

**CITY OF SOCIAL CIRCLE, GEORGIA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

# CITY OF SOCIAL CIRCLE, GEORGIA

## FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**CITY OF SOCIAL CIRCLE, GEORGIA**

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FOR THE FISCAL YEAR ENDED  
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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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Honorable Mayor and Members  
of City Council  
City of Social Circle, Georgia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Social Circle, Georgia** (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

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## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Social Circle, Georgia as of June 30, 2016, 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 55 and the Schedule of City Contributions on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the City of Social Circle, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Social Circle, Georgia's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 29, 2016

## **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, 2016. 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 2016 by \$22,688,339 (total net position).
- Of this amount, \$4,436,065 (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 \$496,270.
- At the close of fiscal year 2016 the City's governmental funds reported combined ending fund balances of \$1,414,341. Of this amount, \$502,409 or 35.52% is available for spending at the government's discretion (Unassigned fund balance). The remaining balance of \$911,932, is allocated as \$571,175 (Non Spendable), \$238,579 (Restricted) and \$102,178 (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 2016 by \$22,688,339.

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 \$17,663,695 or 77.85%. 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

	Governmental Activities		Business Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
<b>Assets:</b>						
Current assets	\$ 2,906,946	\$ 1,685,437	\$ 3,274,025	\$ 4,501,113	\$ 6,180,971	\$ 6,186,550
Restricted assets	-	-	842,101	480,232	842,101	480,232
Other assets	-	-	39,021	56,642	39,021	56,642
Capital assets	7,336,448	8,369,551	15,938,372	16,073,221	23,274,820	24,442,772
Total assets	10,243,394	10,054,988	20,093,519	21,111,208	30,336,913	31,166,196
<b>Deferred outflows of resources:</b>	70,195	200,049	21,609	60,609	91,804	260,658
<b>Liabilities:</b>						
Current liabilities	330,837	277,074	489,405	552,949	820,242	830,023
Long-term liabilities	934,697	1,106,206	6,366,857	6,763,442	7,301,554	7,869,648
Total liabilities	1,265,534	1,383,280	6,856,262	7,316,391	8,121,796	8,699,671
<b>Deferred inflows of resources:</b>	87,817	29,811	27,035	9,033	114,852	38,844
<b>Net position:</b>						
Net investment in capital assets	6,658,235	7,730,205	10,128,409	9,933,490	16,786,644	17,663,695
Restricted for:						
Debt service	-	-	370,205	-	370,205	-
Public safety	14,409	10,409	-	-	14,409	10,409
Capital projects	1,116,519	160,494	-	-	1,116,519	160,494
Library expendable	57,411	67,676	-	-	57,411	67,676
Library nonexpendable	350,000	350,000	-	-	350,000	350,000
Unrestricted	763,664	523,162	2,733,217	3,912,903	3,496,881	4,436,065
Total net position	\$ 8,960,238	\$ 8,841,946	\$ 13,231,831	\$ 13,846,393	\$ 22,192,069	\$ 22,688,339

An additional portion of the City's net position, \$588,579 (2.59%), represents resources that are subject to external restrictions on how they may be used. \$417,676 for the library of which \$350,000 is nonexpendable, \$10,409 for public safety and \$160,494 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 decreased the City's net position by 118,292.

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

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for service	\$ 243,130	\$ 261,141	\$ 5,879,056	\$ 5,788,320	\$ 6,122,186	\$ 6,049,461
Operating grants and contributions	226,255	165,000	2,154	10,373	228,409	175,373
Capital grants and contributions	518,874	509,192	-	-	518,874	509,192
General revenues:						
Property taxes	1,076,226	1,152,799	-	-	1,076,226	1,152,799
Sales tax	546,425	538,663	-	-	546,425	538,663
Other Taxes	803,793	823,949	-	-	803,793	823,949
Investment earnings	19,444	36,052	42,826	50,131	62,270	86,183
Other	-	21,629	-	-	-	21,629
Total revenue	3,434,147	3,508,425	5,924,036	5,848,824	9,358,183	9,357,249
<b>Expenses:</b>						
General government	1,034,382	1,105,137	-	-	1,034,382	1,105,137
Judicial	16,471	17,481	-	-	16,471	17,481
Public safety	1,903,699	2,030,208	-	-	1,903,699	2,030,208
Public works	853,730	806,483	-	-	853,730	806,483
Health & Welfare	89,334	78,492	-	-	89,334	78,492
Culture and recreation	143,046	142,423	-	-	143,046	142,423
Housing and development	78,733	85,403	-	-	78,733	85,403
Interest and fiscal charges	22,688	21,409	-	-	22,688	21,409
Water and sewer	-	-	1,945,411	2,224,622	1,945,411	2,224,622
Natural gas	-	-	2,292,868	2,097,356	2,292,868	2,097,356
Solid waste	-	-	242,062	251,965	242,062	251,965
Total Expenses	4,142,083	4,287,036	4,480,341	4,573,943	8,622,424	8,860,979
Change in net position before transfers	(707,936)	(778,611)	1,443,695	1,274,881	735,759	496,270
Transfers	916,000	660,319	(916,000)	(660,319)	-	-
Increase (decrease) in net position	208,064	(118,292)	527,695	614,562	735,759	496,270
Net position - beginning	8,752,174	8,960,238	12,704,136	13,231,831	21,456,310	22,192,069
Net position - ending	\$ 8,960,238	\$ 8,841,946	\$ 13,231,831	\$ 13,846,393	\$ 22,192,069	\$ 22,688,339

**Revenues.** Property taxes of \$1,152,799 and sales tax of \$538,663 accounted for 48.21% of total general revenues.

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

- GMA Health Promotion Grant \$4,000
- Housing Authority In Lieu of Taxes \$6,991
- Walton county Fire \$52,000
- Section 18 Transportation Grant \$33,291
- GDOT LMIG \$54,344
- GOHS Grant \$10,000
- FLPA \$3,289
- Freds \$230
- DOJ \$ 855

Capital Grants and Contributions consisted of the following:

- SPLOST Receipts \$499,683
- SPLOST Interest Income \$9,491
- SPLOST Miscellaneous Income \$18

**Expenses.** The total expense for the governmental activities is \$4,287,036. The largest single expenditure activity is public safety. Public safety includes the police department and the fire department. The total public safety expense is \$2,030,208 or 47.35% of total governmental activity expense.

Total program revenues, general revenues and transfers of governmental activities were less than expenses by \$118,292.

**Business-type activities.** Business-type activities increased the City's net position by \$614,562. Water revenues increased mainly due to a rate increase required to meet the covenants of the bond issue.

**Revenues.** Water and sewer charges for service were \$2,717,779. Natural gas charges for service were \$2,756,457. Solid Waste charges for service were \$314,084. 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 \$2,224,622. Natural gas expenses were \$2,097,356. Solid Waste expenses were \$251,965.

### **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 \$1,414,341. Approximately 35.52% of this amount \$502,409 constitutes unassigned fund balance, which is available for spending at the government'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 the June 30, 2016 unassigned fund balance of the general fund was \$618,659. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned balance and total fund balances to total fund expenditures. Unassigned balance represents 15.60% of total fund expenditures and total fund balance represents 27.80% of total fund expenditures.

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

Water revenues increased mainly due to a rate increase required to meet the covenants of the bond issue. Expenses were higher due to supplies and higher operating costs. In the Gas Fund during the year, revenues were lower than budgetary estimates mostly due to the warm winter. Expenses were lower mostly due to the lower cost of gas. In Solid Waste revenues and expenses remained the same.

Unrestricted net position of the Water and Sewer Fund at June 30, 2016 amounted to \$1,203,514; those of the Natural Gas Fund amounted to \$2,684,425; and those of the Solid Waste Fund amounted to \$24,964. The total change in Water and Sewer net position was \$502,616; the change in Natural Gas net position was \$156,823; and the change in Solid Waste net position was \$(44,877).

### **General Fund Budgetary Highlights**

During the year, revenues were higher than budgetary estimates by \$63,517 and expenditures were lower than budgetary estimates by \$188,095. Revenue is higher than budget mainly due to a GDOT LMIG Grant that was not budgeted. Expenditures are lower than budget mainly due to expenditures lower than budget in the Police and Fire Departments.

### **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, 2016 amounts to \$24,442,772, (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 \$111,158
- Giant Leaf Vacuum \$18,710
- Police Building Security Upgrade \$22,173
- New Fire Station \$986,405
- New Fire Station Washer \$8,300
- W Hightower Sidewalk \$302,657
- N Cherokee Road Sidewalk \$23,753

#### **WATER**

- ADF Lift Station \$292,131

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Land	\$ 938,408	\$ 938,408	\$ -	\$ -	\$ 938,408	\$ 938,408
Construction in progress	85,586	23,754	292,790	583,922	378,376	607,676
Infrastructure	3,597,967	3,798,479	15,389,366	15,268,657	18,987,333	19,067,136
Building	1,610,638	2,522,390	-	-	1,610,638	2,522,390
Equipment and vehicles	1,103,849	1,086,520	256,216	220,642	1,360,065	1,307,162
Total	\$ 7,336,448	\$ 8,369,551	\$ 15,938,372	\$ 16,073,221	\$ 23,274,820	\$ 24,442,772

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 \$7,259,309. Water and Sewerage Revenue Bonds account for \$6,600,385, Capital Leases account for \$639,346, and Notes Payable account for \$19,578.

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Revenue bonds payable	\$ -	\$ -	\$ 1,897,544	\$ 6,600,385	\$ 1,897,544	\$ 6,600,385
Notes payable	-	-	4,384,315	19,578	4,384,315	19,578
Compensated absences	68,725	63,890	27,199	21,386	95,924	85,276
Net pension liability	187,759	402,970	57,799	122,093	245,558	525,063
Capital leases payable	678,213	639,346	-	-	678,213	639,346
Total	\$ 934,697	\$ 1,106,206	\$ 6,366,857	\$ 6,763,442	\$ 7,301,554	\$ 7,869,648

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

## Economic Factors

Our local economy is showing signs of strengthening as the effects of the recession are receding. New industry has located in the City and current industry employment has stabilized. Construction of Baxalta Shire, a significant industry on the outskirts of the City, is complete and production line preparation is underway. Approximately 2000 new jobs are anticipated with this industry, of which approximately 500 hires were completed in 2015.

Housing starts within the City are gradually increasing, and proposals have been received for new subdivisions. The supply of homes available on the housing sales market is low reflecting strong demand. Reassessment of property values in 2015 reflected an appreciation of property values for the first time since the beginning of the recession. Two new businesses located within the downtown during 2015, and additional professional offices and businesses have been established. Interest in industrial sites within the City continues, as the City future land use plan, and gas utility attract prospects along with the rail and highway and power availability to industrially zoned sites.

The local school system was recognized as the most improved within the state this past year, and continues to rank well as compared to other systems in the area and the state, making the City an attractive location for residential and employment growth.

Utility sales are stable and increasing, while the enterprise utility funds show revenues supporting operating expenditures with increasing investment in capital improvements to maintain system reliability, compliance, and support further growth in services.

### **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, 2016

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Main Street, Inc.	Downtown Development Authority	Development Authority
<b>ASSETS</b>						
Cash and cash equivalents	\$ 804,826	\$ 3,079,663	\$ 3,884,489	\$ 22,322	\$ 9,024	\$ 76,735
Investments	405,208	847,978	1,253,186	-	-	-
Accounts receivable, net of allowances	40,813	545,290	586,103	-	7,438	-
Taxes receivable, net of allowances	12,899	-	12,899	-	-	-
Interest receivable	-	1,298	1,298	-	-	-
Internal balances	53,846	(53,846)	-	-	-	-
Due from component unit	16,600	-	16,600	-	-	-
Due from other governments	130,070	589	130,659	-	-	-
Prepaid expenses	221,175	80,141	301,316	-	-	-
Restricted assets:						
Cash and cash equivalents	-	480,232	480,232	-	-	-
Other assets	-	39,021	39,021	-	-	-
Prepaid bond insurance	-	17,621	17,621	-	-	-
Capital assets:						
Non-depreciable	962,162	583,922	1,546,084	-	100,000	864,436
Depreciable, net of accumulated depreciation	7,407,389	15,489,299	22,896,688	9,369	514,567	-
<b>Total assets</b>	<b>10,054,988</b>	<b>21,111,208</b>	<b>31,166,196</b>	<b>31,691</b>	<b>631,029</b>	<b>941,171</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension plan contributions subsequent to measurement date	66,923	20,276	87,199	-	-	-
Net difference between projected and actual investment earnings - pension plan	60,472	18,321	78,793	-	-	-
Pension plan experience differences	72,654	22,012	94,666	-	-	-
<b>Total deferred outflows of resources</b>	<b>200,049</b>	<b>60,609</b>	<b>260,658</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>						
Accounts payable	190,195	138,210	328,405	-	-	-
Accrued liabilities	86,879	122,749	209,628	-	932	-
Customer deposits	-	291,990	291,990	-	6,080	-
Due to primary government	-	-	-	-	16,600	-
Long-term liabilities:						
Portion due or payable within one year:						
Capital leases	38,867	-	38,867	-	-	-
Notes payable	-	2,765	2,765	-	477,346	-
Bonds payable	-	110,000	110,000	-	-	-
Compensated absences	60,929	16,769	77,698	-	-	-
Portion due or payable in more than one year:						
Capital leases	600,479	-	600,479	-	-	-
Notes payable	-	16,813	16,813	-	-	-
Bonds payable, net	-	6,490,385	6,490,385	-	-	-
Net pension liability	402,970	122,093	525,063	-	-	-
Compensated absences	2,961	4,617	7,578	-	-	-
<b>Total liabilities</b>	<b>1,383,280</b>	<b>7,316,391</b>	<b>8,699,671</b>	<b>-</b>	<b>500,958</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension plan assumption changes	29,811	9,033	38,844	-	-	-
<b>Total deferred inflows of resources</b>	<b>29,811</b>	<b>9,033</b>	<b>38,844</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Net investment in capital assets	7,730,205	9,933,490	17,663,695	9,369	137,221	864,436
Restricted for:						
Public safety	10,409	-	10,409	-	-	-
Capital projects	160,494	-	160,494	-	-	-
Library - expendable	67,676	-	67,676	-	-	-
Library - nonexpendable	350,000	-	350,000	-	-	-
Unrestricted	523,162	3,912,903	4,436,065	22,322	(7,150)	76,735
<b>Total net position</b>	<b>\$ 8,841,946</b>	<b>\$ 13,846,393</b>	<b>\$ 22,688,339</b>	<b>\$ 31,691</b>	<b>\$ 130,071</b>	<b>\$ 941,171</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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,105,137	\$ 21,250	\$ 6,991	\$ -
Judicial	17,481	111,682	-	-
Public safety	2,030,208	42,683	56,000	195,089
Public works	806,483	67,091	102,009	314,103
Health and welfare	78,492	-	-	-
Culture and recreation	142,423	18,435	-	-
Housing and development	85,403	-	-	-
Interest on long-term debt	21,409	-	-	-
Total governmental activities	4,287,036	261,141	165,000	509,192
Business-type activities:				
Water and sewer	2,224,622	2,717,779	1,356	-
Natural gas	2,097,356	2,756,457	9,017	-
Solid waste	251,965	314,084	-	-
Total business-type activities	4,573,943	5,788,320	10,373	-
Total primary government	\$ 8,860,979	\$ 6,049,461	\$ 175,373	\$ 509,192
Component units:				
Main Street, Inc.	\$ 46,854	\$ 40,906	\$ 1,972	\$ -
Downtown Development Authority	68,257	74,938	-	-
Development Authority	-	-	250	-
Total component units	\$ 115,111	\$ 115,844	\$ 2,222	\$ -

### 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.	Downtown Development Authority	Development Authority
\$ (1,076,896)	\$ -	\$ (1,076,896)	\$ -	\$ -	\$ -
94,201	-	94,201	-	-	-
(1,736,436)	-	(1,736,436)	-	-	-
(323,280)	-	(323,280)	-	-	-
(78,492)	-	(78,492)	-	-	-
(123,988)	-	(123,988)	-	-	-
(85,403)	-	(85,403)	-	-	-
(21,409)	-	(21,409)	-	-	-
(3,351,703)	-	(3,351,703)	-	-	-
-	494,513	494,513	-	-	-
-	668,118	668,118	-	-	-
-	62,119	62,119	-	-	-
-	1,224,750	1,224,750	-	-	-
\$ (3,351,703)	\$ 1,224,750	\$ (2,126,953)	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (3,976)	\$ -	\$ -
-	-	-	-	6,681	-
-	-	-	-	-	250
\$ -	\$ -	\$ -	\$ (3,976)	\$ 6,681	\$ 250
\$ 1,152,799	\$ -	\$ 1,152,799	\$ -	\$ -	\$ -
538,663	-	538,663	-	-	-
457,885	-	457,885	-	-	-
20,745	-	20,745	-	-	-
243,619	-	243,619	-	-	-
101,700	-	101,700	-	-	-
36,052	50,131	86,183	7	3	79
21,629	-	-	-	-	-
660,319	(660,319)	-	-	-	-
3,233,411	(610,188)	2,601,594	7	3	79
(118,292)	614,562	496,270	(3,969)	6,684	329
8,960,238	13,231,831	22,192,069	35,660	123,387	940,842
\$ 8,841,946	\$ 13,846,393	\$ 22,688,339	\$ 31,691	\$ 130,071	\$ 941,171

# CITY OF SOCIAL CIRCLE, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2016

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 731,230	\$ 26,955	\$ 46,641	\$ 804,826
Investments	-	-	405,208	405,208
Taxes receivable	12,899	-	-	12,899
Accounts receivable, net of allowances	40,183	-	630	40,813
Due from other governments	87,441	42,629	-	130,070
Due from other funds	239,680	-	-	239,680
Due from component unit	16,600	-	-	16,600
Prepaid expenditures	221,175	-	-	221,175
Total assets	<u>\$ 1,349,208</u>	<u>\$ 69,584</u>	<u>\$ 452,479</u>	<u>\$ 1,871,271</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 165,801	\$ -	\$ 24,394	\$ 190,195
Accrued liabilities	69,775	-	-	69,775
Due to other funds	-	185,834	-	185,834
Total liabilities	<u>235,576</u>	<u>185,834</u>	<u>24,394</u>	<u>445,804</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenue - property taxes	11,126	-	-	11,126
Total deferred inflow of resources	<u>11,126</u>	<u>-</u>	<u>-</u>	<u>11,126</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Permanent fund corpus	-	-	350,000	350,000
Prepays	221,175	-	-	221,175
Restricted:				
Library	-	-	67,676	67,676
Public safety	-	-	10,409	10,409
Capital projects	160,494	-	-	160,494
Assigned:				
Library	33,570	-	-	33,570
Cemetery	68,608	-	-	68,608
Unassigned	618,659	(116,250)	-	502,409
Total fund balances	<u>1,102,506</u>	<u>(116,250)</u>	<u>428,085</u>	<u>1,414,341</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,349,208</u>	<u>\$ 69,584</u>	<u>\$ 452,479</u>	

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.	8,369,551
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	11,126
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(720,340)
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.	(232,732)
Net position of governmental activities	<u>\$ 8,841,946</u>

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

**CITY OF SOCIAL CIRCLE, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND**

**CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,524,253	\$ -	\$ -	\$ 2,524,253
Licenses and permits	71,613	-	-	71,613
Intergovernmental	165,000	499,683	-	664,683
Fines and forfeitures	111,682	-	42,683	154,365
Charges for services	16,836	-	-	16,836
Interest income	12,911	9,491	23,141	45,543
Miscellaneous	18,327	18	-	18,345
Total revenues	<u>2,920,622</u>	<u>509,192</u>	<u>65,824</u>	<u>3,495,638</u>
<b>Expenditures</b>				
Current:				
General government	947,620	-	-	947,620
Judicial	17,369	-	-	17,369
Public safety	2,000,167	960,987	47,852	3,009,006
Public works	643,329	674,824	-	1,318,153
Health and welfare	78,005	-	-	78,005
Culture and recreation	128,419	-	10,350	138,769
Housing and development	89,448	-	-	89,448
Debt service:				
Principal retirements	38,867	-	-	38,867
Interest	22,449	-	-	22,449
Total expenditures	<u>3,965,673</u>	<u>1,635,811</u>	<u>58,202</u>	<u>5,659,686</u>
Excess (deficiency) of revenues over expenditures	<u>(1,045,051)</u>	<u>(1,126,619)</u>	<u>7,622</u>	<u>(2,164,048)</u>
<b>Other financing sources (uses)</b>				
Transfers in	978,357	-	-	978,357
Transfers out	-	-	(1,357)	(1,357)
Proceeds from sale of capital assets	27,104	-	-	27,104
Total other financing sources (uses)	<u>1,005,461</u>	<u>-</u>	<u>(1,357)</u>	<u>1,004,104</u>
Net change in fund balances	(39,590)	(1,126,619)	6,265	(1,159,944)
Fund balances, beginning of year	<u>1,142,096</u>	<u>1,010,369</u>	<u>421,820</u>	<u>2,574,285</u>
Fund balances, end of year	<u>\$ 1,102,506</u>	<u>\$ (116,250)</u>	<u>\$ 428,085</u>	<u>\$ 1,414,341</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, 2016

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

Net change in fund balances - total governmental funds	\$ (1,159,944)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,355,259
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net position.	(322,156)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(8,842)
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.	38,867
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>(21,476)</u>
Change in net position - governmental activities	<u>\$ (118,292)</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, 2016

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,506,100	\$ 2,507,300	\$ 2,524,253	\$ 16,953
Licenses and permits	15,724	49,824	71,613	21,789
Fines and forfeitures	170,000	170,000	111,682	(58,318)
Interest	13,000	13,000	12,911	(89)
Charges for services	23,200	23,200	16,836	(6,364)
Intergovernmental	68,731	78,731	165,000	86,269
Miscellaneous	15,050	15,050	18,327	3,277
Total revenues	2,811,805	2,857,105	2,920,622	63,517
<b>Expenditures</b>				
Current:				
General government:				
Governing body	152,523	149,100	139,031	10,069
Chief executive	121,519	140,113	134,990	5,123
Board of elections	5,500	5,500	3,637	1,863
Clerk - administrative	84,924	90,387	89,360	1,027
Financial administration	484,669	547,121	536,947	10,174
Law	25,000	43,655	43,655	-
Total general government	874,135	975,876	947,620	28,256
Judicial:				
Municipal court	18,459	18,536	17,369	1,167
Total judicial	18,459	18,536	17,369	1,167
Public safety:				
Police	1,175,193	1,175,822	1,083,207	92,615
Fire	797,096	947,177	916,960	30,217
Total public safety	1,972,289	2,122,999	2,000,167	122,832
Public works:				
Highways and streets	490,725	561,069	558,340	2,729
Cemetery	96,000	96,000	84,989	11,011
Total public works	586,725	657,069	643,329	13,740
Health and welfare:				
Transportation services	93,426	93,570	78,005	15,565
Total health and welfare	93,426	93,570	78,005	15,565
Culture and recreation:				
Library	127,450	129,350	128,419	931
Total culture and recreation	127,450	129,350	128,419	931
Housing and development:				
Urban redevelopment and housing	2,000	2,000	120	1,880
Economic development and assistance	92,912	93,052	89,328	3,724
Total housing and development	94,912	95,052	89,448	5,604
Debt service:				
Principal	38,867	38,867	38,867	-
Interest	22,449	22,449	22,449	-
Total debt service	61,316	61,316	61,316	-
Total expenditures	3,828,712	4,153,768	3,965,673	188,095
Deficiency of revenues over expenditures	(1,016,907)	(1,296,663)	(1,045,051)	251,612
<b>Other financing sources</b>				
Transfers in	977,500	1,127,500	978,357	(149,143)
Sale of capital assets	-	16,866	27,104	10,238
Total other financing sources	977,500	1,144,366	1,005,461	(138,905)
Net change in fund balances	(39,407)	(152,297)	(39,590)	112,707
<b>Fund balance, beginning of year</b>	1,142,096	1,142,096	1,142,096	-
<b>Fund balance, end of year</b>	\$ 1,102,689	\$ 989,799	\$ 1,102,506	\$ 112,707

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

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2016

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	\$ 1,106,789	\$ 1,970,264	\$ 2,610	\$ 3,079,663
Investments	-	847,978	-	847,978
Accounts receivable, net	294,954	206,626	43,710	545,290
Due from other funds	-	1,914	-	1,914
Due from other governments	-	499	90	589
Interest receivable	-	1,298	-	1,298
Prepaid items	69,032	11,109	-	80,141
	<u>1,470,775</u>	<u>3,039,688</u>	<u>46,410</u>	<u>4,556,873</u>
<b>Restricted assets</b>				
Cash and cash equivalents	480,232	-	-	480,232
	<u>1,951,007</u>	<u>3,039,688</u>	<u>46,410</u>	<u>5,037,105</u>
<b>NONCURRENT ASSETS</b>				
Prepaid bond insurance	17,621	-	-	17,621
Other assets	39,021	-	-	39,021
	<u>56,642</u>	<u>-</u>	<u>-</u>	<u>56,642</u>
<b>CAPITAL ASSETS</b>				
Nondepreciable	342,570	241,352	-	583,922
Depreciable, net of accumulated depreciation	12,419,979	3,069,320	-	15,489,299
	<u>12,762,549</u>	<u>3,310,672</u>	<u>-</u>	<u>16,073,221</u>
	<u>14,770,198</u>	<u>6,350,360</u>	<u>46,410</u>	<u>21,166,968</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension plan contributions	13,978	6,298	-	20,276
Net difference between projected and actual investment earnings	12,631	5,690	-	18,321
Pension plan experience differences	15,175	6,837	-	22,012
	<u>41,784</u>	<u>18,825</u>	<u>-</u>	<u>60,609</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	13,615	124,595	-	138,210
Accrued liabilities	116,673	6,076	-	122,749
Customer deposits	98,472	193,518	-	291,990
Due to other funds	27,728	6,586	21,446	55,760
Compensated absences payable - current	14,186	2,583	-	16,769
Revenue bonds payable - current	110,000	-	-	110,000
Notes payable - current	2,765	-	-	2,765
	<u>383,439</u>	<u>333,358</u>	<u>21,446</u>	<u>738,243</u>
<b>NONCURRENT LIABILITIES</b>				
Revenue bonds payable	6,490,385	-	-	6,490,385
Notes payable	16,813	-	-	16,813
Net pension liability	84,169	37,924	-	122,093
Compensated absences payable	4,617	-	-	4,617
	<u>6,595,984</u>	<u>37,924</u>	<u>-</u>	<u>6,633,908</u>
	<u>6,979,423</u>	<u>371,282</u>	<u>21,446</u>	<u>7,372,151</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension plan assumption changes	6,227	2,806	-	9,033
	<u>6,227</u>	<u>2,806</u>	<u>-</u>	<u>9,033</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,622,818	3,310,672	-	9,933,490
Unrestricted	1,203,514	2,684,425	24,964	3,912,903
	<u>\$ 7,826,332</u>	<u>\$ 5,995,097</u>	<u>\$ 24,964</u>	<u>\$ 13,846,393</u>

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

**CITY OF SOCIAL CIRCLE, GEORGIA**

**STATEMENT OF REVENUES, EXPENSES, AND**

**CHANGES IN FUND NET POSITION**

**PROPRIETARY FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$ 2,717,779	\$ 2,756,457	\$ 314,084	\$ 5,788,320
Total operating revenues	2,717,779	2,756,457	314,084	5,788,320
<b>OPERATING EXPENSES</b>				
Cost of sales and services	35,698	1,541,710	-	1,577,408
General operating expenses	1,368,088	454,400	251,965	2,074,453
Depreciation & amortization	399,725	101,246	-	500,971
Total operating expenses	1,803,511	2,097,356	251,965	4,152,832
Operating income	914,268	659,101	62,119	1,635,488
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	16,422	33,705	4	50,131
Interest expense	(256,341)	-	-	(256,341)
Bond issuance costs	(164,770)	-	-	(164,770)
Other revenue	1,356	9,017	-	10,373
Total non-operating revenues (expenses)	(403,333)	42,722	4	(360,607)
Net income before transfers and contributions	510,935	701,823	62,123	1,274,881
Transfers out	(325,000)	(545,000)	(107,000)	(977,000)
Capital contributions	316,681	-	-	316,681
Total transfers and contributions	(8,319)	(545,000)	(107,000)	(660,319)
Change in net position	502,616	156,823	(44,877)	614,562
<b>Net position, beginning of year</b>	<b>7,323,716</b>	<b>5,838,274</b>	<b>69,841</b>	<b>13,231,831</b>
<b>Net position, end of year</b>	<b>\$ 7,826,332</b>	<b>\$ 5,995,097</b>	<b>\$ 24,964</b>	<b>\$ 13,846,393</b>

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, 2016

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,691,831	\$ 2,772,428	\$ 316,352	\$ 5,780,611
Payments to suppliers	(910,014)	(1,961,098)	(256,758)	(3,127,870)
Payments to employees	(536,782)	(249,433)	-	(786,215)
Net cash provided by operating activities	1,245,035	561,897	59,594	1,866,526
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Other revenue	1,356	9,017	-	10,373
Repayment of advances from other funds	(260,270)	-	-	(260,270)
Receipt of advances to other funds	-	260,270	-	260,270
Transfers out to other funds	(325,000)	(545,000)	(107,000)	(977,000)
Net cash used in non-capital financing activities	(583,914)	(275,713)	(107,000)	(966,627)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(49,780)	(268,740)	-	(318,520)
Proceeds from bond issuance	4,530,000	-	-	4,530,000
Bond premium	172,222	-	-	172,222
Bond insurance costs	(17,621)	-	-	(17,621)
Principal payments on notes payable	(4,364,737)	-	-	(4,364,737)
Interest and bond issuance costs paid	(368,188)	-	-	(368,188)
Net cash used in capital and related financing activities	(98,104)	(268,740)	-	(366,844)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	(861)	-	(861)
Interest received	16,422	33,705	4	50,131
Net cash provided by investing activities	16,422	32,844	4	49,270
Net increase (decrease) in cash and cash equivalents	579,439	50,288	(47,402)	582,325
Cash and cash equivalents, beginning of year	1,007,582	1,919,976	50,012	2,977,570
Cash and cash equivalents, end of year	\$ 1,587,021	\$ 1,970,264	\$ 2,610	\$ 3,559,895
<b>Classified as:</b>				
Cash and cash equivalents	\$ 1,106,789	\$ 1,970,264	\$ 2,610	\$ 3,079,663
Restricted cash and cash equivalents	480,232	-	-	480,232
	\$ 1,587,021	\$ 1,970,264	\$ 2,610	\$ 3,559,895

(Continued)

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	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	\$ 914,268	\$ 659,101	\$ 62,119	\$ 1,635,488
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	399,725	101,246	-	500,971
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(25,948)	17,856	2,358	(5,734)
Increase in due from other governments	-	-	(90)	(90)
Increase in due from other funds	-	(1,885)	-	(1,885)
(Increase) decrease in prepaid items	(27,963)	5,620	-	(22,343)
Increase in pension related deferred outflows of resources	(26,868)	(12,132)	-	(39,000)
Increase (decrease) in accounts payable	10,865	(15,391)	-	(4,526)
Increase in accrued liabilities	1,150	1,262	-	2,412
Increase in customer deposits	4,589	8,146	-	12,735
Increase in net pension liability	44,272	20,022	-	64,294
Decrease in pension related deferred inflows of resources	(12,434)	(5,568)	-	(18,002)
Decrease in compensated absences payable	(2,933)	(2,880)	-	(5,813)
Decrease in due to other funds	(33,688)	(213,500)	(4,793)	(251,981)
Net cash provided by operating activities	<u>\$ 1,245,035</u>	<u>\$ 561,897</u>	<u>\$ 59,594</u>	<u>\$ 1,866,526</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfer of capital assets from governmental activities	<u>\$ (316,681)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (316,681)</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, 2016

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	<b>ASSETS</b>	<b>Board of Education Fund</b>
		<hr/>
Taxes receivable		\$ 124,736
		<hr/>
Total assets		\$ 124,736
		<hr/> <hr/>
	<b>LIABILITIES</b>	
Due to others		\$ 124,736
		<hr/>
Total liabilities		\$ 124,736
		<hr/> <hr/>

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

**CITY OF SOCIAL CIRCLE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Social Circle, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

Incorporated in 1904, under the laws of the State of Georgia, the City of Social Circle is governed by a five member Mayor/Council form of government. The mayor and council are elected to four-year terms. The Mayor and the other four council members serve on a part-time basis. The Mayor and council appoint a city manager to handle the daily operations of the City.

The City's major operations include public safety, public works maintenance, culture and recreation, housing and development, utility services and general administrative services. In addition, the City exercises sufficient control over other governmental entities that are included as part of the City's reporting entity.

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

Social Circle 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 governing body of Social Circle Main Street, Inc. consists of 15 individuals elected at large and the Social Circle City Manager, who serves as an ex-officio member. Although the City does not have the authority to approve or modify Social Circle Main Street, Inc.'s operational and capital budgets, the City provides a significant amount of their revenues. 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. Social Circle Main Street, Inc. is presented as a proprietary fund type.

## NOTES TO FINANCIAL STATEMENTS

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

#### **A. Reporting Entity (Continued)**

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

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

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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

#### C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers intergovernmental revenues to be available if they are collected within 90 days and all other revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

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

The City reports the following major governmental funds:

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

The City reports the following major enterprise funds:

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

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

The City also reports the following fund types:

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

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

The **permanent fund** accounts for the operations of the City's Library endowment for which the corpus of the investments held in this fund cannot be used.

The **agency fund** is accounted for on the accrual basis of accounting, and is used to account for the collection and disbursement of property taxes by the City on behalf of the City of Social Circle Board of Education.

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

#### D. Budgets

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

#### E. Deposits and Investments

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

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



## NOTES TO FINANCIAL STATEMENTS

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

#### F. Receivables and Payables

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

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, 2016, are recorded as prepaid items in both government-wide and fund financial statements.

#### H. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for non-infrastructure tangible assets, \$50,000 for intangible assets and \$100,000 for infrastructure and an estimated useful life in excess of one year, five years and five years, respectively. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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

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

#### I. Restricted Assets

Expenditures of the Stanton Library Permanent Fund are restricted per the terms of the bequest for the following purposes: maintenance of the library building, purchase of books for the library, purchase of items to aid the impaired, and to assist in meeting cultural opportunities for the City.

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

#### J. Deferred Outflows / Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category, which only arises under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized as inflow of resources in the period in which the amounts become available.

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

## NOTES TO FINANCIAL STATEMENTS

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

#### K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### M. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

## NOTES TO FINANCIAL STATEMENTS

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

#### M. Fund Equity (Continued)

Fund balances are classified as follows:

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

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

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

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

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

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

**Net Position** – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

## NOTES TO FINANCIAL STATEMENTS

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### 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 \$720,340 difference are as follows:

Capital lease payable	\$ (639,346)
Accrued interest payable	(17,104)
Compensated absences	<u>(63,890)</u>
Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (720,340)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### 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 \$232,732 difference are as follows:

Net pension liability	\$ (402,970)
Deferred outflows of resources:	
Pension plan contributions	66,923
Net difference between projected and actual investment earnings	60,472
Pension plan experience differences	72,654
Deferred inflows of resources	
Pension plan assumption changes	(29,811)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (232,732)</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 \$1,355,259 difference are as follows:

Capital outlay	\$ 1,787,287
Depreciation expense	(432,028)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,355,259</u>

## NOTES TO FINANCIAL STATEMENTS

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

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

Another element of the reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and sales) is to reduce net position." The details of this \$322,156 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 or transferred to a proprietary fund.

Sale of capital assets	\$ (5,475)
Transfer of capital assets to proprietary fund	<u>(316,681)</u>
Net adjustment to reduce <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u><u>\$ (322,156)</u></u>

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$21,476 difference are as follows:

Compensated absences	\$ 4,835
Pension expense	(27,351)
Accrued interest	<u>1,040</u>
Net adjustment to reduce <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (21,476)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City of Social Circle, Georgia employs the following procedures in establishing its annual budget:

1. Prior to July 1, the City Manager and the Council Budget Committee prepare a proposed budget for the fiscal year commencing July 1. The proposed budget is submitted to the Mayor and City Council. The operating budget includes proposed expenditures and the means for financing them.
2. The City Council holds a public hearing on the budget of the City of Social Circle, Georgia.
3. The budget is then revised and adopted or amended by the City Council at a subsequent regular meeting in the year to which it applies and within forty-five days following 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.

#### Deficit Fund Equity

The following funds had deficit fund balances at June 30, 2016. The fund deficits will be reduced through anticipated revenues.

<u>Fund</u>	<u>Deficit</u>
SPLOST Fund	\$ 116,250

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2016 are summarized as follows:

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

Cash and cash equivalents	\$ 3,884,489
Restricted cash and cash equivalents	480,232
Investments	1,253,186
Total	<u>\$ 5,617,907</u>
Cash deposited with financial institutions	\$ 5,212,699
Fixed income mutual funds	361,842
Alternative investment mutual funds	20,673
Equity stocks	22,693
	<u>\$ 5,617,907</u>

**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, 2016, the City had the following investments:

Investment	Maturities (in years)	Fair Value
Certificate of deposit	1 yr	\$ 847,978
Fixed income mutual funds	3.8 yrs	36,570
Fixed income mutual funds	4.7 yrs	89,886
Fixed income mutual funds	7.6 yrs	130,492
Fixed income mutual funds	11.4 yrs	104,894
Alternative investment mutual funds	--	20,673
Equity stocks	--	22,693
Total		<u>\$ 1,253,186</u>

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, 2016:

Investment	Level 1	Fair Value
Fixed Income Mutual Funds	\$ 361,842	\$ 361,842
Alternative Investment Mutual Funds	20,673	20,673
Equity Stocks	22,693	22,693
Total investments measured at fair value	<u>\$ 405,208</u>	<u>\$ 405,208</u>
Investments not subject to level disclosure:		
Certificates of Deposit		<u>847,978</u>
Total investments		<u>\$ 1,253,186</u>

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, 2016, the City's deposits are insured or collateralized as required by state law.

## NOTES TO FINANCIAL STATEMENTS

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

#### Downtown Development Authority

As of June 30, 2016, the bank balances for the Downtown Development Authority were insured or collateralized as defined by GASB.

#### Development Authority

As of June 30, 2016, the bank balances for the Development Authority were insured or collateralized as defined by GASB.

#### Main Street, Inc.

As of June 30, 2016, the bank balances for Main Street, Inc. were insured or collateralized as defined by GASB.

### NOTE 5. RECEIVABLES

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

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

Receivables at June 30, 2016, 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	\$ 73,056	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	40,183	-	630	561,180	302,360	110,979
Interest	-	-	-	-	1,298	-
Other governments	87,441	42,629	-	-	499	90
Less allowance for uncollectible	60,157	-	-	266,226	95,734	67,269
Net total receivable	<u>\$ 140,523</u>	<u>\$ 42,629</u>	<u>\$ 630</u>	<u>\$ 294,954</u>	<u>\$ 208,423</u>	<u>\$ 43,800</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### Primary Government

Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 938,408	\$ -	\$ -	\$ -	\$ 938,408
Construction in progress	85,586	1,604,946	(316,681)	(1,350,097)	23,754
Total	<u>1,023,994</u>	<u>1,604,946</u>	<u>(316,681)</u>	<u>(1,350,097)</u>	<u>962,162</u>
Capital assets, being depreciated:					
Infrastructure	4,333,937	-	-	313,942	4,647,879
Buildings and improvements	2,901,216	-	-	1,019,868	3,921,084
Equipment, furniture & vehicles	3,392,791	182,341	(131,129)	16,287	3,460,290
Total	<u>10,627,944</u>	<u>182,341</u>	<u>(131,129)</u>	<u>1,350,097</u>	<u>12,029,253</u>
Less accumulated depreciation for:					
Infrastructure	(735,970)	(113,430)	-	-	(849,400)
Buildings and improvements	(1,290,578)	(108,116)	-	-	(1,398,694)
Equipment, furniture & vehicles	(2,288,942)	(210,482)	125,654	-	(2,373,770)
Total	<u>(4,315,490)</u>	<u>(432,028)</u>	<u>125,654</u>	<u>-</u>	<u>(4,621,864)</u>
Total capital assets, being depreciated, net	<u>6,312,454</u>	<u>(249,687)</u>	<u>(5,475)</u>	<u>1,350,097</u>	<u>7,407,389</u>
Governmental activities capital assets, net	<u><u>\$ 7,336,448</u></u>	<u><u>\$ 1,355,259</u></u>	<u><u>\$ (322,156)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,369,551</u></u>

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## 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	\$ 292,790	\$ 291,132	\$ -	\$ -	\$ 583,922
Total	<u>292,790</u>	<u>291,132</u>	<u>-</u>	<u>-</u>	<u>583,922</u>
Capital assets, being depreciated:					
Infrastructure	21,357,231	316,681	-	-	21,673,912
Machinery & equipment	452,104	-	-	-	452,104
Vehicles	418,250	27,388	(21,584)	-	424,054
Total	<u>22,227,585</u>	<u>344,069</u>	<u>(21,584)</u>	<u>-</u>	<u>22,550,070</u>
Less accumulated depreciation for:					
Infrastructure	(5,967,865)	(437,390)	-	-	(6,405,255)
Machinery & equipment	(307,717)	(24,726)	-	-	(332,443)
Vehicles	(306,421)	(38,236)	21,584	-	(323,073)
Total	<u>(6,582,003)</u>	<u>(500,352)</u>	<u>21,584</u>	<u>-</u>	<u>(7,060,771)</u>
Total capital assets, being depreciated, net	<u>15,645,582</u>	<u>(156,283)</u>	<u>-</u>	<u>-</u>	<u>15,489,299</u>
Business-type activities capital assets, net	<u>\$ 15,938,372</u>	<u>\$ 134,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,073,221</u>

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

Governmental activities:	
General government	\$ 142,473
Public safety	163,149
Public works	122,752
Culture and recreation	<u>3,654</u>
Total depreciation expense - governmental activities	<u>\$ 432,028</u>
Business-type activities:	
Water & sewer	\$ 399,106
Natural gas	<u>101,246</u>
Total depreciation expense - business-type activities	<u>\$ 500,352</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### Main Street, Inc.

Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery & equipment	\$ 23,279	\$ -	\$ -	\$ 23,279
Total	<u>23,279</u>	<u>-</u>	<u>-</u>	<u>23,279</u>
Less accumulated depreciation for:	<u>(11,672)</u>	<u>(2,238)</u>	<u>-</u>	<u>(13,910)</u>
Machinery & equipment	<u>(11,672)</u>	<u>(2,238)</u>	<u>-</u>	<u>(13,910)</u>
Total				
Total capital assets, net	<u>\$ 11,607</u>	<u>\$ (2,238)</u>	<u>\$ -</u>	<u>\$ 9,369</u>

#### Downtown Development Authority

Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Total	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Capital assets, being depreciated:				
Buildings	615,083	3,401	-	618,484
Total	<u>615,083</u>	<u>3,401</u>	<u>-</u>	<u>618,484</u>
Less accumulated depreciation for:				
Buildings	(86,951)	(16,966)	-	(103,917)
Total	<u>(86,951)</u>	<u>(16,966)</u>	<u>-</u>	<u>(103,917)</u>
Total capital assets, being depreciated, net	<u>528,132</u>	<u>(13,565)</u>	<u>-</u>	<u>514,567</u>
Total capital assets, net	<u>\$ 628,132</u>	<u>\$ (13,565)</u>	<u>\$ -</u>	<u>\$ 614,567</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### Development Authority

Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

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

### NOTE 7. LONG-TERM DEBT

#### Primary Government

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital lease	\$ 678,213	\$ -	\$ (38,867)	\$ 639,346	\$ 38,867
Compensated absences	68,725	60,705	(65,540)	63,890	60,929
Net pension liability	187,759	321,083	(105,872)	402,970	-
Governmental activity					
Long-term liabilities	\$ 934,697	\$ 381,788	\$ (210,279)	\$ 1,106,206	\$ 99,796
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 1,930,000	\$ 4,530,000	\$ -	\$ 6,460,000	\$ 110,000
Add: Premium	-	172,222	(1,269)	170,953	-
Less: Discount	(32,456)	-	1,888	(30,568)	-
Net bonds payable	1,897,544	4,702,222	619	6,600,385	110,000
Note payable	4,384,315	-	(4,364,737)	19,578	2,765
Compensated absences	27,199	23,329	(29,142)	21,386	16,769
Net pension liability	57,799	95,908	(31,614)	122,093	-
Business-type activity					
Long-term liabilities	\$ 6,366,857	\$ 4,821,459	\$ (4,424,874)	\$ 6,763,442	\$ 129,534

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

The amount of interest expense incurred and expensed for business-type activities was \$256,341 for the year ended June 30, 2016. No interest was capitalized for the year ended June 30, 2016.

## 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,	Revenue Bonds		Total
	Principal	Interest	
2017	\$ 110,000	\$ 252,050	\$ 362,050
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
2022-2026	665,000	1,146,562	1,811,562
2027-2031	1,010,000	1,022,837	2,032,837
2032-2036	1,520,000	734,475	2,254,475
2037-2041	1,380,000	433,000	1,813,000
2042-2046	1,315,000	134,200	1,449,200
Total	<u>\$ 6,460,000</u>	<u>\$ 4,705,574</u>	<u>\$ 11,165,574</u>

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



## NOTES TO FINANCIAL STATEMENTS

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2017	\$ 2,765	\$ 863	\$ 3,628
2018	2,896	732	3,628
2019	3,033	595	3,628
2020	3,176	452	3,628
2021	3,327	301	3,628
2022-2023	4,381	154	4,535
Total	<u>\$ 19,578</u>	<u>\$ 3,097</u>	<u>\$ 22,675</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, 2016 are as follows:

	<u>Governmental Activities</u>	
	<u>Original</u>	<u>Accumulated</u>
	<u>Cost</u>	<u>Depreciation</u>
Vehicles	\$ 811,180	\$ 196,033
Total	<u>\$ 811,180</u>	<u>\$ 196,033</u>

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

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## NOTES TO FINANCIAL STATEMENTS

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

Future minimum lease payments as of June 30, 2016 are as follows:

Fiscal Year Ending June 30,	<b>Governmental Activities</b>
2017	\$ 61,315
2018	61,315
2019	61,315
2020	61,315
2021	61,315
2022-2026	306,577
2027-2029	183,946
Total minimum lease payments	<u>797,098</u>
Less: interest payments	<u>(157,752)</u>
Present value minimum lease payments	<u><u>\$ 639,346</u></u>

#### **Downtown Development Authority**

Long-term liability activity for the year ended June 30, 2016, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Notes payable	\$ 506,487	\$ -	\$ (29,141)	\$ 477,346	\$ 477,346
Total long-term liabilities	<u>\$ 506,487</u>	<u>\$ -</u>	<u>\$ (29,141)</u>	<u>\$ 477,346</u>	<u>\$ 477,346</u>

**Notes payable.** In July 2009, the Downtown Development Authority (“DDA”) issued a \$605,000 note payable with a financial institution in order to finance the purchase of a building. The note matures September 13, 2016 and requires monthly principal and interest payments at an interest rate of 3.9%. In December 2012, the DDA entered into a debt modification agreement with the financial institution whereby the DDA received additional funds in the amount of \$59,410. All other terms of the note remained the same.

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:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year Ending June 30,			
2017	\$ 477,346	\$ 4,618	\$ 481,964
Total	<u>\$ 477,346</u>	<u>\$ 4,618</u>	<u>\$ 481,964</u>

## NOTES TO FINANCIAL STATEMENTS

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

The composition of interfund balances as of June 30, 2016 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	\$ 25,814
General fund	Natural gas fund	6,586
General fund	Nonmajor enterprise fund	21,446
General fund	SPLOST fund	185,834
Natural gas fund	Water and sewer fund	1,914
		<u>\$ 241,594</u>

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 325,000
General fund	Natural gas fund	545,000
General fund	Nonmajor governmental funds	1,357
General fund	Nonmajor enterprise fund	107,000
		<u>\$ 978,357</u>

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLAN

#### Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Social Circle Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, excluding elected officials who are immediately eligible, who work twenty hours or more per week are eligible to participate after one year. Benefits vest after ten years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 1.25% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he has a minimum of 25 years total credited service to receive full benefits, otherwise early retirement may be elected after only 10 years of service for reduced benefits. Elected officials are entitled to \$38 for each year of service after reaching normal retirement age.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLAN (CONTINUED)

*Plan Membership.* At January 1, 2016, the date of the most recent actuarial valuation, there were 95 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	23
Terminated vested participants not yet receiving benefits	13
Active employees - vested	19
Active employees - nonvested	40
Total	<u>95</u>

*Contributions.* The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2016, the actuarially determined contribution rate was 6.72% of covered payroll. The City makes all contributions to the plan. For 2016, the City's contribution to the Plan was \$116,265.

#### Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2015.

*Actuarial assumptions.* The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates for the January 1, 2015 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, 2015 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, 2015 are summarized in the table below.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLAN (CONTINUED)

#### Net Pension Liability of the City (Continued)

*Changes in the Net Pension Liability of the City.* The changes in the components of the net pension liability of the City for the fiscal year ended June 30, 2016 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/15</b>	\$ 2,631,229	\$ 2,385,671	\$ 245,558
<b>Changes for the year:</b>			
Service cost	110,674	-	110,674
Interest	199,876	-	199,876
Differences between expected and actual experience	96,814	-	96,814
Contributions—employer	-	110,350	(110,350)
Net investment income	-	27,136	(27,136)
Benefit payments, including refunds of employee contributions	(104,378)	(104,378)	-
Administrative expense	-	(9,627)	9,627
<b>Net changes</b>	302,986	23,481	279,505
<b>Balances at 6/30/16</b>	\$ 2,934,215	\$ 2,409,152	\$ 525,063

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	\$ 948,554	\$ 525,063	\$ 176,600

## 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, 2015 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, 2016, the City recognized pension expense of \$159,036. At June 30, 2016, 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	\$ 94,666	\$ -
Changes in assumptions	-	38,844
Net difference between projected and actual earnings on pension plan investments	78,793	-
City contributions subsequent to the measurement date	87,199	-
Total	<u>\$ 260,658</u>	<u>\$ 38,844</u>

City contributions subsequent to the measurement date of \$87,199 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, 2017. 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:		
2017	\$	23,607
2018		23,607
2019		23,607
2020		47,658
2021		16,136
Total	<u>\$</u>	<u>134,615</u>



## NOTES TO FINANCIAL STATEMENTS

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### **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, 2016, 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, 2016 were \$17,430.

### **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

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### 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

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### 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 2016, are general obligations of the City to which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$1,541,710 in 2016.

At June 30, 2016, the outstanding debt of MGAG was approximately \$330 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$3.6 million at June 30, 2016.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF SOCIAL CIRCLE, GEORGIA

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

	2015	2016
<b>Total pension liability</b>		
Service cost	\$ 82,778	\$ 110,674
Interest on total pension liability	186,271	199,876
Differences between expected and actual experience	23,309	96,814
Changes of assumptions	(64,740)	-
Changes of benefit terms	46,906	-
Benefit payments, including refunds of employee contributions	(93,585)	(104,378)
<b>Net change in total pension liability</b>	180,939	302,986
<b>Total pension liability - beginning</b>	2,450,290	2,631,229
<b>Total pension liability - ending (a)</b>	<u>\$ 2,631,229</u>	<u>\$ 2,934,215</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 96,015	\$ 110,350
Net investment income	244,943	27,136
Benefit payments, including refunds of member contributions	(93,585)	(104,378)
Administrative expenses	(7,860)	(9,627)
<b>Net change in plan fiduciary net position</b>	239,513	23,481
<b>Plan fiduciary net position - beginning</b>	2,146,158	2,385,671
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,385,671</u>	<u>\$ 2,409,152</u>
<b>City's net pension liability - ending (a) - (b)</b>	<u>\$ 245,558</u>	<u>\$ 525,063</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	90.67%	82.11%
<b>Covered-employee payroll</b>	\$ 1,703,641	\$ 2,064,821
<b>City's net pension liability as a percentage of covered-employee payroll</b>	14.41%	25.43%

**Notes to the Schedule:**

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

# CITY OF SOCIAL CIRCLE, GEORGIA

## REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN SCHEDULE OF CITY CONTRIBUTIONS

	2015	2016
Actuarially determined contribution	\$ 97,541	\$ 116,265
Contributions in relation to the actuarially determined contribution	97,541	116,265
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,387,784	\$ 1,703,641
Contributions as a percentage of covered-employee payroll	7.03%	6.82%

### Notes to the Schedule:

#### (1) Actuarial Assumptions:

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

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

**CITY OF SOCIAL CIRCLE, GEORGIA**  
**NONMAJOR GOVERNMENTAL FUNDS**

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**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, 2016

	Special Revenue Fund	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS	Confiscations Pending Fund	Library Fund	
Cash and cash equivalents	\$ 34,773	\$ 11,868	\$ 46,641
Accounts receivable	30	600	630
Investments	-	405,208	405,208
Total assets	<u>\$ 34,803</u>	<u>\$ 417,676</u>	<u>\$ 452,479</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 24,394</u>	<u>\$ -</u>	<u>\$ 24,394</u>
Total liabilities	<u>24,394</u>	<u>-</u>	<u>24,394</u>
<b>FUND BALANCES</b>			
Nonspendable - corpus	-	350,000	350,000
Restricted:			
Library	-	67,676	67,676
Public safety	<u>10,409</u>	<u>-</u>	<u>10,409</u>
Total fund balances	<u>10,409</u>	<u>417,676</u>	<u>428,085</u>
Total liabilities and fund balances	<u>\$ 34,803</u>	<u>\$ 417,676</u>	<u>\$ 452,479</u>



**CITY OF SOCIAL CIRCLE, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<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	\$ 1,169	\$ 21,972	\$ 23,141
Fines and forfeitures	42,683	-	42,683
	<u>43,852</u>	<u>21,972</u>	<u>65,824</u>
<b>EXPENDITURES</b>			
Current			
Public safety	47,852	-	47,852
Culture and recreation	-	10,350	10,350
	<u>47,852</u>	<u>10,350</u>	<u>58,202</u>
Total expenditures	47,852	10,350	58,202
Excess (deficiency) of revenues over expenditures	(4,000)	11,622	7,622
<b>OTHER FINANCING USES</b>			
Transfers out	-	(1,357)	(1,357)
Total other financing uses	-	(1,357)	(1,357)
Net change in fund balances	(4,000)	10,265	6,265
<b>FUND BALANCES, beginning of year</b>	<u>14,409</u>	<u>407,411</u>	<u>421,820</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 10,409</u>	<u>\$ 417,676</u>	<u>\$ 428,085</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, 2016**

	<u>Budget</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Interest	\$ 500	\$ 1,169	\$ 1,169	\$ -
Fines and forfeitures	1,500	41,500	42,683	1,183
Total revenues	2,000	42,669	43,852	1,183
<b>EXPENDITURES</b>				
Public safety	2,000	48,369	47,852	517
Total expenditures	2,000	48,369	47,852	517
Net change in fund balances	-	(5,700)	(4,000)	1,700
<b>FUND BALANCES, beginning of year</b>	14,409	14,409	14,409	-
<b>FUND BALANCES, end of year</b>	<u>\$ 14,409</u>	<u>\$ 8,709</u>	<u>\$ 10,409</u>	<u>\$ 1,700</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, 2016**

	<b>Budget</b>			<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Investment income	\$ 17,000	\$ 17,000	\$ 21,972	\$ 4,972
Total revenues	17,000	17,000	21,972	4,972
<b>EXPENDITURES</b>				
Culture and recreation	17,000	17,000	10,350	6,650
Total expenditures	17,000	17,000	10,350	6,650
Excess of revenues over expenditures	-	-	11,622	11,622
<b>Other financing uses</b>				
Transfers out	-	-	(1,357)	(1,357)
Total other financing uses	-	-	(1,357)	(1,357)
Net change in fund balances	-	-	10,265	10,265
<b>FUND BALANCES, beginning of year</b>	407,411	407,411	407,411	-
<b>FUND BALANCES, end of year</b>	<u>\$ 407,411</u>	<u>\$ 407,411</u>	<u>\$ 417,676</u>	<u>\$ 10,265</u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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<u>2013 Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years Cumulative Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Cumulative Expenditures</u>
Roads, sidewalks, drainage	\$ 850,000	\$ 850,000	\$ 180,674	\$ 332,590	\$ 513,264
Library improvements and expansion	500,000	500,000	-	-	-
Water and sewer improvements	500,000	500,000	25,020	342,234	367,254
Recreation playgrounds	250,000	250,000	-	-	-
Public safety improvements	1,000,000	1,000,000	33,463	960,987	994,450
	<u>\$ 3,100,000</u>	<u>\$ 3,100,000</u>	<u>\$ 239,157</u>	<u>\$ 1,635,811</u>	<u>\$ 1,874,968</u>

Note: The balances of expenditures reported in prior years have been corrected to appropriately reflect the actual balances of SPLOST funds expended in accordance with the voter approved referendums.

## COMPONENT UNITS

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# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - MAIN STREET, INC. FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 42,878
Payments to suppliers	<u>(44,705)</u>
Net cash used in operating activities	<u>(1,827)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>7</u>
Net cash provided by investing activities	<u>7</u>

Net decrease in cash and cash equivalents (1,820)

Cash and cash equivalents, beginning of year 24,142

Cash and cash equivalents, end of year \$ 22,322

### RECONCILIATION OF OPERATING INCOME TO NET

#### CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (3,976)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,238
Change in assets and liabilities:	
Decrease in accounts payable	<u>(89)</u>
Net cash used in operating activities	<u><u>\$ (1,827)</u></u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 90,834
Payments to suppliers	<u>(31,292)</u>
Net cash provided by operating activities	<u>59,542</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>3</u>
Net cash provided by investing activities	<u>3</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(3,401)
Principal payments on notes payable	(29,141)
Interest paid	<u>(19,879)</u>
Net cash used in capital and related financing activities	<u>(52,421)</u>
Net increase in cash and cash equivalents	7,124
Cash and cash equivalents, beginning of year	<u>1,900</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,024</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 26,560
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	16,966
Change in assets and liabilities:	
Increase in accounts receivable	(704)
Increase in due to primary government	16,600
Increase in customer deposits	<u>120</u>
Net cash provided by operating activities	<u><u>\$ 59,542</u></u>

# CITY OF SOCIAL CIRCLE, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 250
Payments to suppliers	<u>(250)</u>
Net cash provided by operating activities	<u>-</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>79</u>
Net cash provided by investing activities	<u>79</u>

Net decrease in cash and cash equivalents 79

Cash and cash equivalents, beginning of year 76,656

Cash and cash equivalents, end of year \$ 76,735

### RECONCILIATION OF OPERATING INCOME TO NET

#### CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 250
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease in accounts payable	<u>(250)</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>



## **COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Social Circle, Georgia (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2016.

### **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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control as described in the accompanying schedule of findings and responses, as item 2016-001, 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.

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**Purpose of this Report**

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

Mauldin & Jenkins, LLC

Atlanta, Georgia  
November 29, 2016

## SECTION I

### SUMMARY OF AUDIT RESULTS

**CITY OF SOCIAL CIRCLE, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**2016-001 Revenues and Related Receivables**

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

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

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

- The Water & Sewer Fund required an audit adjustment of approximately \$19,100 to adjust the allowance for doubtful accounts on the accrued service revenues.
- The Natural Gas Fund required an audit adjustment of approximately \$5,400 to adjust the allowance for doubtful accounts on the accrued service revenues.
- The Solid Waste Fund required an audit adjustment of approximately \$4,100 to adjust the allowance for doubtful accounts on the accrued service revenues.

**Effects:** Audit adjustments totaling approximately \$28,600 were needed to correctly report revenues and related receivables.

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

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