

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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CITY OF SOCIAL CIRCLE, GEORGIA

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FOR THE FISCAL YEAR ENDED
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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Social Circle, Georgia** (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Social Circle, Georgia as of June 30, 2019, 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, the Schedule of Changes in the City's Net Pension Liability, and the Schedule of City Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the City of Social Circle, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Social Circle, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Social Circle, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 19, 2019

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, 2019. 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 2019 by \$25,291,216 (total net position).
- Of this amount, \$4,607,211 (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 \$1,100,379.
- At the close of fiscal year 2019 the City's governmental funds reported combined ending fund balances of \$2,368,888. Of this amount, \$952,390 or 40.2% is available for spending at the government's discretion (Unassigned fund balance). The remaining balance of \$1,416,498, is allocated as \$458,899 (Non Spendable), \$603,509 (Restricted) and \$354,090 (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 2019 by \$25,291,216.

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 \$19,264,236 or 76.17%. The City uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Social Circle Net Position

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Assets:						
Current assets	\$ 2,444,130	\$ 2,983,598	\$ 5,224,855	\$ 4,188,833	\$ 7,668,985	\$ 7,172,431
Restricted assets	-	-	653,981	466,260	653,981	466,260
Other assets	-	-	54,619	53,902	54,619	53,902
Capital assets	8,156,534	8,102,452	16,058,424	18,104,018	24,214,958	26,206,470
Total assets	10,600,664	11,086,050	21,991,879	22,813,013	32,592,543	33,899,063
Deferred outflows of resources:	116,526	106,554	33,634	36,781	150,160	143,335
Liabilities:						
Current liabilities	400,512	623,083	618,781	660,782	1,019,293	1,283,865
Long-term liabilities	804,472	475,575	6,461,159	6,743,602	7,265,631	7,219,177
Total liabilities	1,204,984	1,098,658	7,079,940	7,404,384	8,284,924	8,503,042
Deferred inflows of resources:	207,150	184,464	59,792	63,676	266,942	248,140
Net position:						
Net investment in capital assets	7,598,823	7,844,760	9,693,108	11,419,476	17,291,931	19,264,236
Restricted for:						
Public safety	71,803	57,635	-	-	71,803	57,635
Capital projects	466,339	468,293	653,981	466,260	1,120,320	934,553
Library expendable	67,986	77,581	-	-	67,986	77,581
Library nonexpendable	350,000	350,000	-	-	350,000	350,000
Unrestricted	750,105	1,111,213	4,538,692	3,495,998	5,288,797	4,607,211
Total net position	\$ 9,305,056	\$ 9,909,482	\$ 14,885,781	\$ 15,381,734	\$ 24,190,837	\$ 25,291,216

An additional portion of the City's net position, \$1,419,769 (5.61%), represents resources that are subject to external restrictions on how they may be used. \$427,581 for the library of which \$350,000 is nonspendable, \$57,635 for public safety and \$934,553 for capital projects.

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

Governmental Activities. Governmental activities increased the City's net position by \$604,426.

City of Social Circle Changes in Net Position

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Revenues:						
Program Revenues:						
Charges for service	\$ 496,490	\$ 453,512	\$ 6,563,556	\$ 7,441,911	\$ 7,060,046	\$ 7,895,423
Operating grants and contributions	284,255	770,648	1,108	2,265	285,363	772,913
Capital grants and contributions	589,393	501,954	-	-	589,393	501,954
General revenues:						
Property taxes	1,527,445	1,541,257	-	-	1,527,445	1,541,257
Sales tax	593,270	719,844	-	-	593,270	719,844
Other Taxes	858,159	892,469	-	-	858,159	892,469
Investment earnings	12,806	15,267	4,867	28,213	17,673	43,480
Other	2,729	67,915	-	-	2,729	67,915
Total revenue	4,364,547	4,962,866	6,569,531	7,472,389	10,934,078	12,435,255
Expenses:						
General government	1,114,064	1,261,655	-	-	1,114,064	1,261,655
Judicial	27,259	43,157	-	-	27,259	43,157
Public safety	2,504,728	2,764,541	-	-	2,504,728	2,764,541
Public works	845,301	694,765	-	-	845,301	694,765
Health & Welfare	126,006	115,488	-	-	126,006	115,488
Culture and recreation	185,969	630,624	-	-	185,969	630,624
Housing and development	104,079	101,204	-	-	104,079	101,204
Interest and fiscal charges	18,723	20,196	-	-	18,723	20,196
Water and sewer	-	-	2,359,382	2,431,010	2,359,382	2,431,010
Natural gas	-	-	2,506,618	2,972,216	2,506,618	2,972,216
Solid waste	-	-	286,089	300,020	286,089	300,020
Total Expenses	4,926,129	5,631,630	5,152,089	5,703,246	10,078,218	11,334,876
Change in net position before transfers	(561,582)	(668,764)	1,417,442	1,769,143	855,860	1,100,379
Transfers	1,009,699	1,273,190	(1,009,699)	(1,273,190)	-	-
Increase (decrease) in net position	448,117	604,426	407,743	495,953	855,860	1,100,379
Net position - beginning	8,856,939	9,305,056	14,478,038	14,885,781	23,334,977	24,190,837
Net position - ending	\$ 9,305,056	\$ 9,909,482	\$ 14,885,781	\$ 15,381,734	\$ 24,190,837	\$ 25,291,216

Revenues. Property taxes of \$1,541,257 and sales tax of \$719,844 accounted for 50.14% of total general revenues and transfers.

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

- Section 18 Transportation Grant \$55,541
- GDOT LMIG \$77,527
- Housing Authority in Lieu of Taxes \$6,281
- FLPA \$9,346
- GEMA Grant \$8,827
- Walton County Health Care Grant \$27,020
- Walton County Fire Grant \$65,000
- Miscellaneous Grant – Social Circle Explorer \$250
- TEA Grant \$357,265
- Insurance Reimbursements \$143,663
- Social Circle BOE Resource Officer Grant and Tax Collection \$19,928

Capital Grants and Contributions consisted of the following:

- Public Safety \$161,841
- Public Works \$218,733
- Culture and Recreation \$121,380

Expenses. The total expense for the governmental activities is \$5,631,630. The largest single expenditure activity is public safety. Public safety includes the police department and the fire department. Total public safety expenses are \$2,764,541 or 49.09% of total governmental activities expenses.

Total program revenues, general revenues and transfers of governmental activities exceeded expenses by \$604,426.

Business-type activities. Business-type activities increased the City's net position by \$495,953. Water and sewer revenues were stable from the prior year. Gas revenues were also stable. A modest increase in water is attributed to high temperatures during the summer months as well as a small rate increase. An increase can also be seen in gas moderated by a generally mild winter, and rate increase.

Revenues. Water and sewer charges for service were \$2,957,296. Natural gas charges for service were \$4,143,005. Solid Waste charges for service were \$341,610. Water and sewer revenue is derived from the sale of water and sewer services to the citizens and industries of the City. Natural gas revenue is derived from the sale of natural gas to the citizens and industries of the City, and a share of gas sales to the industries of Stanton Springs Industrial Park, which is adjacent to the City. Solid Waste revenue is derived from the billing of the service to pick up household garbage.

Expenses. Water and sewer expenses were \$2,431,010. Natural gas expenses were \$2,972,216. Solid Waste expenses were \$300,020.

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 \$2,368,888. Approximately 40.20% of this amount \$952,390 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reported as Nonspendable, Restricted or Assigned and may only be used within the guidelines of those categories.

The General Fund is the chief operating fund of the City. At June 30, 2019 unassigned fund balance of the General Fund was \$952,390. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balances to total fund expenditures. Unassigned fund balance represents 17.3% of total General Fund expenditures and total General Fund balance represents 25.7% of total General Fund expenditures.

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

Water revenues were flat with a slight increase due to increased consumption. Expenses also reflected increased operating costs increased operating costs attributable to significant repairs accomplished in the prior year. In the Gas Fund during the year, revenues were higher than the prior year due to a slight increase in charges as well as usage. Expenses in gas increased from the prior year due to wholesale gas purchases. In Solid Waste revenues and expenses were slightly higher due to increased sales.

Unrestricted net position of the Water and Sewer Fund at June 30, 2019 amounted to \$255,172; those of the Natural Gas Fund amounted to \$3,186,583; and those of the Solid Waste Fund amounted to \$54,243. The total change in Water and Sewer net position was \$237,421; the change in Natural Gas net position was \$248,466; and the change in Solid Waste net position was \$10,066.

General Fund Budgetary Highlights

General fund revenues were \$346,456 or 8.7%, more than the final budget. The variance in tax receipts in the amount of \$169,817 can be attributed primarily to increases in local option sales tax receipts, insurance premium tax receipts, regular and recording tax receipts, and motor vehicle title tax receipts.

General Fund expenditures were \$97,456 over budget. This variance reflects an increase in building inspections and permits, which is also reflected on the overall revenues. In addition, the City performed a Security Audit per the advice of the auditors. Lastly, an increase in expenses related to the Solicitor and Peace Officers contributed to the expenses that caused the budget to be more than the original budget.

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, 2019 amounts to \$26,206,470, (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 \$91,532
- Police Equipment \$18,718
- Fire Equipment \$90,299
- Drainage Improvements \$18,460
- Culvert Project \$33,789
- Friendship Park \$7,900
- Sidewalk Project \$357,121

WATER

- Water Equipment \$393,449
- Water Infrastructure \$1,871,891

GAS

- Gas Infrastructure \$361,282

City of Social Circle Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Land	\$ 938,408	\$ 938,408	\$ -	\$ -	\$ 938,408	\$ 938,408
Construction in progress	122,158	7,900	420,186	342,570	542,344	350,470
Infrastructure	3,736,521	4,092,002	15,049,005	16,900,241	18,785,526	20,992,243
Building	2,269,932	2,224,320	544,259	836,412	2,814,191	3,060,732
Equipment and vehicles	1,089,515	839,822	44,974	24,795	1,134,489	864,617
Total	<u>\$ 8,156,534</u>	<u>\$ 8,102,452</u>	<u>\$ 16,058,424</u>	<u>\$ 18,104,018</u>	<u>\$ 24,214,958</u>	<u>\$ 26,206,470</u>

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 \$6,921,809. Water and sewerage revenue bonds account for \$6,245,432, Governmental Activities financed purchases account for \$257,692, and notes payable account for \$418,685.

City of Social Circle Outstanding Debt Long-term Debt

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Revenue bonds payable	\$ -	\$ -	\$ 6,366,997	\$ 6,245,432	\$ 6,366,997	\$ 6,245,432
Notes payable	-	-	13,917	418,685	13,917	418,685
Compensated absences	100,406	110,067	38,000	42,267	138,406	152,334
Net pension liability	146,355	107,816	42,245	37,218	188,600	145,034
Financed purchases payable	557,711	257,692	-	-	557,711	257,692
Total	\$ 804,472	\$ 475,575	\$ 6,461,159	\$ 6,743,602	\$ 7,265,631	\$ 7,219,177

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

Economic Factors

The economy of Social Circle continues to grow in strength as more industries move to the area. This is evidenced by increased building permits and value of construction, new home construction, new business starts in the downtown, and increasing local and regional industry operations and employment. The Stanton Springs Industrial Park, immediately adjacent to the City Limits is the location for a multibillion dollar Facebook facility. This project is still underway. The construction is creating hundreds of construction and trades jobs through the 2020 year, and the finished facility will employ over 100 computer technicians.

The city's housing market is strong and housing supply is tight. The independent Social Circle City School system is sought after and listed homes in the City limits tend to be sold within weeks. The City continues to field expression of interest from residential developers. New home construction is steady and spread across the City in three developments and on larger lots. Several new businesses have located in the downtown area and the anchor stores continue to thrive. There remain a few vacant storefronts remaining in the downtown, potential new business inquiries continue. Reassessment of property values in 2017 reflected a continuation of modest appreciation in property values that was first apparent in 2015 following the recession. An increase in property tax revenue is a result of the increase tax assessed values.

Utility sales are stable and can be expected to increase reflecting increasing industrial activity as well as increases in population.

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 Finance Director, City of Social Circle, P. O. Box 310, Social Circle, Georgia, 30025.

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2019

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Main Street Commission	Downtown Development Authority	Development Authority
ASSETS						
Cash and cash equivalents	\$ 2,162,191	\$ 3,998,739	\$ 6,160,930	\$ 51,309	\$ 100,559	\$ 74,131
Accounts receivable, net of allowances	60,193	602,297	662,490	-	-	-
Taxes receivable, net of allowances	3,786	-	3,786	-	-	-
Internal balances	447,102	(447,102)	-	-	-	-
Due from other governments	201,427	432	201,859	-	-	-
Prepaid expenses	108,899	34,467	143,366	-	-	-
Restricted assets:						
Cash and cash equivalents	-	466,260	466,260	-	-	-
Other assets	-	39,021	39,021	-	-	-
Prepaid bond insurance	-	14,881	14,881	-	-	-
Capital assets:						
Non-depreciable	946,308	342,570	1,288,878	-	-	864,436
Depreciable, net of accumulated depreciation	7,156,144	17,761,448	24,917,592	-	-	-
Total assets	11,086,050	22,813,013	33,899,063	51,309	100,559	938,567
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	106,554	36,781	143,335	-	-	-
Total deferred outflows of resources	106,554	36,781	143,335	-	-	-
LIABILITIES						
Accounts payable	500,214	176,474	676,688	1,487	-	-
Accrued liabilities	122,869	133,393	256,262	-	-	-
Retainage payable	-	35,306	35,306	-	-	-
Customer deposits	-	315,609	315,609	-	-	-
Long-term liabilities:						
Portion due or payable within one year:						
Financed purchases	21,443	-	21,443	-	-	-
Notes payable	-	42,384	42,384	-	-	-
Bonds payable	-	115,000	115,000	-	-	-
Compensated absences	71,193	21,138	92,331	-	-	-
Portion due or payable in more than one year:						
Financed purchases	236,249	-	236,249	-	-	-
Notes payable	-	376,301	376,301	-	-	-
Bonds payable, net	-	6,130,432	6,130,432	-	-	-
Net pension liability	107,816	37,218	145,034	-	-	-
Compensated absences	38,874	21,129	60,003	-	-	-
Total liabilities	1,098,658	7,404,384	8,503,042	1,487	-	-
DEFERRED INFLOWS OF RESOURCES						
Pension related items	184,464	63,676	248,140	-	-	-
Total deferred inflows of resources	184,464	63,676	248,140	-	-	-
NET POSITION						
Net investment in capital assets	7,844,760	11,419,476	19,264,236	-	-	864,436
Restricted for:						
Public safety	57,635	-	57,635	-	-	-
Capital projects	468,293	466,260	934,553	-	-	-
Library - expendable	77,581	-	77,581	-	-	-
Library - nonexpendable	350,000	-	350,000	-	-	-
Unrestricted	1,111,213	3,495,998	4,607,211	49,822	100,559	74,131
Total net position	\$ 9,909,482	\$ 15,381,734	\$ 25,291,216	\$ 49,822	\$ 100,559	\$ 938,567

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, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 1,261,655	\$ 20,797	\$ 179,468	\$ -
Judicial	43,157	111,004	-	-
Public safety	2,764,541	108,703	100,847	161,841
Public works	694,765	98,038	490,333	218,733
Health and welfare	115,488	-	-	-
Culture and recreation	630,624	114,970	-	121,380
Housing and development	101,204	-	-	-
Interest on long-term debt	20,196	-	-	-
Total governmental activities	<u>5,631,630</u>	<u>453,512</u>	<u>770,648</u>	<u>501,954</u>
Business-type activities:				
Water and sewer	2,431,010	2,957,296	2,265	-
Natural gas	2,972,216	4,143,005	-	-
Solid waste	300,020	341,610	-	-
Total business-type activities	<u>5,703,246</u>	<u>7,441,911</u>	<u>2,265</u>	<u>-</u>
Total primary government	<u>\$ 11,334,876</u>	<u>\$ 7,895,423</u>	<u>\$ 772,913</u>	<u>\$ 501,954</u>
Component units:				
Main Street Commission	\$ 68,665	\$ -	\$ 85,038	\$ -
Downtown Development Authority	494	4,235	-	-
Development Authority	-	-	-	-
Total component units	<u>\$ 69,159</u>	<u>\$ 4,235</u>	<u>\$ 85,038</u>	<u>\$ -</u>

General revenues:

Property taxes

Sales taxes

Franchise taxes

Business taxes

Insurance premium tax

Other taxes

Unrestricted investment earnings

Gain on disposal 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 Commission	Downtown Development Authority	Development Authority	
\$ (1,061,390)	\$ -	\$ (1,061,390)	\$ -	\$ -	\$ -	
67,847	-	67,847	-	-	-	
(2,393,150)	-	(2,393,150)	-	-	-	
112,339	-	112,339	-	-	-	
(115,488)	-	(115,488)	-	-	-	
(394,274)	-	(394,274)	-	-	-	
(101,204)	-	(101,204)	-	-	-	
(20,196)	-	(20,196)	-	-	-	
(3,905,516)	-	(3,905,516)	-	-	-	
-	528,551	528,551	-	-	-	
-	1,170,789	1,170,789	-	-	-	
-	41,590	41,590	-	-	-	
-	1,740,930	1,740,930	-	-	-	
\$ (3,905,516)	\$ 1,740,930	\$ (2,164,586)	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ 16,373	\$ -	\$ -	
-	-	-	-	3,741	-	
-	-	-	-	-	-	
\$ -	\$ -	\$ -	\$ 16,373	\$ 3,741	\$ -	
\$ 1,541,257	\$ -	\$ 1,541,257	\$ -	\$ -	\$ -	
719,844	-	719,844	-	-	-	
476,126	-	476,126	-	-	-	
19,095	-	19,095	-	-	-	
302,540	-	302,540	-	-	-	
94,708	-	94,708	-	-	-	
15,267	28,213	43,480	-	10	105	
67,915	-	67,915	-	-	-	
1,273,190	(1,273,190)	-	-	-	-	
4,509,942	(1,244,977)	3,264,965	-	10	105	
604,426	495,953	1,100,379	16,373	3,751	105	
9,305,056	14,885,781	24,190,837	33,449	96,808	938,462	
\$ 9,909,482	\$ 15,381,734	\$ 25,291,216	\$ 49,822	\$ 100,559	\$ 938,567	

CITY OF SOCIAL CIRCLE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 1,253,982	\$ 411,919	\$ 496,290	\$ 2,162,191
Taxes receivable, net of allowance	3,786	-	-	3,786
Accounts receivable	60,193	-	-	60,193
Due from other governments	144,553	56,874	-	201,427
Due from other funds	447,602	-	-	447,602
Prepaid items	108,899	-	-	108,899
Total assets	<u>\$ 2,019,015</u>	<u>\$ 468,793</u>	<u>\$ 496,290</u>	<u>\$ 2,984,098</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 489,140	\$ -	\$ 11,074	\$ 500,214
Accrued liabilities	114,496	-	-	114,496
Due to other funds	-	500	-	500
Total liabilities	<u>603,636</u>	<u>500</u>	<u>11,074</u>	<u>615,210</u>
FUND BALANCES				
Nonspendable:				
Permanent fund corpus	-	-	350,000	350,000
Prepays	108,899	-	-	108,899
Restricted:				
Library	-	-	77,581	77,581
Public safety	-	-	57,635	57,635
Capital projects	-	468,293	-	468,293
Assigned:				
Library	32,279	-	-	32,279
Cemetery	84,149	-	-	84,149
Friendship park	16,700	-	-	16,700
Firetruck and equipment	143,435	-	-	143,435
LMIG paving	77,527	-	-	77,527
Unassigned	952,390	-	-	952,390
Total fund balances	<u>1,415,379</u>	<u>468,293</u>	<u>485,216</u>	<u>2,368,888</u>
Total liabilities and fund balances	<u>\$ 2,019,015</u>	<u>\$ 468,793</u>	<u>\$ 496,290</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.				8,102,452
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(376,132)
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.				<u>(185,726)</u>
Net position of governmental activities				<u>\$ 9,909,482</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, 2019

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 3,203,611	\$ -	\$ -	\$ 3,203,611
Licenses and permits	110,306	-	-	110,306
Intergovernmental	626,986	501,706	-	1,128,692
Fines and forfeitures	111,004	-	108,703	219,707
Charges for services	8,637	-	-	8,637
Interest income	5,650	248	9,617	15,515
Miscellaneous	258,524	-	-	258,524
Total revenues	<u>4,324,718</u>	<u>501,954</u>	<u>118,320</u>	<u>4,944,992</u>
Expenditures				
Current:				
General government	1,036,428	-	-	1,036,428
Judicial	42,990	-	-	42,990
Public safety	2,721,583	-	122,893	2,844,476
Public works	1,021,315	-	-	1,021,315
Health and welfare	116,421	-	-	116,421
Culture and recreation	129,477	500,000	-	629,477
Housing and development	110,632	-	-	110,632
Debt service:				
Principal retirements	300,019	-	-	300,019
Interest	26,743	-	-	26,743
Total expenditures	<u>5,505,608</u>	<u>500,000</u>	<u>122,893</u>	<u>6,128,501</u>
Excess (deficiency) of revenues over expenditures	<u>(1,180,890)</u>	<u>1,954</u>	<u>(4,573)</u>	<u>(1,183,509)</u>
Other financing sources				
Transfers in	1,273,190	-	-	1,273,190
Proceeds from sale of capital assets	7,562	-	-	7,562
Insurance recoveries	263,148	-	-	263,148
Total other financing sources	<u>1,543,900</u>	<u>-</u>	<u>-</u>	<u>1,543,900</u>
Net change in fund balances	363,010	1,954	(4,573)	360,391
Fund balances, beginning of year	<u>1,052,369</u>	<u>466,339</u>	<u>489,789</u>	<u>2,008,497</u>
Fund balances, end of year	<u>\$ 1,415,379</u>	<u>\$ 468,293</u>	<u>\$ 485,216</u>	<u>\$ 2,368,888</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, 2019

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

Net change in fund balances - total governmental funds	\$	360,391
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		148,713
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and donations) is to decrease net position.		(202,795)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(50,041)
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.		300,019
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>48,139</u>
Change in net position - governmental activities	\$	<u><u>604,426</u></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, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,033,794	\$ 3,033,794	\$ 3,203,611	\$ 169,817
Licenses and permits	86,150	86,150	110,306	24,156
Fines and forfeitures	120,000	120,000	111,004	(8,996)
Interest	20,000	20,000	5,650	(14,350)
Charges for services	1,000	928	8,637	7,709
Intergovernmental	215,671	655,690	626,986	(28,704)
Miscellaneous	61,700	61,700	258,524	196,824
Total revenues	3,538,315	3,978,262	4,324,718	346,456
Expenditures				
Current:				
General government:				
Governing body	141,643	129,794	123,481	6,313
Chief executive	269,238	272,401	271,151	1,250
Board of elections	200	200	140	60
Financial administration	571,500	591,742	591,742	-
Law	45,000	49,914	49,914	-
Total general government	1,027,581	1,044,051	1,036,428	7,623
Judicial:				
Municipal court	31,000	42,990	42,990	-
Total judicial	31,000	42,990	42,990	-
Public safety:				
Police	1,398,621	1,412,373	1,412,373	-
Fire	1,190,386	1,320,678	1,309,210	11,468
Total public safety	2,589,007	2,733,051	2,721,583	11,468
Public works:				
Highways and streets	627,393	1,041,459	932,343	109,116
Cemetery	92,572	92,572	88,972	3,600
Total public works	719,965	1,134,031	1,021,315	112,716
Health and welfare:				
Transportation services	135,637	129,003	116,421	12,582
Total health and welfare	135,637	129,003	116,421	12,582
Culture and recreation:				
Library	134,058	134,058	129,477	4,581
Total culture and recreation	134,058	134,058	129,477	4,581
Housing and development:				
Urban redevelopment and housing	6,500	6,500	3,752	2,748
Economic development and assistance	120,853	120,853	106,880	13,973
Total housing and development	127,353	127,353	110,632	16,721
Debt service:				
Principal	42,339	42,339	300,019	(257,680)
Interest	21,265	21,276	26,743	(5,467)
Total debt service	63,604	63,615	326,762	(263,147)
Total expenditures	4,828,205	5,408,152	5,505,608	(97,456)
Deficiency of revenues over expenditures	(1,289,890)	(1,429,890)	(1,180,890)	249,000
Other financing sources				
Transfers in	1,289,890	1,289,890	1,273,190	(16,700)
Proceeds from sale of capital assets	-	-	7,562	7,562
Insurance recoveries	-	-	263,148	263,148
Total other financing sources	1,289,890	1,289,890	1,543,900	254,010
Net change in fund balances	-	(140,000)	363,010	503,010
Fund balance, beginning of year	1,052,369	1,052,369	1,052,369	-
Fund balance, end of year	\$ 1,052,369	\$ 912,369	\$ 1,415,379	\$ 503,010

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

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2019

ASSETS	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
CURRENT ASSETS				
Cash and cash equivalents	\$ 491,459	\$ 3,462,976	\$ 44,304	\$ 3,998,739
Accounts receivable, net	258,332	306,133	37,832	602,297
Due from other funds	10,763	-	1,417	12,180
Due from other governments	-	342	90	432
Prepaid items	31,075	3,392	-	34,467
	<u>791,629</u>	<u>3,772,843</u>	<u>83,643</u>	<u>4,648,115</u>
Restricted assets				
Cash and cash equivalents	466,260	-	-	466,260
	<u>1,257,889</u>	<u>3,772,843</u>	<u>83,643</u>	<u>5,114,375</u>
NONCURRENT ASSETS				
Prepaid bond insurance	14,881	-	-	14,881
Other assets	39,021	-	-	39,021
	<u>53,902</u>	<u>-</u>	<u>-</u>	<u>53,902</u>
CAPITAL ASSETS				
Nondepreciable	342,570	-	-	342,570
Depreciable, net of accumulated depreciation	14,047,694	3,713,754	-	17,761,448
	<u>14,390,264</u>	<u>3,713,754</u>	<u>-</u>	<u>18,104,018</u>
Total assets	<u>15,702,055</u>	<u>7,486,597</u>	<u>83,643</u>	<u>23,272,295</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	28,363	8,418	-	36,781
	<u>28,363</u>	<u>8,418</u>	<u>-</u>	<u>36,781</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	14,023	162,391	60	176,474
Retainage payable	-	35,306	-	35,306
Accrued liabilities	126,217	7,176	-	133,393
Customer deposits	109,993	205,616	-	315,609
Due to other funds	235,861	194,081	29,340	459,282
Compensated absences payable - current	18,818	2,320	-	21,138
Revenue bonds payable - current	115,000	-	-	115,000
Notes payable - current	42,384	-	-	42,384
Total current liabilities	<u>662,296</u>	<u>606,890</u>	<u>29,400</u>	<u>1,298,586</u>
NONCURRENT LIABILITIES				
Revenue bonds payable	6,130,432	-	-	6,130,432
Notes payable	376,301	-	-	376,301
Net pension liability	28,699	8,519	-	37,218
Compensated absences payable	21,129	-	-	21,129
Total noncurrent liabilities	<u>6,556,561</u>	<u>8,519</u>	<u>-</u>	<u>6,565,080</u>
Total liabilities	<u>7,218,857</u>	<u>615,409</u>	<u>29,400</u>	<u>7,863,666</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	49,101	14,575	-	63,676
	<u>49,101</u>	<u>14,575</u>	<u>-</u>	<u>63,676</u>
NET POSITION				
Net investment in capital assets	7,741,028	3,678,448	-	11,419,476
Restricted for capital projects	466,260	-	-	466,260
Unrestricted	255,172	3,186,583	54,243	3,495,998
Total net position	<u>\$ 8,462,460</u>	<u>\$ 6,865,031</u>	<u>\$ 54,243</u>	<u>\$ 15,381,734</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, 2019

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
OPERATING REVENUES				
Charges for sales and services	\$ 2,957,296	\$ 4,143,005	\$ 341,610	\$ 7,441,911
Total operating revenues	2,957,296	4,143,005	341,610	7,441,911
OPERATING EXPENSES				
Cost of sales and services	30,759	2,412,584	-	2,443,343
General operating expenses	1,693,795	439,059	300,020	2,432,874
Depreciation & amortization	454,607	120,573	-	575,180
Total operating expenses	2,179,161	2,972,216	300,020	5,451,397
Operating income	778,135	1,170,789	41,590	1,990,514
NON-OPERATING REVENUES (EXPENSES)				
Interest income	28,213	-	-	28,213
Interest expense	(251,849)	-	-	(251,849)
Other revenue	2,265	-	-	2,265
Total non-operating expenses	(221,371)	-	-	(221,371)
Income before transfers	556,764	1,170,789	41,590	1,769,143
Transfers out	(319,343)	(922,323)	(31,524)	(1,273,190)
Change in net position	237,421	248,466	10,066	495,953
Net position, beginning of year	<u>8,225,039</u>	<u>6,616,565</u>	<u>44,177</u>	<u>14,885,781</u>
Net position, end of year	<u>\$ 8,462,460</u>	<u>\$ 6,865,031</u>	<u>\$ 54,243</u>	<u>\$ 15,381,734</u>

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

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,982,009	\$ 4,174,338	\$ 344,935	\$ 7,501,282
Payments to suppliers	(688,035)	(2,387,172)	(295,235)	(3,370,442)
Payments to employees	(824,741)	(236,731)	(90)	(1,061,562)
Net cash provided by operating activities	1,469,233	1,550,435	49,610	3,069,278
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Other receipts	2,265	-	-	2,265
Transfers out to other funds	(319,343)	(922,323)	(31,524)	(1,273,190)
Net cash used in non-capital financing activities	(317,078)	(922,323)	(31,524)	(1,270,925)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(2,265,339)	(361,283)	-	(2,626,622)
Principal payments on bonds payable	(115,000)	-	-	(115,000)
Proceeds from notes payable	411,049	-	-	411,049
Principal payments on notes payable	(6,281)	-	-	(6,281)
Interest and bond issuance costs paid	(251,849)	-	-	(251,849)
Net cash used in capital and related financing activities	(2,227,420)	(361,283)	-	(2,588,703)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	853,571	-	853,571
Interest received	28,213	-	-	28,213
Net cash provided by investing activities	28,213	853,571	-	881,784
Net increase (decrease) in cash and cash equivalents	(1,047,052)	1,120,400	18,086	91,434
Cash and cash equivalents, beginning of year	2,004,771	2,342,576	26,218	4,373,565
Cash and cash equivalents, end of year	\$ 957,719	\$ 3,462,976	\$ 44,304	\$ 4,464,999
Classified as:				
Cash and cash equivalents	\$ 491,459	\$ 3,462,976	\$ 44,304	\$ 3,998,739
Restricted cash and cash equivalents	466,260	-	-	466,260
	\$ 957,719	\$ 3,462,976	\$ 44,304	\$ 4,464,999

(Continued)

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 778,135	\$ 1,170,789	\$ 41,590	\$ 1,990,514
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	454,607	120,573	-	575,180
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	33,980	(26,016)	4,742	12,706
Decrease in due from other governments	-	157	-	157
(Increase) decrease in due from other funds	(9,267)	57,192	(1,417)	46,508
(Increase) decrease in prepaid items	(6,392)	1,316	-	(5,076)
(Increase) decrease in pension related deferred outflows of resources	(4,929)	1,782	-	(3,147)
Increase (decrease) in accounts payable	(433)	33,938	60	33,565
Increase (decrease) in accrued liabilities	(1,915)	1,027	(90)	(978)
Increase in customer deposits	5,302	4,112	-	9,414
Decrease in net pension liability	(734)	(4,293)	-	(5,027)
Increase (decrease) in pension related deferred inflows of resources	7,443	(3,559)	-	3,884
Increase (decrease) in compensated absences payable	4,827	(560)	-	4,267
Increase in due to other funds	208,609	193,977	4,725	407,311
Net cash provided by operating activities	<u>\$ 1,469,233</u>	<u>\$ 1,550,435</u>	<u>\$ 49,610</u>	<u>\$ 3,069,278</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, 2019

	ASSETS	Board of Education Fund
		<hr/>
Cash		\$ 31,437
Taxes receivable		<hr/> 15,099
		<hr/>
Total assets		<u><u>\$ 46,536</u></u>
	LIABILITIES	
Due to others		<hr/> \$ 46,536
		<hr/>
Total liabilities		<u><u>\$ 46,536</u></u>

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

CITY OF SOCIAL CIRCLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

In February 2017, the City entered into a MOU with the Social Circle Main Street Commission to serve as the governing body for the Social Circle Main Street program.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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

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

B. Government-wide and Fund Financial Statements

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

The City also reports the following fund types:

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

D. Budgets

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits and Investments

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

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the City's investment in the Georgia Fund 1 is reported at fair value. The City considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

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

F. Receivables and Payables

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

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for non-infrastructure tangible assets, \$50,000 for intangible assets and \$100,000 for infrastructure and an estimated useful life in excess of one year, five years and five years, respectively. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. In accordance with GASB 34, infrastructure assets acquired prior to June 30, 1999 have not been capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Infrastructure	15-99
Buildings and improvements	20-50
Vehicles	5-10
Furniture and fixtures	3-10
Machinery and equipment	3-10

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Restricted Assets

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

Capacity recovery charges within business-type activities have been restricted for capital projects in accordance with the City Charter, Section 1.12.

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 fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has no items that qualify for reporting in this category under the modified accrual basis of accounting.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

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

L. Long-Term Obligations

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

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

M. Fund Equity

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

Fund balances are classified as follows:

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

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

O. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$376,132 difference are as follows:

Financed purchase payable	\$ (257,692)
Accrued interest payable	(8,373)
Compensated absences	<u>(110,067)</u>
Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (376,132)</u></u>

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of that reconciliation states that “deferred outflows of resources, deferred inflows of resources and the net pension liability are not expected to be liquidated with expendable available resources and, therefore, are not reported in the funds.” The details of this \$185,726 difference are as follows:

Net pension liability	\$ (107,816)
Deferred outflows of resources	106,554
Deferred inflows of resources	<u>(184,464)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (185,726)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$148,713 difference are as follows:

Capital outlay	\$ 687,040
Depreciation expense	<u>(538,327)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 148,713</u></u>

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of 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 \$48,139 difference are as follows:

Compensated absences	\$ (9,661)
Pension expense	51,253
Accrued interest	<u>6,547</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 48,139</u></u>

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.

For the year ended June 30, 2019, expenditures exceeded final budget in the General Fund departments as follows:

Debt service:	
Principal	\$ 257,680
Interest	5,467

These expenditures in excess of appropriations were funded by greater than anticipated revenues and other financing sources.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2019 are summarized as follows:

Amounts as presented on the entity wide statement of net position:	
Cash and cash equivalents	\$ 6,160,930
Restricted cash and cash equivalents	466,260
Cash as presented on the Statement of Fiduciary Assets and Liabilities	31,437
Total	<u>\$ 6,658,627</u>
Cash deposited with financial institutions	\$ 1,764,595
Cash deposited with Georgia Fund One	4,894,032
	<u>\$ 6,658,627</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.

The local government investment pool, "Georgia Fund 1" created by OCGA 36-83-8 is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the City's investment in Georgia Fund 1 is reported at fair value. At June 30, 2019, the Georgia Fund One weighted average maturity was 39 days.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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 require all deposits and investments (other than federal or state government instruments and the Georgia Fund 1) to be collateralized by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2019, the financial institution holding all of the City's deposits, other than Georgia Fund 1 deposits, is a participant of the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. As of June 30, 2019, all of the City's bank balances were insured and/or collateralized as defined by GASB and required State Statutes.

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 September 20 based on the assessed value of property as listed on the previous January 1 and are due on December 20.

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

Receivables at June 30, 2019, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	SPLOST	Water & Sewer	Natural Gas	Other Enterprise
Receivables:					
Taxes	\$ 6,905	\$ -	\$ -	\$ -	\$ -
Accounts	60,193	-	613,340	407,118	125,170
Other governments	144,553	56,874	-	342	90
Less allowance					
for uncollectible	3,119	-	355,008	100,985	87,338
Net total receivable	<u>\$ 208,532</u>	<u>\$ 56,874</u>	<u>\$ 258,332</u>	<u>\$ 306,475</u>	<u>\$ 37,922</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 938,408	\$ -	\$ -	\$ -	\$ 938,408
Construction in progress	122,158	9,149	-	(123,407)	7,900
Total	1,060,566	9,149	-	(123,407)	946,308
Capital assets, being depreciated:					
Infrastructure	4,852,275	409,271	-	102,157	5,363,703
Buildings and improvements	3,921,084	57,605	-	21,250	3,999,939
Equipment, furniture & vehicles	3,689,986	211,015	(500,650)	-	3,400,351
Total	12,463,345	677,891	(500,650)	123,407	12,763,993
Less accumulated depreciation for:					
Infrastructure	(1,115,754)	(155,947)	-	-	(1,271,701)
Buildings and improvements	(1,651,152)	(124,467)	-	-	(1,775,619)
Equipment, furniture & vehicles	(2,600,471)	(257,913)	297,855	-	(2,560,529)
Total	(5,367,377)	(538,327)	297,855	-	(5,607,849)
Total capital assets, being depreciated, net	7,095,968	139,564	(202,795)	123,407	7,156,144
Governmental activities capital assets, net	\$ 8,156,534	\$ 148,713	\$ (202,795)	\$ -	\$ 8,102,452

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 420,186	\$ 2,233,173	\$ -	\$ (2,310,789)	\$ 342,570
Total	420,186	2,233,173	-	(2,310,789)	342,570
Capital assets, being depreciated:					
Infrastructure	22,336,631	-	-	2,310,789	24,647,420
Machinery & equipment	868,181	393,449	-	-	1,261,630
Vehicles	360,347	-	-	-	360,347
Total	23,565,159	393,449	-	2,310,789	26,269,397
Less accumulated depreciation for:					
Infrastructure	(7,287,626)	(459,553)	-	-	(7,747,179)
Machinery & equipment	(323,922)	(101,296)	-	-	(425,218)
Vehicles	(315,373)	(20,179)	-	-	(335,552)
Total	(7,926,921)	(581,028)	-	-	(8,507,949)
Total capital assets, being depreciated, net	15,638,238	(187,579)	-	2,310,789	17,761,448
Governmental activities capital assets, net	\$ 16,058,424	\$ 2,045,594	\$ -	\$ -	\$ 18,104,018

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

Governmental activities:	
General government	\$ 247,847
Public safety	201,442
Public works	87,891
Culture and recreation	1,147
Total depreciation expense - governmental activities	<u>\$ 538,327</u>
Business-type activities:	
Water & sewer	\$ 460,455
Natural gas	120,573
Total depreciation expense - business-type activities	<u>\$ 581,028</u>

Development Authority

Capital asset activity for the fiscal year ended June 30, 2019 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	<u>\$ 864,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 864,436</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Financed purchase payable	\$ 557,711	\$ -	\$ (300,019)	\$ 257,692	\$ 21,443
Compensated absences	100,406	74,605	(64,944)	110,067	71,193
Net pension liability	146,355	296,259	(334,798)	107,816	-
Governmental activities Long-term liabilities	<u>\$ 804,472</u>	<u>\$ 370,864</u>	<u>\$ (699,761)</u>	<u>\$ 475,575</u>	<u>\$ 92,636</u>
Business-type activities:					
Revenue bonds payable	\$ 6,240,000	\$ -	\$ (115,000)	\$ 6,125,000	\$ 115,000
Add: Premium	153,834	-	(8,425)	145,409	-
Less: Discount	(26,837)	-	1,860	(24,977)	-
Net bonds payable	6,366,997	-	(121,565)	6,245,432	115,000
Note payable	13,917	411,049	(6,281)	418,685	42,384
Compensated absences	38,000	30,533	(26,266)	42,267	21,138
Net pension liability	42,245	102,267	(107,294)	37,218	-
Business-type activities Long-term liabilities	<u>\$ 6,461,159</u>	<u>\$ 543,849</u>	<u>\$ (261,406)</u>	<u>\$ 6,743,602</u>	<u>\$ 178,522</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds. In March 2010, the City issued Revenue Bonds (Series 2010) in the original amount of \$1,930,000 bearing interest at a rate of 4.50% payable each February 1 and August 1 beginning 2010 through 2035. The bonds were issued for the purpose of refunding the 1974 bonds and certain Georgia Environmental Facilities Authority loans outstanding as well as for the construction of extensions, additions, and improvements to the City's water and sewerage system. The bonds are secured by the net revenues of the City's utility system.

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	
2020	\$ 115,000	\$ 244,200	\$ 359,200
2021	120,000	240,750	360,750
2022	125,000	237,150	362,150
2023	130,000	233,400	363,400
2024	135,000	229,500	364,500
2025-2029	725,000	1,081,374	1,806,374
2030-2034	1,495,000	928,875	2,423,875
2035-2039	1,380,000	572,825	1,952,825
2040-2044	1,550,000	260,800	1,810,800
2045	350,000	41,400	391,400
Total	<u>\$ 6,125,000</u>	<u>\$ 4,070,274</u>	<u>\$ 10,195,274</u>

Notes From Direct Borrowings. The City is contractually obligated to repay a portion of the debt service related to the Georgia Environmental Finance 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 2023.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Notes From Direct Borrowings. The City is contractually obligated to repay a portion of the debt service related to the Georgia Environmental Finance 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 2023.

In May 2019, the City incurred debt to the Georgia Environmental Finance Authority to finance the installation and relocation of gravity sewer and water lines. The principal amount of the note was \$411,049 and bears interest at a fixed rate of 1.06% payable at the beginning of each month beginning June 2019 until 2029 with monthly payments totaling \$3,612.

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,			
2020	\$ 42,384	\$ 4,133	\$ 46,517
2021	42,952	4,016	46,968
2022	43,531	3,436	46,967
2023	41,370	2,877	44,247
2024	40,905	2,435	43,340
2025-2029	207,543	5,547	213,090
Total	<u>\$ 418,685</u>	<u>\$ 22,444</u>	<u>\$ 441,129</u>

Financed Purchase From Direct Borrowing. The City has entered into a purchase agreement to finance the acquisition of two fire trucks. The financed purchase is for a period of fifteen years, at an interest rate of 3.3%. During 2019 one of the vehicles outstanding principal balance was paid off in full.

As of June 30, 2019 the future payments for the financed purchase from direct borrowing are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2020	\$ 21,443	\$ 10,359	\$ 31,802
2021	22,305	9,497	31,802
2022	23,202	8,600	31,802
2023	24,135	7,668	31,803
2024	25,107	6,698	31,805
2025-2029	141,500	17,513	159,013
Total	<u>\$ 257,692</u>	<u>\$ 60,335</u>	<u>\$ 318,027</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 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	\$ 235,782
General fund	Natural gas fund	181,980
General fund	Nonmajor enterprise fund	29,340
General fund	SPLOST fund	500
Water and sewer fund	Natural gas fund	10,763
Nonmajor enterprise fund	Natural gas fund	1,338
Nonmajor enterprise fund	Water and sewer fund	79
		<u>\$ 459,782</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	\$ 319,343
General fund	Natural gas fund	922,323
General fund	Nonmajor enterprise fund	31,524
		<u>\$ 1,273,190</u>

Transfers are used to (1) move unrestricted revenues from the enterprise funds to the General Fund to support operations in the General Fund to keep the millage rate lower for the citizens of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN

Plan Description

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

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, excluding elected officials who are immediately eligible, who work forty hours or more per week are eligible to participate after one year. Benefits vest after ten years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 1.25% of final average earnings in excess of covered compensation. Eligible employees as of January 1, 2014, are entitled to benefits of 1.45%. An employee may elect early retirement at age 55 provided he has a minimum of 25 years total credited service to receive full benefits, otherwise early retirement may be elected after only 10 years of service for reduced benefits. Elected officials are entitled to \$38 per year for each year of service after reaching normal retirement age.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Plan Description (Continued)

Plan Membership. At January 1, 2019, the date of the most recent actuarial valuation, there were 104 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	25
Terminated vested participants not yet receiving benefits	23
Active employees - vested	18
Active employees - nonvested	43
Total	<u>109</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 2019, the actuarially determined contribution rate was 6.46% of covered payroll. The City makes all contributions to the plan. For 2019, the City's contribution to the Plan was \$148,084.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2018.

Actuarial assumptions. The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75% - 8.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates for the January 1, 2018 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, 2018 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 2.75% 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, 2018 are summarized in the table below:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.40%
International equity	20%	7.40
Real estate	10%	5.10
Global fixed income	5%	3.03
Domestic fixed income	20%	1.75
Cash	—%	
Total	100%	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate. The discount rate used to measure the total pension liability was 7.50%. 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, 2019 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/18	\$ 3,294,130	\$ 3,105,530	\$ 188,600
Changes for the year:			
Service cost	130,827	-	130,827
Interest	253,090	-	253,090
Differences between expected and actual experience	(60)	-	(60)
Contributions—employer	-	132,558	(132,558)
Net investment income	-	309,474	(309,474)
Benefit payments, including refunds of employee contributions	(100,840)	(100,840)	-
Administrative expense	-	(14,609)	14,609
Net changes	283,017	326,583	(43,566)
Balances at 6/30/19	\$ 3,577,147	\$ 3,432,113	\$ 145,034

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 628,093	\$ 145,034	\$ (254,603)

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, 2018 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, 2019, the City recognized pension expense of \$90,988. At June 30, 2019, 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	\$ 32,272	\$ 64,682
Changes in assumptions	-	2,895
Net difference between projected and actual earnings on pension plan investments	-	180,563
City contributions subsequent to the measurement date	111,063	-
Total	<u>\$ 143,335</u>	<u>\$ 248,140</u>

City contributions subsequent to the measurement date of \$111,063 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, 2020. 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:	
2020	\$ (49,933)
2021	(81,455)
2022	(69,284)
2023	(15,196)
Total	<u>\$ (215,868)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED CONTRIBUTION PENSION PLAN

The City of Social Circle's Internal Revenue Code Section 457 Plan (the "Plan") is a deferred compensation plan and qualifies as a defined contribution pension plan. The Plan is administered by Newport Group Inc. for all full time employees. The Plan is funded through employee contributions only. No contributions are made by the City. Plan provisions and contribution requirements are established and may be amended by the City Council. At June 30, 2019, there were 64 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, 2019 were \$72,520.

NOTE 11. JOINT VENTURE

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

NOTE 12. RELATED ORGANIZATIONS

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT

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

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims have not exceeded the coverage in the past three years.

The City carries commercial insurance for other risks of losses. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the current or prior year.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. COMMITMENTS AND CONTINGENCIES

Litigation:

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

Grant Contingencies:

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

Agreements with the Municipal Gas Authority of Georgia:

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2019, are general obligations of the City to which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$2,412,584 in fiscal year 2019.

At June 30, 2019, the outstanding debt of MGAG was approximately \$184 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$2.1 million at June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. TAX ABATEMENTS

For the year ended June 30, 2019, City property tax revenues were reduced by \$29,626 under agreements entered into by the Walton County Development Authority. Under the agreements, taxes on both real and personal property are reduced based on jobs created and investments made by the corporation to whom the incentives were offered as long as the corporation meets certain investment targets.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOCIAL CIRCLE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

RETIREMENT PLAN

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY

AND RELATED RATIOS

	2015	2016	2017	2018	2019
Total pension liability					
Service cost	\$ 82,778	\$ 110,674	\$ 120,656	\$ 110,419	\$ 130,827
Interest on total pension liability	186,271	199,876	223,499	237,815	253,090
Differences between expected and actual experience	23,309	96,814	(59,359)	(68,150)	(60)
Changes of assumptions	(64,740)	-	-	-	-
Changes of benefit terms	46,906	-	-	-	-
Benefit payments, including refunds of employee contributions	(93,585)	(104,378)	(100,712)	(99,429)	(100,840)
Other changes	-	-	-	(4,824)	-
Net change in total pension liability	<u>180,939</u>	<u>302,986</u>	<u>184,084</u>	<u>175,831</u>	<u>283,017</u>
Total pension liability - beginning	<u>2,450,290</u>	<u>2,631,229</u>	<u>2,934,215</u>	<u>3,118,299</u>	<u>3,294,130</u>
Total pension liability - ending (a)	<u><u>\$ 2,631,229</u></u>	<u><u>\$ 2,934,215</u></u>	<u><u>\$ 3,118,299</u></u>	<u><u>\$ 3,294,130</u></u>	<u><u>\$ 3,577,147</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 96,015	\$ 110,350	\$ 121,350	\$ 124,029	\$ 132,558
Net investment income	244,943	27,136	269,340	406,310	309,474
Benefit payments, including refunds of member contributions	(93,585)	(104,378)	(100,712)	(99,429)	(100,840)
Administrative expenses	(7,860)	(9,627)	(8,830)	(15,680)	(14,609)
Net change in plan fiduciary net position	<u>239,513</u>	<u>23,481</u>	<u>281,148</u>	<u>415,230</u>	<u>326,583</u>
Plan fiduciary net position - beginning	<u>2,146,158</u>	<u>2,385,671</u>	<u>2,409,152</u>	<u>2,690,300</u>	<u>3,105,530</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,385,671</u></u>	<u><u>\$ 2,409,152</u></u>	<u><u>\$ 2,690,300</u></u>	<u><u>\$ 3,105,530</u></u>	<u><u>\$ 3,432,113</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ 245,558</u></u>	<u><u>\$ 525,063</u></u>	<u><u>\$ 427,999</u></u>	<u><u>\$ 188,600</u></u>	<u><u>\$ 145,034</u></u>
Plan fiduciary net position as a percentage of the total pension liability	90.67%	82.11%	86.27%	94.27%	95.95%
Covered payroll	\$ 1,703,641	\$ 2,064,821	\$ 1,829,218	\$ 2,290,647	\$ 2,597,925
City's net pension liability as a percentage of covered payroll	14.41%	25.43%	23.40%	8.23%	5.58%

Notes to the Schedule:

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 97,541	\$ 116,265	\$ 136,605	\$ 129,453	\$ 148,084
Contributions in relation to the actuarially determined contribution	<u>97,541</u>	<u>116,265</u>	<u>136,605</u>	<u>129,453</u>	<u>148,084</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,387,784	\$ 1,703,641	\$ 2,064,821	\$ 1,829,218	\$ 2,290,647
Contributions as a percentage of covered payroll	7.03%	6.82%	6.62%	7.08%	6.46%

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

CITY OF SOCIAL CIRCLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

Special revenue funds are used to account for specific revenues that are restricted to expenditure for specified purposes other than debt service or capital projects.

Confiscations Pending Fund – This fund is used to account for the City's share of monies that have been forfeited through the court system that are restricted for law enforcement purposes.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Library Fund – This fund is used to account for monies restricted for principal trust amounts and related interest earnings; which are used to maintain and operate the community library.

CITY OF SOCIAL CIRCLE, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

	Special Revenue Fund	Permanent Fund	Total
	Confiscations Pending Fund	Library Fund	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 68,709	\$ 427,581	\$ 496,290
Total assets	<u>\$ 68,709</u>	<u>\$ 427,581</u>	<u>\$ 496,290</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 11,074	\$ -	\$ 11,074
Total liabilities	<u>11,074</u>	<u>-</u>	<u>11,074</u>
FUND BALANCES			
Nonspendable - corpus	-	350,000	350,000
Restricted:			
Library	-	77,581	77,581
Public safety	<u>57,635</u>	<u>-</u>	<u>57,635</u>
Total fund balances	<u>57,635</u>	<u>427,581</u>	<u>485,216</u>
Total liabilities and fund balances	<u>\$ 68,709</u>	<u>\$ 427,581</u>	<u>\$ 496,290</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, 2019**

	Special Revenue Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Confiscations Pending Fund	Library Fund	
REVENUES			
Investment income	\$ 22	\$ 9,595	\$ 9,617
Fines and forfeitures	108,703	-	108,703
Total revenues	108,725	9,595	118,320
EXPENDITURES			
Current			
Public safety	122,893	-	122,893
Total expenditures	122,893	-	122,893
Excess (deficiency) of revenues over expenditures	(14,168)	9,595	(4,573)
Net change in fund balances	(14,168)	9,595	(4,573)
FUND BALANCES, beginning of year	71,803	417,986	489,789
FUND BALANCES, end of year	\$ 57,635	\$ 427,581	\$ 485,216

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, 2019

	<u>Budget</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Interest	\$ -	\$ -	\$ 22	\$ 22
Fines and forfeitures	<u>65,000</u>	<u>122,893</u>	<u>108,703</u>	<u>(14,190)</u>
Total revenues	<u>65,000</u>	<u>122,893</u>	<u>108,725</u>	<u>(14,168)</u>
EXPENDITURES				
Public safety	<u>65,000</u>	<u>122,893</u>	<u>122,893</u>	<u>-</u>
Total expenditures	<u>65,000</u>	<u>122,893</u>	<u>122,893</u>	<u>-</u>
Net change in fund balances	-	-	(14,168)	(14,168)
FUND BALANCES, beginning of year	<u>71,803</u>	<u>71,803</u>	<u>71,803</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 71,803</u></u>	<u><u>\$ 71,803</u></u>	<u><u>\$ 57,635</u></u>	<u><u>\$ (14,168)</u></u>

CITY OF SOCIAL CIRCLE, GEORGIA

LIBRARY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Investment income	\$ 4,800	\$ 4,800	\$ 9,595	\$ 4,795
Total revenues	4,800	4,800	9,595	4,795
OTHER FINANCING USES				
Transfers out	(4,800)	(4,800)	-	4,800
Total other financing uses	(4,800)	(4,800)	-	4,800
Net change in fund balances	-	-	9,595	9,595
FUND BALANCES, beginning of year	417,986	417,986	417,986	-
FUND BALANCES, end of year	<u>\$ 417,986</u>	<u>\$ 417,986</u>	<u>\$ 427,581</u>	<u>\$ 9,595</u>

CITY OF SOCIAL CIRCLE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>2013 Projects</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	\$ 830,753	\$ -	\$ 830,753
Library improvements and expansion	500,000	500,000	-	500,000	500,000
Water and sewer improvements	500,000	500,000	477,714	-	477,714
Recreation playgrounds	250,000	250,000	50,996	-	50,996
Public safety improvements	1,000,000	1,000,000	999,990	-	999,990
Total 2013 SPLOST Expenditures	<u>\$ 3,100,000</u>	<u>\$ 3,100,000</u>	<u>\$ 2,359,453</u>	<u>500,000</u>	<u>\$ 2,859,453</u>
<u>2019 Projects</u>					
Transportation	\$ 1,000,000	\$ 1,000,000	\$ -	-	\$ -
Water and Sewer Infrastructure	1,160,869	1,160,869	-	-	-
Public Safety	385,000	385,000	-	-	-
Parks and Recreation	100,000	100,000	-	-	-
Building Upgrades and Improvements	250,000	250,000	-	-	-
Total 2019 SPLOST Expenditures	<u>\$ 2,895,869</u>	<u>\$ 2,895,869</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Total SPLOST expenditures				<u>\$ 500,000</u>	

COMPONENT UNITS

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - MAIN STREET COMMISSION FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 85,038
Payments to suppliers	<u>(67,178)</u>
Net cash provided by operating activities	<u>17,860</u>
Net increase in cash and cash equivalents	17,860
Cash and cash equivalents, beginning of year	<u>33,449</u>
Cash and cash equivalents, end of year	<u>\$ 51,309</u>

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 16,373
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	<u>1,487</u>
Net cash provided by operating activities	<u>\$ 17,860</u>

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 4,235
Payments to suppliers	<u>(494)</u>
Net cash provided by operating activities	<u>3,741</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>10</u>
Net cash provided by investing activities	<u>10</u>

Net increase in cash and cash equivalents	3,751
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Cash and cash equivalents, beginning of year	<u>96,808</u>
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Cash and cash equivalents, end of year	<u><u>\$ 100,559</u></u>
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RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	<u>\$ 3,741</u>
Net cash provided by operating activities	<u><u>\$ 3,741</u></u>

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 105
Net cash provided by investing activities	<u>105</u>
Net increase in cash and cash equivalents	105
Cash and cash equivalents, beginning of year	<u>74,026</u>
Cash and cash equivalents, end of year	<u>\$ 74,131</u>

COMPLIANCE SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Social Circle, Georgia (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2019-001 and 2019-002 that we consider to be material weaknesses.

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 Responses to the Findings

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

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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 19, 2019

CITY OF SOCIAL CIRCLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? X yes no

Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2019 due to the total amount expended being less than \$750,000.

CITY OF SOCIAL CIRCLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019-001 Financed Purchases Accounting

Criteria: Internal controls should be in place to ensure that debt service expenditures and revenues associated with the financed purchase agreements are properly recorded in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect a material misstatement in the reporting of the City's debt service expenditures, other financing sources, and gain on disposal of capital assets.

Context/Cause: During our testing of the City's outstanding debt balances, specifically those related to the financed purchases of the City, audit adjustments were required to record the insurance proceeds, debt service payments for reduction of debt and gain on disposal of capital assets. The General Fund and Governmental Activities required audit adjustments to record other financing sources for insurance recoveries, debt service expenditures, and gain on disposal of a capital assets. As a result, debt service expenditures and other financing sources were understated by approximately \$263,000, and financed purchases were overstated by \$263,000.

Effects: Audit adjustments totaling \$263,000 for the General Fund and governmental activities were needed to correctly report the effect of the General Fund and governmental activities transactions.

Recommendation: We recommend the City carefully review all transactions affecting the City's reporting of its debt and consider the effects on the general ledger and fund level reporting in accordance with generally accepted accounting principles.

Auditee's Response: As the City's General Fund operates on a modified accrual basis, and cash is recorded as received for a majority of the year, the City's financial staff did not record cash paid by the insurance company to the purchase provider for our wrecked Firetruck, as the cash never was received by the City. The City's insurance company issued a check directly to the purchase provider to pay the remainder of the loan in full. We now recognize that the insurance payment should have been reflected as a revenue and the payment of the loan, as an expenditure, in accordance with GAAP.

CITY OF SOCIAL CIRCLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019-002 Equity Reconciliations

Criteria: Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of operations of the City in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the opening fund balance of the General Fund and opening net position of the Downtown Development Authority (DDA).

Context/Cause: During our testing, audit adjustments were required to adjust the opening fund balance of the General Fund and net position of the DDA Fund. The nature of these entries are as follows:

- The General Fund required an audit adjustment of approximately \$97,000 to correctly report the opening fund balance and statement of revenues, expenditures and changes in fund balances activity for the fiscal year ended June 30, 2019.
- The Downtown Development Authority required an audit adjustment of approximately \$7,000 to correctly report the opening net position and related statement of activities activity for the fiscal year ended June 30, 2019.

Effects: Audit adjustments totaling \$104,000 were needed to correctly report the opening fund balance and net position of the General Fund and DDA Fund as reported in the prior year audited financial statements.

Recommendation: We recommend the City carefully review all transactions to ensure all year-end closing entries, including those prepared by the auditors, are recorded in accordance with generally accepted accounting principles.

Auditee's Response: The financial staff will seek more clarification in posting of year-end entries provided by the auditors to ensure that beginning fund balances reflect that of the financial statements. The City will no longer be using a third party in audit preparation and will be working more closely with the auditors during pre-audit, audit, and year-end processes.