

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

CITY OF SOCIAL CIRCLE, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-11, the Schedule of Changes in the City's Net Pension Liability on page 56 and the Schedule of City Contributions on page 57 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 17, 2018, 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 17, 2018

**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, 2018. 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 2018 by \$24,190,837 (total net position).
- Of this amount, \$5,288,797 (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 \$855,860.
- At the close of fiscal year 2018 the City's governmental funds reported combined ending fund balances of \$2,008,497. Of this amount, \$816,842 or 40.67% is available for spending at the government's discretion (Unassigned fund balance). The remaining balance of \$1,191,655, is allocated as \$452,889 (Non Spendable), \$606,128 (Restricted) and \$132,638 (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 2018 by \$24,190,837.

The largest component of net position is investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that are still outstanding, which comprises \$17,291,931 or 71.48%. 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>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Assets:						
Current assets	\$ 2,062,545	\$ 2,444,130	\$ 5,063,311	\$ 5,224,855	\$ 7,125,856	\$ 7,668,985
Restricted assets	-	-	593,016	653,981	593,016	653,981
Other assets	-	-	55,631	54,619	55,631	54,619
Capital assets	8,127,478	8,156,534	15,951,388	16,058,424	24,078,866	24,214,958
Total assets	10,190,023	10,600,664	21,663,346	21,991,879	31,853,369	32,592,543
Deferred outflows of resources:	135,887	116,526	40,435	33,634	176,322	150,160
Liabilities:						
Current liabilities	397,789	400,512	579,897	618,781	977,686	1,019,293
Long-term liabilities	1,012,543	804,472	6,628,397	6,461,159	7,640,940	7,265,631
Total liabilities	1,410,332	1,204,984	7,208,294	7,079,940	8,618,626	8,284,924
Deferred inflows of resources:	58,639	207,150	17,449	59,792	76,088	266,942
Net position:						
Net investment in capital assets	7,528,285	7,598,823	9,632,185	9,693,108	17,160,470	17,291,931
Restricted for:						
Public safety	14,455	71,803	-	-	14,455	71,803
Capital projects	248,136	466,339	593,016	653,981	841,152	1,120,320
Library expendable	57,040	67,986	-	-	57,040	67,986
Library nonexpendable	350,000	350,000	-	-	350,000	350,000
Unrestricted	659,023	750,105	4,252,837	4,538,692	4,911,860	5,288,797
Total net position	\$ 8,856,939	\$ 9,305,056	\$ 14,478,038	\$ 14,885,781	\$ 23,334,977	\$ 24,190,837

An additional portion of the City's net position, \$1,610,109 (6.7%), represents resources that are subject to external restrictions on how they may be used. \$417,986 for the library of which \$350,000 is nonexpendable, \$71,803 for public safety and \$1,120,320 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 \$448,117.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Revenues:						
Program Revenues:						
Charges for service	\$ 206,668	\$ 496,490	\$ 6,687,038	\$ 6,563,556	\$ 6,893,706	\$ 7,060,046
Operating grants and contributions	267,979	284,255	3,422	1,108	271,401	285,363
Capital grants and contributions	527,971	589,393	-	-	527,971	589,393
General revenues:						
Property taxes	1,333,682	1,527,445	-	-	1,333,682	1,527,445
Sales tax	563,656	593,270	-	-	563,656	593,270
Other Taxes	824,328	858,159	-	-	824,328	858,159
Investment earnings	4,710	12,806	4,421	4,867	9,131	17,673
Other	12,224	2,729	-	-	12,224	2,729
Total revenue	<u>3,741,218</u>	<u>4,364,547</u>	<u>6,694,881</u>	<u>6,569,531</u>	<u>10,436,099</u>	<u>10,934,078</u>
Expenses:						
General government	1,151,102	1,114,064	-	-	1,151,102	1,114,064
Judicial	21,144	27,259	-	-	21,144	27,259
Public safety	2,280,633	2,504,728	-	-	2,280,633	2,504,728
Public works	1,059,128	845,301	-	-	1,059,128	845,301
Health & Welfare	101,600	126,006	-	-	101,600	126,006
Culture and recreation	145,085	185,969	-	-	145,085	185,969
Housing and development	98,761	104,079	-	-	98,761	104,079
Interest and fiscal charges	20,088	18,723	-	-	20,088	18,723
Water and sewer	-	-	2,412,541	2,359,382	2,412,541	2,359,382
Natural gas	-	-	2,220,727	2,506,618	2,220,727	2,506,618
Solid waste	-	-	278,652	286,089	278,652	286,089
Total Expenses	<u>4,877,541</u>	<u>4,926,129</u>	<u>4,911,920</u>	<u>5,152,089</u>	<u>9,789,461</u>	<u>10,078,218</u>
Change in net position before transfers	(1,136,323)	(561,582)	1,782,961	1,417,442	646,638	855,860
Transfers	<u>1,151,316</u>	<u>1,009,699</u>	<u>(1,151,316)</u>	<u>(1,009,699)</u>	-	-
Increase (decrease) in net position	14,993	448,117	631,645	407,743	646,638	855,860
Net position - beginning	<u>8,841,946</u>	<u>8,856,939</u>	<u>13,846,393</u>	<u>14,478,038</u>	<u>22,688,339</u>	<u>23,334,977</u>
Net position - ending	<u>\$ 8,856,939</u>	<u>\$ 9,305,056</u>	<u>\$ 14,478,038</u>	<u>\$ 14,885,781</u>	<u>\$ 23,334,977</u>	<u>\$ 24,190,837</u>

Revenues. Property taxes of \$1,527,445 and sales tax of \$593,270 accounted for 52.96% of total general revenues and transfers.

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

- GMA Safety Grant \$14,555
- Housing Authority In Lieu of Taxes \$6,507
- Section 18 Transportation Grant \$55,476
- GDOT LMIG \$74,182
- FLPA \$3,354
- Reimbursements for IRMA Damages - \$126,374
- School of Elections – \$1,588
- Walton Wellness Basketball Goals – \$2,219

Capital Grants and Contributions consisted of the following:

- Public Works \$31,071
- Culture and recreation \$558,322

Expenses. The total expense for the governmental activities is \$4,926,129. The largest single expenditure activity is public safety. Public safety includes the police department and the fire department. Total public safety expenses are \$2,504,728 or 50.84% of total governmental activities expenses.

Total program revenues, general revenues and transfers of governmental activities were more than expenses by \$448,117.

Business-type activities. Business-type activities increased the City's net position by \$407,743. Water and sewer revenues were stable from the prior year with a modest decrease attributable to a wet summer affecting irrigation water sales. Gas revenues were also stable. A modest decrease is reflected from the prior year where a one time payment for Stanton Springs gas startup was received. Adjusting for this prior year payment indicates a modest increase in gas sales attributable to industry activity, moderated by a generally mild winter.

Revenues. Water and sewer charges for service were \$2,747,891. Natural gas charges for service were \$3,488,181. Solid Waste charges for service were \$327,484. 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 \$2,359,382. Natural gas expenses were \$2,506,618. Solid Waste expenses were \$286,089.

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 \$2,008,497. Approximately 40.67% of this amount \$816,842 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reported as Non-spendable, Restricted or Assigned and may only be used within the guidelines of those categories.

The General Fund is the chief operating fund of the City. At June 30, 2018 unassigned fund balance of the General Fund was \$816,842. 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 18.04% of total General Fund expenditures and total General Fund fund balance represents 23.25% 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 decrease due to decreased consumption. Expenses also reflected reduced operating costs attributable to significant repairs accomplished in the prior year. In the Gas Fund during the year, revenues were lower than the prior year due to a lump sum payment in that year for gas sale startup at Stanton Springs. 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, 2018 amounted to \$1,350,994; those of the Natural Gas Fund amounted to \$3,143,521; and those of the Solid Waste Fund amounted to \$44,177. The total change in Water and Sewer net position was \$177,628; the change in Natural Gas net position was \$224,473; and the change in Solid Waste net position was \$5,642.

General Fund Budgetary Highlights

General fund revenues were \$102,462, or 3%, more than the final budget. The variance in tax receipts in the amount of \$87,829 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 \$141,237 less than budgeted. This variance reflects paving and software upgrade projects that were underway, but not completed during the year. In addition, position vacancies in Public Works resulted in reduced expenditures during the year.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$24,214,958, (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, building and improvements, equipment and vehicles.

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

GOVERNMENTAL CAPITAL ASSETS

- Police Vehicles \$111,482
- Police Equipment \$34,326
- Tyler Software \$71,778
- Fire Equipment \$28,171
- Fire Vehicle \$15,245
- Drainage Improvements \$103,058
- Street Improvements \$101,238
- Burkes Field Playground \$49,996
- Transit Vehicle \$45,469

WATER

- Tyler Software \$68,629
- Water Equipment \$269,441
- Water Infrastructure \$160,260

GAS

- Tyler Software \$69,746
- IsoNova Expansion \$30,565

City of Social Circle Capital Assets (Net of Depreciation)

	Governmental Activities		Business Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Land	\$ 938,408	\$ 938,408	\$ -	\$ -	\$ 938,408	\$ 938,408
Construction in progress	142,884	122,158	391,768	420,186	534,652	542,344
Infrastructure	3,669,352	3,736,521	15,340,065	15,049,005	19,009,417	18,785,526
Building	2,394,399	2,269,932	-	-	2,394,399	2,269,932
Equipment and vehicles	982,435	1,089,515	219,555	589,233	1,201,990	1,678,748
Total	\$ 8,127,478	\$ 8,156,534	\$ 15,951,388	\$ 16,058,424	\$ 24,078,866	\$ 24,214,958

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 \$6,938,625. Water and sewerage revenue bonds account for \$6,366,997, Governmental Activities capital leases account for \$557,711, and notes payable account for \$13,917.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Revenue bonds payable	\$ -	\$ -	\$ 6,483,634	\$ 6,366,997	\$ 6,483,634	\$ 6,366,997
Notes payable	-	-	16,813	13,917	16,813	13,917
Compensated absences	83,503	100,406	29,798	38,000	113,301	138,406
Net pension liability	329,847	146,355	98,152	42,245	427,999	188,600
Capital leases payable	599,193	557,711	-	-	599,193	557,711
Total	<u>\$ 1,012,543</u>	<u>\$ 804,472</u>	<u>\$ 6,628,397</u>	<u>\$ 6,461,159</u>	<u>\$ 7,640,940</u>	<u>\$ 7,265,631</u>

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. The construction is creating hundreds of construction and trades jobs through the 2020 year, and the finished facility will employ over 100 computer technicians. Also this year, in Stanton Springs the Shire Pharmaceutical facility is beginning production and increasing their employment by several thousand employees. Within the City limits, a Polymer Manufacturing Industry has announced its intent to construct a facility within the City, and the existing industries continue steady employment demand.

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. Four new businesses have located in the downtown area and the anchor stores continue to thrive. There remain a few vacant storefronts in the downtown and 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.

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, 2018

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Main Street Commission	Downtown Development Authority	Development Authority
ASSETS						
Cash and cash equivalents	\$ 1,978,040	\$ 3,719,584	\$ 5,697,624	\$ 33,449	\$ 96,808	\$ 74,026
Investments	-	853,571	853,571	-	-	-
Accounts receivable, net of allowances	34,797	615,003	649,800	-	-	-
Taxes receivable, net of allowances	18,588	-	18,588	-	-	-
Internal balances	(6,717)	6,717	-	-	-	-
Due from other governments	316,533	589	317,122	-	-	-
Prepaid expenses	102,889	29,391	132,280	-	-	-
Restricted assets:						
Cash and cash equivalents	-	653,981	653,981	-	-	-
Other assets	-	39,021	39,021	-	-	-
Prepaid bond insurance	-	15,598	15,598	-	-	-
Capital assets:						
Non-depreciable	1,060,566	420,186	1,480,752	-	-	864,436
Depreciable, net of accumulated depreciation	7,095,968	15,638,238	22,734,206	-	-	-
Total assets	10,600,664	21,991,879	32,592,543	33,449	96,808	938,462
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	116,526	33,634	150,160	-	-	-
Total deferred outflows of resources	116,526	33,634	150,160	-	-	-
LIABILITIES						
Accounts payable	256,290	178,215	434,505	-	-	-
Accrued liabilities	144,222	134,371	278,593	-	-	-
Customer deposits	-	306,195	306,195	-	-	-
Long-term liabilities:						
Portion due or payable within one year:						
Capital leases	42,855	-	42,855	-	-	-
Notes payable	-	3,033	3,033	-	-	-
Bonds payable	-	115,000	115,000	-	-	-
Compensated absences	54,406	21,966	76,372	-	-	-
Portion due or payable in more than one year:						
Capital leases	514,856	-	514,856	-	-	-
Notes payable	-	10,884	10,884	-	-	-
Bonds payable, net	-	6,251,997	6,251,997	-	-	-
Net pension liability	146,355	42,245	188,600	-	-	-
Compensated absences	46,000	16,034	62,034	-	-	-
Total liabilities	1,204,984	7,079,940	8,284,924	-	-	-
DEFERRED INFLOWS OF RESOURCES						
Pension related items	207,150	59,792	266,942	-	-	-
Total deferred inflows of resources	207,150	59,792	266,942	-	-	-
NET POSITION						
Net investment in capital assets	7,598,823	9,693,108	17,291,931	-	-	864,436
Restricted for:						
Public safety	71,803	-	71,803	-	-	-
Capital projects	466,339	653,981	1,120,320	-	-	-
Library - expendable	67,986	-	67,986	-	-	-
Library - nonexpendable	350,000	-	350,000	-	-	-
Unrestricted	750,105	4,538,692	5,288,797	33,449	96,808	74,026
Total net position	\$ 9,305,056	\$ 14,885,781	\$ 24,190,837	\$ 33,449	\$ 96,808	\$ 938,462

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, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 1,114,064	\$ 12,598	\$ 6,507	\$ -
Judicial	27,259	150,712	-	-
Public safety	2,504,728	213,187	18,363	-
Public works	845,301	62,537	259,385	31,071
Health and welfare	126,006	-	-	-
Culture and recreation	185,969	57,456	-	558,322
Housing and development	104,079	-	-	-
Interest on long-term debt	18,723	-	-	-
Total governmental activities	4,926,129	496,490	284,255	589,393
Business-type activities:				
Water and sewer	2,359,382	2,747,891	1,108	-
Natural gas	2,506,618	3,488,181	-	-
Solid waste	286,089	327,484	-	-
Total business-type activities	5,152,089	6,563,556	1,108	-
Total primary government	\$ 10,078,218	\$ 7,060,046	\$ 285,363	\$ 589,393
Component units:				
Main Street Commission	\$ 71,619	\$ -	\$ 87,030	\$ -
Downtown Development Authority	78,633	27,202	-	-
Development Authority	2,796	-	-	-
Total component units	\$ 153,048	\$ 27,202	\$ 87,030	\$ -

General revenues:

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

Transfers

- Total general revenues and transfers
- Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expenses) Revenues and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Main Street Commission	Downtown Development Authority	Development Authority
\$ (1,094,959)	\$ -	\$ (1,094,959)	\$ -	\$ -	\$ -
123,453	-	123,453	-	-	-
(2,273,178)	-	(2,273,178)	-	-	-
(492,308)	-	(492,308)	-	-	-
(126,006)	-	(126,006)	-	-	-
429,809	-	429,809	-	-	-
(104,079)	-	(104,079)	-	-	-
(18,723)	-	(18,723)	-	-	-
<u>(3,555,991)</u>	<u>-</u>	<u>(3,555,991)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	389,617	389,617	-	-	-
-	981,563	981,563	-	-	-
-	41,395	41,395	-	-	-
-	1,412,575	1,412,575	-	-	-
<u>\$ (3,555,991)</u>	<u>\$ 1,412,575</u>	<u>\$ (2,143,416)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 15,411	\$ -	\$ -
-	-	-	-	(51,431)	-
-	-	-	-	-	(2,796)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,411</u>	<u>\$ (51,431)</u>	<u>\$ (2,796)</u>
\$ 1,527,445	\$ -	\$ 1,527,445	\$ -	\$ -	\$ -
593,270	-	593,270	-	-	-
445,375	-	445,375	-	-	-
23,640	-	23,640	-	-	-
280,997	-	280,997	-	-	-
108,147	-	108,147	-	-	-
12,806	4,867	17,673	-	6	43
2,729	-	2,729	-	-	-
1,009,699	(1,009,699)	-	-	-	-
<u>4,004,108</u>	<u>(1,004,832)</u>	<u>2,999,276</u>	<u>-</u>	<u>6</u>	<u>43</u>
448,117	407,743	855,860	15,411	(51,425)	(2,753)
8,856,939	14,478,038	23,334,977	18,038	148,233	941,215
<u>\$ 9,305,056</u>	<u>\$ 14,885,781</u>	<u>\$ 24,190,837</u>	<u>\$ 33,449</u>	<u>\$ 96,808</u>	<u>\$ 938,462</u>

CITY OF SOCIAL CIRCLE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 1,004,336	\$ 476,304	\$ 497,400	\$ 1,978,040
Taxes receivable, net of allowance	18,588	-	-	18,588
Accounts receivable	32,577	-	2,220	34,797
Due from other governments	269,212	47,321	-	316,533
Due from other funds	107,746	-	-	107,746
Prepaid items	102,889	-	-	102,889
Total assets	\$ 1,535,348	\$ 523,625	\$ 499,620	\$ 2,558,593
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 246,459	\$ -	\$ 9,831	\$ 256,290
Accrued liabilities	129,302	-	-	129,302
Due to other funds	57,177	57,286	-	114,463
Total liabilities	432,938	57,286	9,831	500,055
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	13,742	-	-	13,742
Unavailable revenue - other	36,299	-	-	36,299
Total deferred inflows of resources	50,041	-	-	50,041
FUND BALANCES				
Nonspendable:				
Permanent fund corpus	-	-	350,000	350,000
Prepays	102,889	-	-	102,889
Restricted:				
Library	-	-	67,986	67,986
Public safety	-	-	71,803	71,803
Capital projects	-	466,339	-	466,339
Assigned:				
Library	33,570	-	-	33,570
Cemetery	68,608	-	-	68,608
Graves - Benny Hill Cemetery	2,000	-	-	2,000
LMIG paving	28,460	-	-	28,460
Unassigned	816,842	-	-	816,842
Total fund balances	1,052,369	466,339	489,789	2,008,497
Total liabilities, deferred inflows of resources and fund balances	\$ 1,535,348	\$ 523,625	\$ 499,620	

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.	8,156,534
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	50,041
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(673,037)
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.	(236,979)
Net position of governmental activities	\$ 9,305,056

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, 2018

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,965,132	\$ -	\$ -	\$ 2,965,132
Licenses and permits	74,261	-	-	74,261
Intergovernmental	282,035	548,143	-	830,178
Fines and forfeitures	114,413	-	213,187	327,600
Charges for services	1,018	-	-	1,018
Interest income	1,844	328	10,962	13,134
Miscellaneous	57,312	-	2,220	59,532
Total revenues	<u>3,496,015</u>	<u>548,471</u>	<u>226,369</u>	<u>4,270,855</u>
Expenditures				
Current:				
General government	1,005,382	-	-	1,005,382
Judicial	27,550	-	-	27,550
Public safety	2,310,716	5,540	158,075	2,474,331
Public works	760,412	274,732	-	1,035,144
Health and welfare	126,273	-	-	126,273
Culture and recreation	131,512	49,996	-	181,508
Housing and development	104,079	-	-	104,079
Debt service:				
Principal retirements	41,482	-	-	41,482
Interest	19,833	-	-	19,833
Total expenditures	<u>4,527,239</u>	<u>330,268</u>	<u>158,075</u>	<u>5,015,582</u>
Excess (deficiency) of revenues over expenditures	<u>(1,031,224)</u>	<u>218,203</u>	<u>68,294</u>	<u>(744,727)</u>
Other financing sources				
Transfers in	1,069,709	-	-	1,069,709
Proceeds from sale of capital assets	2,729	-	-	2,729
Total other financing sources	<u>1,072,438</u>	<u>-</u>	<u>-</u>	<u>1,072,438</u>
Net change in fund balances	41,214	218,203	68,294	327,711
Fund balances, beginning of year	<u>1,011,155</u>	<u>248,136</u>	<u>421,495</u>	<u>1,680,786</u>
Fund balances, end of year	<u>\$ 1,052,369</u>	<u>\$ 466,339</u>	<u>\$ 489,789</u>	<u>\$ 2,008,497</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, 2018

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

Net change in fund balances - total governmental funds	\$	327,711
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.		(11,866)
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and donations) is to increase net position.		40,922
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.		41,482
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>(173)</u>
Change in net position - governmental activities	\$	<u>448,117</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, 2018

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,877,303	\$ 2,877,303	\$ 2,965,132	\$ 87,829
Licenses and permits	70,100	70,100	74,261	4,161
Fines and forfeitures	136,000	136,000	114,413	(21,587)
Interest	50,000	50,000	1,844	(48,156)
Charges for services	412	150	1,018	868
Intergovernmental	209,500	209,500	282,035	72,535
Miscellaneous	50,500	50,500	57,312	6,812
Total revenues	3,393,815	3,393,553	3,496,015	102,462
Expenditures				
Current:				
General government:				
Governing body	124,763	124,763	121,631	3,132
Chief executive	242,031	259,940	258,277	1,663
Board of elections	4,600	4,781	4,781	-
Financial administration	515,784	563,702	560,222	3,480
Law	41,950	60,472	60,471	1
Total general government	929,128	1,013,658	1,005,382	8,276
Judicial:				
Municipal court	24,409	27,554	27,550	4
Total judicial	24,409	27,554	27,550	4
Public safety:				
Police	1,256,571	1,271,111	1,266,219	4,892
Fire	1,045,388	1,050,154	1,044,497	5,657
Total public safety	2,301,959	2,321,265	2,310,716	10,549
Public works:				
Highways and streets	643,476	733,169	666,353	66,816
Cemetery	98,736	98,736	94,059	4,677
Total public works	742,212	831,905	760,412	71,493
Health and welfare:				
Transportation services	129,952	170,875	126,273	44,602
Total health and welfare	129,952	170,875	126,273	44,602
Culture and recreation:				
Library	134,074	134,074	131,512	2,562
Total culture and recreation	134,074	134,074	131,512	2,562
Housing and development:				
Urban redevelopment and housing	4,000	4,000	262	3,738
Economic development and assistance	102,680	103,829	103,817	12
Total housing and development	106,680	107,829	104,079	3,750
Debt service:				
Principal	41,483	41,482	41,482	-
Interest	19,833	19,834	19,833	1
Total debt service	61,316	61,316	61,315	1
Total expenditures	4,429,730	4,668,476	4,527,239	141,237
Deficiency of revenues over expenditures	(1,035,915)	(1,274,923)	(1,031,224)	243,699
Other financing sources				
Transfers in	1,088,885	1,088,885	1,069,709	(19,176)
Sale of capital assets	15,000	15,000	2,729	(12,271)
Total other financing sources	1,103,885	1,103,885	1,072,438	(31,447)
Net change in fund balances	67,970	(171,038)	41,214	212,252
Fund balance, beginning of year	1,011,155	1,011,155	1,011,155	-
Fund balance, end of year	\$ 1,079,125	\$ 840,117	\$ 1,052,369	\$ 212,252

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

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2018

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	\$ 1,350,790	\$ 2,342,576	\$ 26,218	\$ 3,719,584
Investments	-	853,571	-	853,571
Accounts receivable, net	292,312	280,117	42,574	615,003
Due from other funds	1,496	57,192	-	58,688
Due from other governments	-	499	90	589
Prepaid items	24,683	4,708	-	29,391
	1,669,281	3,538,663	68,882	5,276,826
Restricted assets				
Cash and cash equivalents	653,981	-	-	653,981
	2,323,262	3,538,663	68,882	5,930,807
NONCURRENT ASSETS				
Prepaid bond insurance	15,598	-	-	15,598
Other assets	39,021	-	-	39,021
	54,619	-	-	54,619
CAPITAL ASSETS				
Nondepreciable	396,826	23,360	-	420,186
Depreciable, net of accumulated depreciation	12,188,554	3,449,684	-	15,638,238
	12,585,380	3,473,044	-	16,058,424
	14,963,261	7,011,707	68,882	22,043,850
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	23,434	10,200	-	33,634
	23,434	10,200	-	33,634
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	14,456	163,759	-	178,215
Accrued liabilities	128,132	6,149	90	134,371
Customer deposits	104,691	201,504	-	306,195
Due to other funds	27,252	104	24,615	51,971
Compensated absences payable - current	19,086	2,880	-	21,966
Revenue bonds payable - current	115,000	-	-	115,000
Notes payable - current	3,033	-	-	3,033
	411,650	374,396	24,705	810,751
NONCURRENT LIABILITIES				
Revenue bonds payable	6,251,997	-	-	6,251,997
Notes payable	10,884	-	-	10,884
Net pension liability	29,433	12,812	-	42,245
Compensated absences payable	16,034	-	-	16,034
	6,308,348	12,812	-	6,321,160
	6,719,998	387,208	24,705	7,131,911
DEFERRED INFLOWS OF RESOURCES				
Pension related items	41,658	18,134	-	59,792
	41,658	18,134	-	59,792
NET POSITION				
Net investment in capital assets	6,220,064	3,473,044	-	9,693,108
Restricted for capital projects	653,981	-	-	653,981
Unrestricted	1,350,994	3,143,521	44,177	4,538,692
	\$ 8,225,039	\$ 6,616,565	\$ 44,177	\$ 14,885,781

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, 2018

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Natural Gas Fund	Non-major Solid Waste Fund	
OPERATING REVENUES				
Charges for sales and services	\$ 2,747,891	\$ 3,488,181	\$ 327,484	\$ 6,563,556
Total operating revenues	<u>2,747,891</u>	<u>3,488,181</u>	<u>327,484</u>	<u>6,563,556</u>
OPERATING EXPENSES				
Cost of sales and services	36,863	2,014,027	-	2,050,890
General operating expenses	1,663,286	387,795	286,089	2,337,170
Depreciation & amortization	409,602	104,796	-	514,398
Total operating expenses	<u>2,109,751</u>	<u>2,506,618</u>	<u>286,089</u>	<u>4,902,458</u>
Operating income	<u>638,140</u>	<u>981,563</u>	<u>41,395</u>	<u>1,661,098</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	4,867	-	-	4,867
Interest expense	(249,631)	-	-	(249,631)
Other revenue	1,108	-	-	1,108
Total non-operating revenues (expenses)	<u>(243,656)</u>	<u>-</u>	<u>-</u>	<u>(243,656)</u>
Net income before capital contributions and transfers	394,484	981,563	41,395	1,417,442
Transfers out	(276,866)	(757,090)	(35,753)	(1,069,709)
Capital contributions	60,010	-	-	60,010
Total capital contributions and transfers	<u>(216,856)</u>	<u>(757,090)</u>	<u>(35,753)</u>	<u>(1,009,699)</u>
Change in net position	177,628	224,473	5,642	407,743
Net position, beginning of year	<u>8,047,411</u>	<u>6,392,092</u>	<u>38,535</u>	<u>14,478,038</u>
Net position, end of year	<u>\$ 8,225,039</u>	<u>\$ 6,616,565</u>	<u>\$ 44,177</u>	<u>\$ 14,885,781</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, 2018

	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	\$ 2,726,146	\$ 3,448,651	\$ 327,183	\$ 6,501,980
Payments to suppliers	(989,904)	(2,211,546)	(285,980)	(3,487,430)
Payments to employees	(664,819)	(221,822)	90	(886,551)
Net cash provided by operating activities	1,071,423	1,015,283	41,293	2,127,999
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Other revenue	1,108	-	-	1,108
Transfers out to other funds	(276,866)	(757,090)	(35,753)	(1,069,709)
Net cash used in non-capital financing activities	(275,758)	(757,090)	(35,753)	(1,068,601)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(465,207)	(101,842)	-	(567,049)
Principal payments on bonds payable	(110,000)	-	-	(110,000)
Principal payments on notes payable	(2,896)	-	-	(2,896)
Interest and bond issuance costs paid	(353,931)	-	-	(353,931)
Net cash used in capital and related financing activities	(932,034)	(101,842)	-	(1,033,876)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(2,888)	-	(2,888)
Interest received	4,867	-	-	4,867
Net cash provided by (used in) investing activities	4,867	(2,888)	-	1,979
Net increase (decrease) in cash and cash equivalents	(131,502)	153,463	5,540	27,501
Cash and cash equivalents, beginning of year	2,136,273	2,189,113	20,678	4,346,064
Cash and cash equivalents, end of year	\$ 2,004,771	\$ 2,342,576	\$ 26,218	\$ 4,373,565
Classified as:				
Cash and cash equivalents	\$ 1,350,790	\$ 2,342,576	\$ 26,218	\$ 3,719,584
Restricted cash and cash equivalents	653,981	-	-	653,981
	\$ 2,004,771	\$ 2,342,576	\$ 26,218	\$ 4,373,565

(Continued)

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	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	\$ 638,140	\$ 981,563	\$ 41,395	\$ 1,661,098
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	409,602	104,796	-	514,398
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(20,431)	17,662	(226)	(2,995)
Increase in due from other governments	-	-	(75)	(75)
Increase in due from other funds	(1,314)	(57,192)	-	(58,506)
Decrease in prepaid items	1,512	993	-	2,505
Decrease in pension related deferred outflows of resources	4,164	2,637	-	6,801
Increase in accounts payable	14,456	8,072	-	22,528
Increase in accrued liabilities	111,420	799	90	112,309
Increase in customer deposits	3,973	4,374	-	8,347
Decrease in net pension liability	(37,559)	(18,348)	-	(55,907)
Increase in pension related deferred inflows of resources	29,749	12,594	-	42,343
Increase (decrease) in compensated absences payable	8,506	(304)	-	8,202
Increase (decrease) in due to other funds	(90,795)	(42,363)	109	(133,049)
Net cash provided by operating activities	\$ 1,071,423	\$ 1,015,283	\$ 41,293	\$ 2,127,999
NON CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	\$ 60,010	\$ -	\$ -	\$ 60,010

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, 2018**

	ASSETS	Board of Education Fund
Cash		\$ 2,415
Taxes receivable		<u>52,226</u>
Total assets		<u><u>\$ 54,641</u></u>
	LIABILITIES	
Due to others		<u>\$ 54,641</u>
Total liabilities		<u><u>\$ 54,641</u></u>

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

CITY OF SOCIAL CIRCLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Restricted Assets

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

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 one type of item that qualifies for reporting in this category under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes, and other revenues as these amounts are deferred and will be recognized as inflow of resources in the period in which the amounts become available.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

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

L. Long-Term Obligations

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

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

M. Fund Equity

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

Fund balances are classified as follows:

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

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

O. Management Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$673,037 difference are as follows:

Capital lease payable	\$ (557,711)
Accrued interest payable	(14,920)
Compensated absences	(100,406)
Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (673,037)</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 \$236,979 difference are as follows:

Net pension liability	\$	(146,355)
Deferred outflows of resources		116,526
Deferred inflows of resources		<u>(207,150)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u><u>(236,979)</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 \$11,866 difference are as follows:

Capital outlay	\$	499,115
Depreciation expense		<u>(510,981)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	<u><u>(11,866)</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 \$173 difference are as follows:

Compensated absences	\$ (16,903)
Pension expense	15,620
Accrued interest	1,110
Net adjustment to reduce <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (173)

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2018 are summarized as follows:

Amounts as presented on the entity wide statement of net position:	
Cash and cash equivalents	\$ 5,697,624
Restricted cash and cash equivalents	653,981
Investments	853,571
Cash as presented on the Statement of Fiduciary Assets and Liabilities	2,415
Total	<u>\$ 7,207,591</u>
Cash deposited with financial institutions	\$ 2,930,418
Cash deposited with Georgia Fund One	4,277,173
	<u>\$ 7,207,591</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, 2018, the Georgia Fund One weighted average maturity was 10 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)

As of June 30, 2018, the City had the following investments:

Investment	Rating	Amount	Weighted Average Maturity
Certificates of deposit	n/a	\$ 853,571	12 months
Total		<u>\$ 853,571</u>	

Interest rate risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the District does not disclose its investment in the Georgia Fund within the fair value hierarchy.

The City's certificates of deposit are considered nonparticipating interest-earning investment contracts and, accordingly, are recorded at cost. Therefore the City's certificates of deposit are not subject to fair value hierarchy.

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, 2018, the City had deposits with two (2) financial institutions collateralized by 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. Additionally, the City had certificates of deposit with another financial institution that were collateralized by pledged securities, as defined above, such that all of the City's deposits with financial institutions as of June 30, 2018 were insured and/or collateralized as required by 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, 2018, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental</u>	<u>Water & Sewer</u>	<u>Natural Gas</u>	<u>Other Enterprise</u>
Receivables:						
Taxes	\$ 24,117	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	32,577	-	2,220	593,550	374,905	119,423
Other governments	269,212	47,321	-	-	499	90
Less allowance for uncollectible	5,529	-	-	301,238	94,788	76,849
Net total receivable	<u>\$ 320,377</u>	<u>\$ 47,321</u>	<u>\$ 2,220</u>	<u>\$ 292,312</u>	<u>\$ 280,616</u>	<u>\$ 42,664</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 938,408	\$ -	\$ -	\$ -	\$ 938,408
Construction in progress	142,884	51,884	-	(72,610)	122,158
Total	<u>1,081,292</u>	<u>51,884</u>	<u>-</u>	<u>(72,610)</u>	<u>1,060,566</u>
Capital assets, being depreciated:					
Infrastructure	4,647,879	153,790	-	50,606	4,852,275
Buildings and improvements	3,921,084	-	-	-	3,921,084
Equipment, furniture & vehicles	3,478,198	334,363	(144,579)	22,004	3,689,986
Total	<u>12,047,161</u>	<u>488,153</u>	<u>(144,579)</u>	<u>72,610</u>	<u>12,463,345</u>
Less accumulated depreciation for:					
Infrastructure	(978,527)	(137,227)	-	-	(1,115,754)
Buildings and improvements	(1,526,685)	(124,467)	-	-	(1,651,152)
Equipment, furniture & vehicles	(2,495,763)	(249,287)	144,579	-	(2,600,471)
Total	<u>(5,000,975)</u>	<u>(510,981)</u>	<u>144,579</u>	<u>-</u>	<u>(5,367,377)</u>
Total capital assets, being depreciated, net	<u>7,046,186</u>	<u>(22,828)</u>	<u>-</u>	<u>72,610</u>	<u>7,095,968</u>
Governmental activities capital assets, net	<u>\$ 8,127,478</u>	<u>\$ 29,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,156,534</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 391,768	\$ 74,925	\$ -	\$ (46,507)	\$ 420,186
Total	<u>391,768</u>	<u>74,925</u>	<u>-</u>	<u>(46,507)</u>	<u>420,186</u>
Capital assets, being depreciated:					
Infrastructure	22,176,371	135,583	-	24,677	22,336,631
Machinery & equipment	512,104	416,551	(77,880)	17,406	868,181
Vehicles	417,851	-	(61,928)	4,424	360,347
Total	<u>23,106,326</u>	<u>552,134</u>	<u>(139,808)</u>	<u>46,507</u>	<u>23,565,159</u>
Less accumulated depreciation for:					
Infrastructure	(6,836,306)	(451,320)	-	-	(7,287,626)
Machinery & equipment	(355,178)	(46,624)	77,880	-	(323,922)
Vehicles	(355,222)	(22,079)	61,928	-	(315,373)
Total	<u>(7,546,706)</u>	<u>(520,023)</u>	<u>139,808</u>	<u>-</u>	<u>(7,926,921)</u>
Total capital assets, being depreciated, net	<u>15,559,620</u>	<u>32,111</u>	<u>-</u>	<u>46,507</u>	<u>15,638,238</u>
Governmental activities capital assets, net	<u>\$ 15,951,388</u>	<u>\$ 107,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,058,424</u>

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

Governmental activities:	
General government	\$ 140,396
Public safety	210,717
Public works	155,005
Culture and recreation	4,863
Total depreciation expense - governmental activities	<u>\$ 510,981</u>
Business-type activities:	
Water & sewer	\$ 415,227
Natural gas	104,796
Total depreciation expense - business-type activities	<u>\$ 520,023</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Downtown Development Authority

Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ (100,000)	\$ -
Total	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Capital assets, being depreciated:				
Buildings	618,484	-	(618,484)	-
Total	<u>618,484</u>	<u>-</u>	<u>(618,484)</u>	<u>-</u>
Less accumulated depreciation for:				
Buildings	(121,223)	(7,211)	128,434	-
Total	<u>(121,223)</u>	<u>(7,211)</u>	<u>128,434</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>497,261</u>	<u>(7,211)</u>	<u>(490,050)</u>	<u>-</u>
Total capital assets, net	<u>\$ 597,261</u>	<u>\$ (7,211)</u>	<u>\$ (590,050)</u>	<u>\$ -</u>

Development Authority

Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital lease	\$ 599,193	\$ -	\$ (41,482)	\$ 557,711	\$ 42,855
Compensated absences	83,503	62,150	(45,247)	100,406	54,406
Net pension liability	329,847	282,401	(465,893)	146,355	-
Governmental activities Long-term liabilities	<u>\$ 1,012,543</u>	<u>\$ 344,551</u>	<u>\$ (552,622)</u>	<u>\$ 804,472</u>	<u>\$ 97,261</u>
Business-type activities:					
Revenue bonds payable	\$ 6,350,000	\$ -	\$ (110,000)	\$ 6,240,000	\$ 115,000
Add: Premium	162,336	-	(8,502)	153,834	-
Less: Discount	(28,702)	-	1,865	(26,837)	-
Net bonds payable	6,483,634	-	(116,637)	6,366,997	115,000
Note payable	16,813	-	(2,896)	13,917	3,033
Compensated absences	29,798	26,644	(18,442)	38,000	21,966
Net pension liability	98,152	81,513	(137,420)	42,245	-
Business-type activities Long-term liabilities	<u>\$ 6,628,397</u>	<u>\$ 108,157</u>	<u>\$ (275,395)</u>	<u>\$ 6,461,159</u>	<u>\$ 139,999</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	
2019	\$ 115,000	\$ 247,650	\$ 362,650
2020	115,000	244,200	359,200
2021	120,000	240,750	360,750
2022	125,000	237,150	362,150
2023	130,000	233,400	363,400
2024-2028	705,000	1,104,324	1,809,324
2029-2033	1,325,000	930,975	2,255,975
2034-2038	1,430,000	603,425	2,033,425
2039-2043	1,490,000	320,400	1,810,400
2044-2045	685,000	41,400	726,400
Total	<u>\$ 6,240,000</u>	<u>\$ 4,203,674</u>	<u>\$ 10,443,674</u>

Note Payable. 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)

Note Payable (Continued)

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,033	\$ 595	\$ 3,628
2020	3,176	452	3,628
2021	3,327	301	3,628
2022	3,484	144	3,628
2023	897	10	907
Total	<u>\$ 13,917</u>	<u>\$ 1,502</u>	<u>\$ 15,419</u>

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

The City's assets under capital lease arrangements at June 30, 2018 are as follows:

	<u>Governmental Activities</u>	
	<u>Original Cost</u>	<u>Accumulated Depreciation</u>
Vehicles	\$ 811,180	\$ 358,271

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Capital Leases (Continued)

Future minimum lease payments as of June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2019	\$ 61,315
2020	61,315
2021	61,315
2022	61,315
2023	61,315
2024-2028	306,580
2029	61,315
Total minimum lease payments	674,470
Less: interest payments	(116,759)
Present value minimum lease payments	\$ 557,711

Downtown Development Authority

Long-term liability activity for the year ended June 30, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 451,829	\$ -	\$ (451,829)	\$ -	\$ -
Total long-term liabilities	\$ 451,829	\$ -	\$ (451,829)	\$ -	\$ -

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NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Water and sewer fund	\$ 27,252
General fund	Nonmajor enterprise fund	23,208
General fund	SPLOST fund	57,286
Water and sewer fund	Nonmajor enterprise fund	1,392
Water and sewer fund	Natural gas fund	104
Natural gas fund	Nonmajor enterprise fund	15
Natural gas fund	General fund	57,177
		\$ 166,434

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:

Transfers In	Transfers Out	Amount
General fund	Water and sewer fund	\$ 276,866
General fund	Natural gas fund	757,090
General fund	Nonmajor enterprise fund	35,753
		\$ 1,069,709

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, 2018, the date of the most recent actuarial valuation, there were 104 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	23
Terminated vested participants not yet receiving benefits	18
Active employees - vested	23
Active employees - nonvested	40
Total	104

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 2018, the actuarially determined contribution rate was 7.08% of covered payroll. The City makes all contributions to the plan. For 2018, the City's contribution to the Plan was \$129,453.

Net Pension Liability of the City

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

Actuarial assumptions. The total pension liability in the January 1, 2017 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, 2017 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Cost of living adjustments were assumed to be 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, 2017 are summarized in the table below:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.71%
International equity	20%	7.71
Real estate	10%	5.21
Global fixed income	5%	3.36
Domestic fixed income	20%	2.11
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, 2018 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/17	\$ 3,118,299	\$ 2,690,300	\$ 427,999
Changes for the year:			
Service cost	110,419	-	110,419
Interest	237,815	-	237,815
Differences between expected and actual experience	(68,150)	-	(68,150)
Contributions—employer	-	124,029	(124,029)
Net investment income	-	406,310	(406,310)
Benefit payments, including refunds of employee contributions	(99,429)	(99,429)	-
Administrative expense	-	(15,680)	15,680
Other	(4,824)	-	(4,824)
Net changes	175,831	415,230	(239,399)
Balances at 6/30/18	\$ 3,294,130	\$ 3,105,530	\$ 188,600

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	\$ 641,197	\$ 188,600	\$ 185,469

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, 2017 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, 2018, the City recognized pension expense of \$96,282. At June 30, 2018, 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	\$ 53,070	\$ 90,136
Changes in assumptions	-	16,808
Net difference between projected and actual earnings on pension plan investments	-	159,998
City contributions subsequent to the measurement date	97,090	-
Total	\$ 150,160	\$ 266,942

City contributions subsequent to the measurement date of \$97,090 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, 2019. 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:	
2019	\$ (58,788)
2020	(34,737)
2021	(66,259)
2022	(54,088)
Total	\$ (213,872)

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, 2018, there were 53 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, 2018 were \$64,267.

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 2018, 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 \$2,014,027 in fiscal year 2018.

At June 30, 2018, the outstanding debt of MGAG was approximately \$207 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$2.3 million at June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. TAX ABATEMENTS

For the year ended June 30, 2018, City property tax revenues were reduced by \$40,179 under agreements entered into by the Walton County Development Authority. Under the agreements, taxes on both real and personal property are reduced based on jobs created and investments made by the corporation to whom the incentives were offered as long as the corporation meets certain investment targets.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOCIAL CIRCLE, GEORGIA

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 82,778	\$ 110,674	\$ 120,656	\$ 110,419
Interest on total pension liability	186,271	199,876	223,499	237,815
Differences between expected and actual experience	23,309	96,814	(59,359)	(68,150)
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)
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>
Total pension liability - beginning	<u>2,450,290</u>	<u>2,631,229</u>	<u>2,934,215</u>	<u>3,118,299</u>
Total pension liability - ending (a)	<u>\$ 2,631,229</u>	<u>\$ 2,934,215</u>	<u>\$ 3,118,299</u>	<u>\$ 3,294,130</u>
Plan fiduciary net position				
Contributions - employer	\$ 96,015	\$ 110,350	\$ 121,350	\$ 124,029
Net investment income	244,943	27,136	269,340	406,310
Benefit payments, including refunds of member contributions	(93,585)	(104,378)	(100,712)	(99,429)
Administrative expenses	(7,860)	(9,627)	(8,830)	(15,680)
Net change in plan fiduciary net position	<u>239,513</u>	<u>23,481</u>	<u>281,148</u>	<u>415,230</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>
Plan fiduciary net position - ending (b)	<u>\$ 2,385,671</u>	<u>\$ 2,409,152</u>	<u>\$ 2,690,300</u>	<u>\$ 3,105,530</u>
City's net pension liability - ending (a) - (b)	<u>\$ 245,558</u>	<u>\$ 525,063</u>	<u>\$ 427,999</u>	<u>\$ 188,600</u>
Plan fiduciary net position as a percentage of the total pension liability	90.67%	82.11%	86.27%	94.27%
Covered payroll	\$ 1,703,641	\$ 2,064,821	\$ 1,829,218	\$ 2,290,647
City's net pension liability as a percentage of covered payroll	14.41%	25.43%	23.40%	8.23%

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

(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, 2018

	Special Revenue Fund	Permanent Fund	Total
ASSETS	Confiscations Pending Fund	Library Fund	Nonmajor Governmental Funds
Cash and cash equivalents	\$ 79,414	\$ 417,986	\$ 497,400
Accounts receivable	2,220	-	2,220
Total assets	\$ 81,634	\$ 417,986	\$ 499,620
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 9,831	\$ -	\$ 9,831
Total liabilities	9,831	-	9,831
FUND BALANCES			
Nonspendable - corpus	-	350,000	350,000
Restricted:			
Library	-	67,986	67,986
Public safety	71,803	-	71,803
Total fund balances	71,803	417,986	489,789
Total liabilities and fund balances	\$ 81,634	\$ 417,986	\$ 499,620

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, 2018

	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Confiscations Pending Fund</u>	<u>Library Fund</u>	
REVENUES			
Investment income	\$ 16	\$ 10,946	\$ 10,962
Fines and forfeitures	213,187	-	213,187
Miscellaneous	2,220	-	2,220
Total revenues	<u>215,423</u>	<u>10,946</u>	<u>226,369</u>
EXPENDITURES			
Current			
Public safety	158,075	-	158,075
Total expenditures	<u>158,075</u>	<u>-</u>	<u>158,075</u>
Excess of revenues over expenditures	<u>57,348</u>	<u>10,946</u>	<u>68,294</u>
Net change in fund balances	57,348	10,946	68,294
FUND BALANCES, beginning of year	<u>14,455</u>	<u>407,040</u>	<u>421,495</u>
FUND BALANCES, end of year	<u>\$ 71,803</u>	<u>\$ 417,986</u>	<u>\$ 489,789</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 30	\$ 30	\$ 16	\$ (14)
Fines and forfeitures	65,000	173,255	213,187	39,932
Miscellaneous	-	-	2,220	2,220
	<u>65,030</u>	<u>173,285</u>	<u>215,423</u>	<u>42,138</u>
EXPENDITURES				
Public safety	<u>65,030</u>	<u>173,285</u>	<u>158,075</u>	<u>15,210</u>
	<u>65,030</u>	<u>173,285</u>	<u>158,075</u>	<u>15,210</u>
Net change in fund balances	-	-	57,348	57,348
FUND BALANCES, beginning of year	<u>14,455</u>	<u>14,455</u>	<u>14,455</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 14,455</u></u>	<u><u>\$ 14,455</u></u>	<u><u>\$ 71,803</u></u>	<u><u>\$ 57,348</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, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ 15,750	\$ 15,750	\$ 10,946	\$ (4,804)
Total revenues	<u>15,750</u>	<u>15,750</u>	<u>10,946</u>	<u>(4,804)</u>
Net change in fund balances	15,750	15,750	10,946	(4,804)
FUND BALANCES, beginning of year	<u>407,040</u>	<u>407,040</u>	<u>407,040</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 422,790</u></u>	<u><u>\$ 422,790</u></u>	<u><u>\$ 417,986</u></u>	<u><u>\$ (4,804)</u></u>

CITY OF SOCIAL CIRCLE, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE
LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>2013 Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years Cumulative Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Cumulative Expenditures</u>
Roads, sidewalks, drainage	\$ 850,000	\$ 850,000	\$ 666,481	\$ 164,272	\$ 830,753
Library improvements and expansion	500,000	500,000	-	-	-
Water and sewer improvements	500,000	500,000	367,254	110,460	477,714
Recreation playgrounds	250,000	250,000	1,000	49,996	50,996
Public safety improvements	1,000,000	1,000,000	994,450	5,540	999,990
	<u>\$ 3,100,000</u>	<u>\$ 3,100,000</u>	<u>\$ 2,029,185</u>	<u>\$ 330,268</u>	<u>\$ 2,359,453</u>

COMPONENT UNITS

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - MAIN STREET COMMISSION FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 87,030
Payments to suppliers	<u>(71,619)</u>
Net cash provided by operating activities	<u>15,411</u>
Net increase in cash and cash equivalents	15,411
Cash and cash equivalents, beginning of year	<u>18,038</u>
Cash and cash equivalents, end of year	<u>\$ 33,449</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	<u>\$ 15,411</u>
Net cash provided by operating activities	<u>\$ 15,411</u>

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 10,602
Payments to suppliers	(18,613)
Net cash used in operating activities	<u>(8,011)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

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

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on notes payable	(16,067)
Interest paid	(6,619)
Proceeds from the sale of capital assets	101,611
Net cash provided by capital and related financing activities	<u>78,925</u>

Net increase in cash and cash equivalents 70,920

Cash and cash equivalents, beginning of year 25,888

Cash and cash equivalents, end of year \$ 96,808

RECONCILIATION OF OPERATING INCOME TO NET

CASH USED IN OPERATING ACTIVITIES

Operating income	\$ 1,378
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	7,211
Change in assets and liabilities:	
Decrease in intergovernmental payable	<u>(16,600)</u>
Net cash used in operating activities	<u>\$ (8,011)</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Noncash items related to the sale of property, including the transfer of outstanding assets and liabilities as part of the real estate closing.

\$ 148,733

Total noncash investing and financing activity

\$ 148,733

CITY OF SOCIAL CIRCLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to suppliers	<u>\$ (2,796)</u>
Net cash used in operating activities	<u>(2,796)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>43</u>
Net cash provided by investing activities	<u>43</u>

Net decrease in cash and cash equivalents (2,753)

Cash and cash equivalents, beginning of year 76,779

Cash and cash equivalents, end of year \$ 74,026

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED IN OPERATING ACTIVITIES

Operating loss \$ (2,796)

Net cash used in operating activities \$ (2,796)

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, 2018, 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 17, 2018.

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 charges with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2018-001, that we consider to be a material weakness.

Compliance and Other Matters

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

The City's Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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 17, 2018

CITY OF SOCIAL CIRCLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001 Revenues and Related Receivables

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

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

Context/Cause: During our testing of fines receivable and related revenues in the governmental activities, an audit adjustment was required to reduce the fines revenue and related receivable in the amount of approximately \$225,000. An audit adjustment was also required in the General Fund to reduce the fines receivable by \$225,000 to the net realizable value, reduce unavailable revenue by \$209,000 and revenue by \$16,000 to properly report the receivable at its net realizable value as of June 30, 2018.

Effects: An audit adjustment totaling \$225,000 for the General Fund and governmental activities was needed to correctly report revenues and related receivables at their net realizable value.

Recommendation: We recommend the City carefully review all revenue and related receivable accounts to review the collectibility of all receivables, and that receivables are reported at their net realizable value in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding, and will comply with the recommendation. We have taken necessary steps to reflect accrual adjustments at year end in both prior and current fiscal years when the accrual adjustment is finalized.