.

## NOTES TO FINANCIAL STATEMENTS

---

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

#### 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. Increases or decreases in the fair value during the year are recognized as a component of interest income.

#### 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, 2017, are recorded as prepaid items in both government-wide and fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

---

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

#### 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 acquisition 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**

The City 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 deferred outflows of resources 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, deferred inflows and outflows of resources, 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 \$698,726 difference are as follows:

Capital lease payable	\$ (599,193)
Accrued interest payable	(16,030)
Compensated absences	<u>(83,503)</u>
Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (698,726)</u></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 \$252,599 difference are as follows:

Net pension liability	\$ (329,847)
Deferred outflows of resources	135,887
Deferred inflows of resources	<u>(58,639)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (252,599)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$245,203 difference are as follows:

Capital outlay	\$ 248,169
Depreciation expense	<u>(493,372)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (245,203)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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

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

Another element of the reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and donations) is to increase net position.” The details of this \$3,130 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.

Sale of capital assets	\$ (6,238)
Donation of capital assets	<u>9,368</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 3,130</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 \$38,406 difference are as follows:

Compensated absences	\$ (19,613)
Pension expense	(19,867)
Accrued interest	<u>1,074</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>\$ (38,406)</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 July 1.
4. The adopted budget may be revised during the year only by formal action of the City Council in a regular meeting and no increase shall be made therein without provision also being made for financing same, for anything above the legal level of budgetary control, which is the department level. The final budget amounts shown in these financial statements reflect amendments approved by the City Council.

**The remainder of this page is intentionally left blank.**

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2017 are summarized as follows:

Amounts as presented on the entity wide statement of net position:	
Cash and cash equivalents	\$ 4,890,286
Restricted cash and cash equivalents	593,016
Investments	1,245,040
Cash as presented on the Statement of Fiduciary Assets and Liabilities	33,294
Total	\$ 6,761,636
Cash deposited with financial institutions	\$ 6,367,278
Fixed income mutual funds	249,938
Alternative investment mutual funds	20,166
Equity stocks	124,254
	\$ 6,761,636

**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, 2017, the City had the following investments:

Investment	Maturities (in years)	Fair Value
Certificate of deposit	1 yr	\$ 850,682
Fixed income mutual funds	5.4 yrs	36,578
Fixed income mutual funds	6.8 yrs	76,857
Fixed income mutual funds	10.5 yrs	83,710
Fixed income mutual funds	7.5 yrs	20,367
Fixed income mutual funds	4.4 yrs	8,162
Fixed income mutual funds	5.1 yrs	24,264
Alternative investment mutual funds	--	20,166
Equity stocks	--	124,254
Total		\$ 1,245,040

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

## NOTES TO FINANCIAL STATEMENTS

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

**Fair Value Measurements.** The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2017:

Investment	Level 1	Fair Value
Fixed Income Mutual Funds	\$ 249,938	\$ 249,938
Alternative Investment Mutual Funds	20,166	20,166
Equity Stocks	124,254	124,254
Total investments measured at fair value	\$ 394,358	\$ 394,358
Investments not subject to level disclosure:		
Certificates of Deposit		850,682
Total investments		\$ 1,245,040

The Fixed Income Mutual Funds, Alternative Investment Mutual Funds, and the Equity Stocks classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

**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, 2017, the City's deposits are insured or collateralized as required by state law.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The City bills and collects its own property taxes. The taxes are levied by October 20 based on the assessed value of property as listed on the previous January 1 and are due on December 20.

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

Receivables at June 30, 2017, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental</u>	<u>Water &amp; Sewer</u>	<u>Natural Gas</u>	<u>Other Enterprise</u>
Receivables:						
Taxes	\$ 67,851	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	38,457	-	2,684	540,281	383,341	111,926
Other governments	81,983	87,615	-	-	499	15
Less allowance for uncollectible	<u>59,294</u>	<u>-</u>	<u>-</u>	<u>268,400</u>	<u>85,562</u>	<u>69,578</u>
Net total receivable	<u>\$ 128,997</u>	<u>\$ 87,615</u>	<u>\$ 2,684</u>	<u>\$ 271,881</u>	<u>\$ 298,278</u>	<u>\$ 42,363</u>

The remainder of this page is intentionally left blank.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### Primary Government

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 938,408	\$ -	\$ -	\$ -	\$ 938,408
Construction in progress	23,754	119,130	-	-	142,884
Total	<u>962,162</u>	<u>119,130</u>	<u>-</u>	<u>-</u>	<u>1,081,292</u>
Capital assets, being depreciated:					
Infrastructure	4,647,879	-	-	-	4,647,879
Buildings and improvements	3,921,084	-	-	-	3,921,084
Equipment, furniture & vehicles	3,460,290	138,407	(120,499)	-	3,478,198
Total	<u>12,029,253</u>	<u>138,407</u>	<u>(120,499)</u>	<u>-</u>	<u>12,047,161</u>
Less accumulated depreciation for:					
Infrastructure	(849,400)	(129,127)	-	-	(978,527)
Buildings and improvements	(1,398,694)	(127,991)	-	-	(1,526,685)
Equipment, furniture & vehicles	(2,373,770)	(236,254)	114,261	-	(2,495,763)
Total	<u>(4,621,864)</u>	<u>(493,372)</u>	<u>114,261</u>	<u>-</u>	<u>(5,000,975)</u>
Total capital assets, being depreciated, net	<u>7,407,389</u>	<u>(354,965)</u>	<u>(6,238)</u>	<u>-</u>	<u>7,046,186</u>
Governmental activities capital assets, net	<u>\$ 8,369,551</u>	<u>\$ (235,835)</u>	<u>\$ (6,238)</u>	<u>\$ -</u>	<u>\$ 8,127,478</u>

The remainder of this page is intentionally left blank.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Construction in progress	\$ 583,922	\$ 103,490	\$ -	\$ (295,644)	\$ 391,768
Total	<u>583,922</u>	<u>103,490</u>	<u>-</u>	<u>(295,644)</u>	<u>391,768</u>
Capital assets, being depreciated:					
Infrastructure	21,673,912	206,815	-	295,644	22,176,371
Machinery & equipment	452,104	60,000	-	-	512,104
Vehicles	424,054	-	(6,203)	-	417,851
Total	<u>22,550,070</u>	<u>266,815</u>	<u>(6,203)</u>	<u>295,644</u>	<u>23,106,326</u>
Less accumulated depreciation for:					
Infrastructure	(6,405,255)	(431,051)	-	-	(6,836,306)
Machinery & equipment	(332,443)	(22,735)	-	-	(355,178)
Vehicles	(323,073)	(38,352)	6,203	-	(355,222)
Total	<u>(7,060,771)</u>	<u>(492,138)</u>	<u>6,203</u>	<u>-</u>	<u>(7,546,706)</u>
Total capital assets, being depreciated, net	<u>15,489,299</u>	<u>(225,323)</u>	<u>-</u>	<u>295,644</u>	<u>15,559,620</u>
Business-type activities capital assets, net	<u>\$ 16,073,221</u>	<u>\$ (121,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,951,388</u>

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

Governmental activities:	
General government	\$ 142,474
Public safety	209,510
Public works	137,133
Culture and recreation	4,255
Total depreciation expense - governmental activities	<u>\$ 493,372</u>
Business-type activities:	
Water & sewer	\$ 390,392
Natural gas	101,746
Total depreciation expense - business-type activities	<u>\$ 492,138</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### Main Street, Inc.

Capital asset activity for the fiscal year ended June 30, 2017 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>(23,279)</u>	<u>-</u>
Less accumulated depreciation for:	<u>(13,910)</u>		<u>13,910</u>	<u>-</u>
Machinery & equipment	<u>(13,910)</u>	<u>-</u>	<u>13,910</u>	<u>-</u>
Total				
Total capital assets, net	<u>\$ 9,369</u>	<u>\$ -</u>	<u>\$ (9,369)</u>	<u>\$ -</u>

#### Downtown Development Authority

Capital asset activity for the fiscal year ended June 30, 2017 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	<u>618,484</u>	<u>-</u>	<u>-</u>	<u>618,484</u>
Total	<u>618,484</u>	<u>-</u>	<u>-</u>	<u>618,484</u>
Less accumulated depreciation for:				
Buildings	<u>(103,917)</u>	<u>(17,306)</u>	<u>-</u>	<u>(121,223)</u>
Total	<u>(103,917)</u>	<u>(17,306)</u>	<u>-</u>	<u>(121,223)</u>
Total capital assets, being depreciated, net	<u>514,567</u>	<u>(17,306)</u>	<u>-</u>	<u>497,261</u>
Total capital assets, net	<u>\$ 614,567</u>	<u>\$ (17,306)</u>	<u>\$ -</u>	<u>\$ 597,261</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### Development Authority

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

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

### NOTE 7. LONG-TERM DEBT

#### Primary Government

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Capital lease	\$ 639,346	\$ -	\$ (40,153)	\$ 599,193	\$ 41,482
Compensated absences	63,890	66,613	(47,000)	83,503	61,428
Net pension liability	402,970	271,798	(344,921)	329,847	-
Governmental activity					
Long-term liabilities	<u>\$ 1,106,206</u>	<u>\$ 338,411</u>	<u>\$ (432,074)</u>	<u>\$ 1,012,543</u>	<u>\$ 102,910</u>
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 6,460,000	\$ -	\$ (110,000)	\$ 6,350,000	\$ 110,000
Add: Premium	170,953	-	(8,617)	162,336	-
Less: Discount	(30,568)	-	1,866	(28,702)	-
Net bonds payable	<u>6,600,385</u>	<u>-</u>	<u>(116,751)</u>	<u>6,483,634</u>	<u>110,000</u>
Note payable	19,578	-	(2,765)	16,813	2,896
Compensated absences	21,386	19,153	(10,741)	29,798	12,549
Net pension liability	<u>122,093</u>	<u>81,187</u>	<u>(105,128)</u>	<u>98,152</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$ 6,763,442</u>	<u>\$ 100,340</u>	<u>\$ (235,385)</u>	<u>\$ 6,628,397</u>	<u>\$ 125,445</u>

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

The amount of interest expense incurred and expensed for business-type activities was \$252,878 for the year ended June 30, 2017. No interest was capitalized for the year ended June 30, 2017.

## 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.

In November 2015, the City issued Revenue Bonds (Series 2015) in the original amount of \$4,530,000 bearing interest at rates ranging from 2.0% to 4.0% payable each February 1 and August 1 beginning 2017 through 2045. The bonds were issued for the purpose of (i) prepaying in full certain outstanding loans obtained from Georgia Environmental Finance Authority (ii) acquire, construct, and equip certain additions and improvements to the City's Combined System (iii) purchase a debt service reserve surety bonds for payment of the Series 2015 Bonds; and (iv) pay necessary costs of issuing the Series 2015 Bonds. The bonds are secured by the net revenues of the City's utility system.

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

Year Ending June 30,	<b>Revenue Bonds</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2018	\$ 110,000	\$ 249,850	\$ 359,850
2019	115,000	247,650	362,650
2020	115,000	244,200	359,200
2021	120,000	240,750	360,750
2022	125,000	237,150	362,150
2023-2027	685,000	1,125,924	1,810,924
2028-2032	1,165,000	981,300	2,146,300
2033-2037	1,475,000	667,300	2,142,300
2038-2042	1,435,000	377,800	1,812,800
2043-2045	1,005,000	81,600	1,086,600
Total	<u>\$ 6,350,000</u>	<u>\$ 4,453,524</u>	<u>\$ 10,803,524</u>

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

## NOTES TO FINANCIAL STATEMENTS

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

#### Revenue Bonds (Continued)

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,896	\$ 732	\$ 3,628
2019	3,033	595	3,628
2020	3,176	451	3,627
2021	3,327	301	3,628
2022	3,484	144	3,628
2023	897	10	907
Total	<u>\$ 16,813</u>	<u>\$ 2,233</u>	<u>\$ 19,046</u>

**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, 2017 are as follows:

	<u>Governmental Activities</u>	
	<u>Original Cost</u>	<u>Accumulated Depreciation</u>
Vehicles	\$ 811,180	\$ 277,151
Total	<u>\$ 811,180</u>	<u>\$ 277,151</u>

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

**The remainder of this page is intentionally left blank**

## NOTES TO FINANCIAL STATEMENTS

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

#### Capital Leases (Continued)

Future minimum lease payments as of June 30, 2017 are as follows:

Fiscal Year Ending June 30,	<b>Governmental Activities</b>
2018	\$ 61,315
2019	61,315
2020	61,315
2021	61,315
2022	61,315
2023-2027	306,577
2028-2029	122,631
Total minimum lease payments	<u>735,783</u>
Less: interest payments	<u>(136,590)</u>
Present value minimum lease payments	<u>\$ 599,193</u>

#### Downtown Development Authority

Long-term liability activity for the year ended June 30, 2017, 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	\$ 477,346	\$ 475,312	\$ (500,829)	\$ 451,829	\$ 42,180
Total long-term liabilities	<u>\$ 477,346</u>	<u>\$ 475,312</u>	<u>\$ (500,829)</u>	<u>\$ 451,829</u>	<u>\$ 42,180</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. 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.

In October 2016, the DDA issued a note payable with a financial institution in order to refinance the note payable that was issued in July 2009. The note matures November 1, 2024 and requires monthly principal and interest payments at an interest rate of 2.95%.

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 42,180	\$ 12,941	\$ 55,121
2019	43,459	11,662	55,121
2020	44,749	10,372	55,121
2021	46,135	8,986	55,121
2022	47,533	7,588	55,121
2023-2025	227,773	12,300	240,073
Total	<u>\$ 451,829</u>	<u>\$ 63,849</u>	<u>\$ 515,678</u>

## NOTES TO FINANCIAL STATEMENTS

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

The composition of interfund balances as of June 30, 2017 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 118,047
General fund	Natural gas fund	42,285
General fund	Nonmajor enterprise fund	24,506
General fund	SPLOST fund	18,439
Water and sewer fund	Natural gas fund	182
		\$ 203,459

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 200,000
General fund	Natural gas fund	918,066
General fund	Nonmajor governmental funds	4,218
General fund	Nonmajor enterprise fund	33,250
		\$ 1,155,534

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

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 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 forty 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. Eligible employees as of January 1, 2014, are entitled to benefits of 1.45%. 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 per year for each year of service after reaching normal retirement age.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLAN (CONTINUED)

#### Plan Description (Continued)

*Plan Membership.* At January 1, 2017, the date of the most recent actuarial valuation, there were 91 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	24
Terminated vested participants not yet receiving benefits	15
Active employees - vested	18
Active employees - nonvested	34
Total	91

*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 2017, the actuarially determined contribution rate was 6.62% of covered payroll. The City makes all contributions to the plan. For 2017, the City's contribution to the Plan was \$136,605.

#### Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2016.

*Actuarial assumptions.* The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		3.25%
Salary increases		3.25% - 8.75%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation	

Mortality rates for the January 1, 2017 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

## 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, 2016 are summarized in the table below:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.75%
International equity	20%	7.45
Real estate	10%	4.55
Global fixed income	5%	3.30
Domestic fixed income	20%	1.75
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, 2017 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/16</b>	\$ 2,934,215	\$ 2,409,152	\$ 525,063
<b>Changes for the year:</b>			
Service cost	120,656	-	120,656
Interest	223,499	-	223,499
Differences between expected and actual experience	(59,359)	-	(59,359)
Contributions—employer	-	121,350	(121,350)
Net investment income	-	269,340	(269,340)
Benefit payments, including refunds of employee contributions	(100,712)	(100,712)	-
Administrative expense	-	(8,830)	8,830
<b>Net changes</b>	<b>184,084</b>	<b>281,148</b>	<b>(97,064)</b>
<b>Balances at 6/30/17</b>	<b>\$ 3,118,299</b>	<b>\$ 2,690,300</b>	<b>\$ 427,999</b>

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	\$ 872,614	\$ 427,999	\$ 62,364

## 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, 2016 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, 2017, the City recognized pension expense of \$161,121. At June 30, 2017, 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	\$ 73,868	\$ 47,488
Changes in assumptions	-	25,896
Net difference between projected and actual earnings on pension plan investments	-	2,704
City contributions subsequent to the measurement date	102,454	-
Total	\$ 176,322	\$ 76,088

City contributions subsequent to the measurement date of \$102,454 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, 2018. 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:	
2018	\$ 4,700
2019	4,700
2020	(19,351)
2021	12,171
Total	\$ 2,220

## 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 Newport Group Inc. 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, 2017, there were 14 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, 2017 were \$15,082.

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

#### **Grant Contingencies:**

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

#### **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 2017, 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 \$1,744,876 in fiscal year 2017.

At June 30, 2017, the outstanding debt of MGAG was approximately \$231 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$2.6 million at June 30, 2017.

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE 15. TAX ABATEMENTS**

For the year ended June 30, 2017, City property tax revenues were reduced by \$83,510 under agreements entered into by the Walton County Development Authority. Under the agreements, taxes on both real and personal property are reduced based on jobs created and investments made by the corporation to whom the incentives were offered as long as the corporation meets certain investment targets.

## **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>	<u>2016</u>	<u>2017</u>
<b>Total pension liability</b>			
Service cost	\$ 82,778	\$ 110,674	\$ 120,656
Interest on total pension liability	186,271	199,876	223,499
Differences between expected and actual experience	23,309	96,814	(59,359)
Changes of assumptions	(64,740)	-	-
Changes of benefit terms	46,906	-	-
Benefit payments, including refunds of employee contributions	<u>(93,585)</u>	<u>(104,378)</u>	<u>(100,712)</u>
<b>Net change in total pension liability</b>	180,939	302,986	184,084
<b>Total pension liability - beginning</b>	<u>2,450,290</u>	<u>2,631,229</u>	<u>2,934,215</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 2,631,229</u>	<u>\$ 2,934,215</u>	<u>\$ 3,118,299</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 96,015	\$ 110,350	\$ 121,350
Net investment income	244,943	27,136	269,340
Benefit payments, including refunds of member contributions	(93,585)	(104,378)	(100,712)
Administrative expenses	<u>(7,860)</u>	<u>(9,627)</u>	<u>(8,830)</u>
<b>Net change in plan fiduciary net position</b>	239,513	23,481	281,148
<b>Plan fiduciary net position - beginning</b>	<u>2,146,158</u>	<u>2,385,671</u>	<u>2,409,152</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,385,671</u>	<u>\$ 2,409,152</u>	<u>\$ 2,690,300</u>
<b>City's net pension liability - ending (a) - (b)</b>	<u>\$ 245,558</u>	<u>\$ 525,063</u>	<u>\$ 427,999</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	90.67%	82.11%	86.27%
<b>Covered-employee payroll</b>	\$ 1,703,641	\$ 2,064,821	\$ 1,829,218
<b>City's net pension liability as a percentage of covered-employee payroll</b>	14.41%	25.43%	23.40%

**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**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 97,541	\$ 116,265	\$ 136,605
Contributions in relation to the actuarially determined contribution	<u>97,541</u>	<u>116,265</u>	<u>136,605</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,387,784	\$ 1,703,641	\$ 2,064,821
Contributions as a percentage of covered-employee payroll	7.03%	6.82%	6.62%

**Notes to the Schedule:**

(1) Actuarial Assumptions:

Valuation Date	January 1, 2016
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, 2017

	Special Revenue Fund	Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>	Confiscations Pending Fund	Library Fund	
Cash and cash equivalents	\$ 21,968	\$ 12,219	\$ 34,187
Accounts receivable	2,220	464	2,684
Investments	-	394,357	394,357
Total assets	\$ 24,188	\$ 407,040	\$ 431,228
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 9,733	\$ -	\$ 9,733
Total liabilities	9,733	-	9,733
<b>FUND BALANCES</b>			
Nonspendable - corpus	-	350,000	350,000
Restricted:			
Library	-	57,040	57,040
Public safety	14,455	-	14,455
Total fund balances	14,455	407,040	421,495
Total liabilities and fund balances	\$ 24,188	\$ 407,040	\$ 431,228

**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, 2017**

	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Confiscations Pending Fund</u>	<u>Library Fund</u>	
<b>REVENUES</b>			
Investment income	\$ 27	\$ 3,932	\$ 3,959
Fines and forfeitures	15,155	-	15,155
Total revenues	<u>15,182</u>	<u>3,932</u>	<u>19,114</u>
<b>EXPENDITURES</b>			
Current			
Public safety	11,136	-	11,136
Culture and recreation	-	10,350	10,350
Total expenditures	<u>11,136</u>	<u>10,350</u>	<u>21,486</u>
Excess (deficiency) of revenues over expenditures	<u>4,046</u>	<u>(6,418)</u>	<u>(2,372)</u>
<b>OTHER FINANCING USES</b>			
Transfers out	-	(4,218)	(4,218)
Total other financing uses	<u>-</u>	<u>(4,218)</u>	<u>(4,218)</u>
Net change in fund balances	4,046	(10,636)	(6,590)
<b>FUND BALANCES, beginning of year</b>	<u>10,409</u>	<u>417,676</u>	<u>428,085</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 14,455</u>	<u>\$ 407,040</u>	<u>\$ 421,495</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, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest	\$ 100	\$ 100	\$ 27	\$ (73)
Fines and forfeitures	<u>1,000</u>	<u>12,000</u>	<u>15,155</u>	<u>3,155</u>
Total revenues	<u>1,100</u>	<u>12,100</u>	<u>15,182</u>	<u>3,082</u>
<b>EXPENDITURES</b>				
Public safety	<u>1,100</u>	<u>12,100</u>	<u>11,136</u>	<u>964</u>
Total expenditures	<u>1,100</u>	<u>12,100</u>	<u>11,136</u>	<u>964</u>
Net change in fund balances	-	-	4,046	4,046
<b>FUND BALANCES, beginning of year</b>	<u>10,409</u>	<u>10,409</u>	<u>10,409</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u><u>\$ 10,409</u></u>	<u><u>\$ 10,409</u></u>	<u><u>\$ 14,455</u></u>	<u><u>\$ 4,046</u></u>

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

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment income	\$ 17,000	\$ 17,000	\$ 3,932	\$ (13,068)
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>3,932</u>	<u>(13,068)</u>
<b>EXPENDITURES</b>				
Culture and recreation	<u>17,000</u>	<u>12,700</u>	<u>10,350</u>	<u>2,350</u>
Total expenditures	<u>17,000</u>	<u>12,700</u>	<u>10,350</u>	<u>2,350</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>4,300</u>	<u>(6,418)</u>	<u>(10,718)</u>
<b>Other financing uses</b>				
Transfers out	-	(4,300)	(4,218)	82
Total other financing uses	<u>-</u>	<u>(4,300)</u>	<u>(4,218)</u>	<u>82</u>
Net change in fund balances	-	-	(10,636)	(10,636)
<b>FUND BALANCES, beginning of year</b>	<u>417,676</u>	<u>417,676</u>	<u>417,676</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 417,676</u>	<u>\$ 417,676</u>	<u>\$ 407,040</u>	<u>\$ (10,636)</u>

**CITY OF SOCIAL CIRCLE, GEORGIA**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE  
LOCAL OPTION SALES TAX  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

<u>2013 Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years Cumulative Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Cumulative Expenditures</u>
Roads, sidewalks, drainage	\$ 850,000	\$ 850,000	\$ 513,264	\$ 153,217	\$ 666,481
Library improvements and expansion	500,000	500,000	-	-	-
Water and sewer improvements	500,000	500,000	367,254	-	367,254
Recreation playgrounds	250,000	250,000	-	1,000	1,000
Public safety improvements	1,000,000	1,000,000	994,450	-	994,450
	<u>\$ 3,100,000</u>	<u>\$ 3,100,000</u>	<u>\$ 1,874,968</u>	<u>\$ 154,217</u>	<u>\$ 2,029,185</u>

## **COMPONENT UNITS**

---

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - MAIN STREET, INC. FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 23,956
Payments to suppliers	<u>(23,185)</u>
Net cash provided by operating activities	<u>771</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>6</u>
Net cash provided by investing activities	<u>6</u>

Net increase in cash and cash equivalents 777

Cash and cash equivalents, beginning of year 22,322

Cash and cash equivalents, end of year \$ 23,099

### RECONCILIATION OF OPERATING INCOME TO NET

#### CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 682
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	<u>89</u>
Net cash provided operating activities	<u><u>\$ 771</u></u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - MAIN STREET COMMISSION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 30,150
Payments to suppliers	<u>(12,112)</u>
Net cash provided by operating activities	18,038
Net increase in cash and cash equivalents	18,038
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 18,038</u>

### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	<u>\$ 18,038</u>
Net cash provided by operating activities	<u>\$ 18,038</u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 92,507
Payments to suppliers	(28,880)
Net cash provided by operating activities	<u>63,627</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>2</u>
Net cash provided by investing activities	<u>2</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from note issuance	475,312
Principal payments on notes payable	(500,829)
Interest paid	(21,248)
Net cash used in capital and related financing activities	<u>(46,765)</u>

Net increase in cash and cash equivalents 16,864

Cash and cash equivalents, beginning of year 9,024

Cash and cash equivalents, end of year \$ 25,888

### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 39,408
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	17,306
Change in assets and liabilities:	
Decrease in accounts receivable	5,388
Increase in customer deposits	<u>1,525</u>
Net cash provided by operating activities	<u>\$ 63,627</u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2017

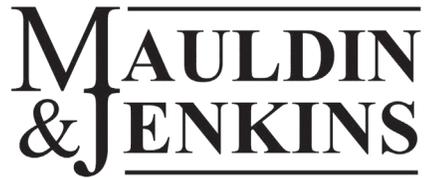
---

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>44</u>
Net cash provided by investing activities	<u>44</u>
Net increase in cash and cash equivalents	44
Cash and cash equivalents, beginning of year	<u>76,735</u>
Cash and cash equivalents, end of year	<u>\$ 76,779</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 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2017.

**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, described in the accompanying schedule of findings and responses, as item 2017-001, 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  
December 8, 2017



**CITY OF SOCIAL CIRCLE, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

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

**2017-001 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 a material misstatement in the reporting of the City's revenues and related receivables.

**Context/Cause:** During our testing of revenues and related receivables in the SPLOST fund, it was noted that the City did not accrue for and record one month of the fiscal year's revenue related to sales tax owed to the City from the County. A total adjustment of \$43,776 was required to record the outstanding receivable and recognize revenue as part of June 30, 2017.

**Effects:** An audit adjustment totaling \$43,776 was 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 have taken necessary steps to reflect accrual adjustments at year end in both prior and current fiscal years when the accrual adjustment is finalized.