

City of Rincon, Georgia
Audited Financial Statements
For the Year Ended
December 31, 2022

City of Rincon, Georgia
Audited Financial Statements
For the year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Mayor Pro Tem and City Council
City of Rincon, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Rincon, Georgia, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Rincon, Georgia's basic financial statements as listed in the table of contents.

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, each major fund, and the remaining fund information of the City of Rincon, Georgia as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Rincon, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rincon, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Rincon, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rincon, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified, if any, during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 38 through 40, and the schedule of changes in net pension liability and related ratios and the schedule of contributions on pages 41 and 42 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.

The management of the City of Rincon, Georgia, has omitted the management's discussion analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rincon, Georgia's basic financial statements. The Hotel/Motel Tax Fund Schedule of Revenues, Expenditures and Changes in Fund balances - Budget and Actual, The Schedule of Hotel/Motel Tax, the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds and the Schedule of Projects Constructed with Transportation Special Local Option Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Hotel/Motel Tax Fund Schedule of Revenues, Expenditures and Changes in Fund balances - Budget and Actual, The Schedule of Hotel/Motel Tax, the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds and the Schedule of Projects Constructed with Transportation Special Local Option Sales Tax Proceeds 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 April 3, 2024, on our consideration of the City of Rincon, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rincon, Georgia's internal control over financial reporting and compliance.



April 3, 2024

City of Rincon, Georgia
Statement of Net Position
December 31, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 20,965,389	\$ 11,410,161	\$ 32,375,550
Restricted cash	1,847,624	1,247,133	3,094,757
Receivables:			
Taxes	727,585		727,585
Intergovernmental	477,250		477,250
Accounts	91,412	486,239	577,651
Inventory		2,000	2,000
Internal balances	(643,791)	643,791	0
Prepaid items	87,551		87,551
Capital assets:			
Nondepreciable capital assets	1,356,379	1,057,865	2,414,244
Depreciable capital assets, net	16,709,835	25,840,005	42,549,840
Total assets	<u>41,619,234</u>	<u>40,687,194</u>	<u>82,306,428</u>
Deferred Outflows of Resources			
Pension:			
Difference between expected and actual experience	69,967	26,930	96,897
Contributions after measurement date	73,146	28,154	101,300
Changes in assumptions	14,631	5,632	20,263
Net difference between projected and actual earnings on pension plan investments	116,821	44,963	161,784
Total deferred outflows of resources	<u>274,565</u>	<u>105,679</u>	<u>380,244</u>
Liabilities			
Current liabilities:			
Accounts payable	423,945	6,150	430,095
Accrued interest payable		12,900	12,900
Other accrued expenses	110,631	39,832	150,463
Customer deposits		586,069	586,069
Unearned revenue	3,754,710	600,000	4,354,710
Financed purchases payable (current portion of long-term)		19,530	19,530
Bonds payable (current portion of long-term)		489,686	489,686
Notes payable (current portion of long-term)		169,754	169,754
Long-term liabilities:			
Net pension liability	30,231	11,635	41,866
Financed purchases payable (net of current portion)		12,770	12,770
Bonds payable (net of current portion)		2,342,287	2,342,287
Notes payable (net of current portion)		3,423,935	3,423,935
Total liabilities	<u>4,319,517</u>	<u>7,714,548</u>	<u>12,034,065</u>
Deferred Inflows of Resources			
Pension:			
Difference between expected and actual experience	15,148	5,832	20,980
Net difference between projected and actual earnings on pension plan investments	315,994	121,623	437,617
Total deferred inflows of resources	<u>331,142</u>	<u>127,455</u>	<u>458,597</u>
Net Position			
Net investment in capital assets	18,066,214	20,439,908	38,506,122
Restricted for:			
Public safety	1,845,148		1,845,148
Capital projects	7,939,728	1,247,133	9,186,861
Unrestricted	9,392,050	11,263,829	20,655,879
Total net position	<u>\$ 37,243,140</u>	<u>\$ 32,950,870</u>	<u>\$ 70,194,010</u>

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

City of Rincon, Georgia
Statement of Activities
For the Year Ended December 31, 2022

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary government						
Governmental activities						
General Government						
City Council	\$ 335,435			\$ (335,435)		\$ (335,435)
General administration	268,206	9,903		(196,442)		(196,442)
Financial administration	126,726	3,867		(122,859)		(122,859)
Judicial	95,978	4,336		(91,642)		(91,642)
Public Safety - police	2,231,106	158,924	202,532	(1,354,848)		(1,354,848)
Public Safety - disaster response	774			(774)		(774)
Public Safety - fire	1,396,181	638,457	202,532	225,506		225,506
Public Works - streets and lanes	1,024,740	14,062	465,693	(544,985)		(544,985)
Public Works - drainage			311,586	311,586		311,586
Public Works - water & sewer			1,246,346	1,246,346		1,246,346
Parks and Recreation		26,966	218,111	(421,233)		(421,233)
Housing & Development - building & zoning	1,064,225	397,915		309,104		309,104
Housing & Development - economic development	235,658	533,207		(24,900)		(24,900)
Total governmental activities	6,803,929	868,070	2,646,800	(1,000,576)	\$ 0	(1,000,576)
Business-type activities:						
Sanitation	613,316	731,708		118,392		118,392
Water and sewer	3,374,012	3,570,468	425,041	621,497		621,497
Golf course	871,888	762,200		(109,688)		(109,688)
Total business-type activities	4,859,216	5,064,376	425,041	630,201		630,201
Total - primary government	\$ 11,663,145	\$ 7,352,859	\$ 868,070	\$ (1,000,576)	\$ 630,201	\$ (370,375)
General revenues						
Local option sales tax				2,915,550		2,915,550
Transportation local option sales tax				2,762,261		2,762,261
Title ad valorem tax				301,127		301,127
Energy excise tax				156,701		156,701
Franchise taxes				145,848		145,848
Business occupation tax				137,847		137,847
Alcohol taxes				219,215		219,215
Insurance premium taxes				902,681		902,681
Real estate transfer and intangibles tax				99,427		99,427
Hotel/motel tax				14,544		14,544
Loss on disposition of assets				(78,641)		(78,641)
Investment earnings				92,389		92,389
Miscellaneous				92,444		92,444
Total general revenues				7,904,198		7,904,198
Transfers				(484,726)		(484,726)
Total general revenues and transfers				7,419,472		7,419,472
Change in net position				6,418,896		6,418,896
Net position beginning of year				30,824,244		30,824,244
Net position end of year				\$ 37,243,140		\$ 37,243,140

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

City of Rincon, Georgia
Balance Sheet
Governmental Funds
December 31, 2022

	General	Fire Department Fund	SPLOST Capital Projects Fund	TSPLOST Capital Projects Fund	Hotel/Motel Tax Fund (non-major)	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 11,597,245		\$ 7,489,292	\$ 1,878,852		\$ 20,965,389
Restricted cash and cash equivalents	104,247	\$ 1,743,377				1,847,624
Receivables						
Taxes	416,129			311,456		727,585
Intergovernmental Accounts		91,412	477,250			477,250
Interfund balances	61,550					61,550
Prepaid expenses	87,551					87,551
Total assets	\$ 12,266,722	\$ 1,834,789	\$ 7,966,542	\$ 2,190,308	\$ 0	\$ 24,258,361
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 164,344	\$ 68,379	\$ 26,814	\$ 164,408		\$ 423,945
Accrued expenses	85,122	25,509				110,631
Unearned revenue	3,754,710					3,754,710
Interfund balances				705,341		705,341
Total liabilities	4,004,176	93,888	26,814	869,749	\$ 0	4,994,627
Fund balances						
Nonspendable - prepaid items	87,551					87,551
Restricted for:						
Public safety	104,247	1,740,901				1,845,148
Capital outlays			7,939,728			7,939,728
Unassigned	8,070,748			1,320,559		9,391,307
Total fund balances	8,262,546	1,740,901	7,939,728	1,320,559	0	19,263,734
Total liabilities and fund balances	\$ 12,266,722	\$ 1,834,789	\$ 7,966,542	\$ 2,190,308	\$ 0	\$ 24,258,361

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

City of Rincon, Georgia
*Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 December 31, 2022*

Total governmental fund balances		\$ 19,263,734
Amounts reported for governmental activities in the statement of net position are different because:		
<p>Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.</p>		
Cost of capital assets	\$ 27,097,529	
Less accumulated depreciation	<u>(9,031,315)</u>	18,066,214
<p>Net pension liability in the governmental activities does not require the use of current resources and is therefore not reported in the funds. However, it is recognized as a liability in the statement of net assets.</p>		
		(30,231)
<p>The deferred outflows of resources below are not current assets or financial resources and the deferred inflows of resources are not due and payable in the current period and therefore are not reported in the governmental funds. Balances at December 31, 2022, are:</p>		
Deferred outflows		274,565
Deferred inflows		<u>(331,142)</u>
Net position of governmental activities		\$ <u>37,243,140</u>

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

City of Rincon, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	Fire Department Fund	SPLOST Capital Projects Fund	TSPLOST Capital Projects Fund	Hotel/Motel Tax Fund (non-major)	Total Governmental Funds
Revenues						
Taxes	\$ 4,878,396			\$ 2,762,261	\$ 14,544	\$ 7,655,201
Licenses and permits	595,068					595,068
Intergovernmental	449,260	\$ 572,917	\$ 2,453,018			3,475,195
Charges for services	397,915	780,698				1,178,613
Fines and forfeitures	514,802					514,802
Investment earnings	18,286	10,343	39,675	6,700		75,004
Miscellaneous	110,800	181,509				292,309
Total Revenues	<u>6,964,527</u>	<u>1,545,467</u>	<u>2,492,693</u>	<u>2,768,961</u>	<u>14,544</u>	<u>13,786,192</u>
Expenditures						
Current:						
General Government - administration						
City Council	336,031					336,031
General administration	251,160					251,160
Financial administration	128,413					128,413
Judicial	96,813					96,813
Public Safety						
Police	2,076,185					2,076,185
Fire		1,202,924				1,202,924
Emergency management	774					774
Public Works - streets and lanes	608,561			683,516		1,292,077
Parks and Recreation	839,716					839,716
Housing & Development						
Building & zoning	235,576					235,576
Economic development					24,900	24,900
Capital outlays			815,614			815,614
Total expenditures	<u>4,573,229</u>	<u>1,202,924</u>	<u>815,614</u>	<u>683,516</u>	<u>24,900</u>	<u>7,300,183</u>
Excess (deficit) of revenues to expenditures	2,391,298	342,543	1,677,079	2,085,445	(10,356)	6,486,009
Other financing sources (uses)						
Proceeds from sale of assets	4,860					4,860
Interfund transfers			(484,726)			(484,726)
Total other financing sources (uses)	<u>4,860</u>	<u>0</u>	<u>(484,726)</u>	<u>0</u>	<u>0</u>	<u>(479,866)</u>
Net change in fund balances	2,396,158	342,543	1,192,353	2,085,445	(10,356)	6,006,143
Fund balances beginning of year	5,866,388	1,398,358	6,747,375	(764,886)	10,356	13,257,591
Fund balances end of year	<u>\$ 8,262,546</u>	<u>\$ 1,740,901</u>	<u>\$ 7,939,728</u>	<u>\$ 1,320,559</u>	<u>\$ 0</u>	<u>\$ 19,263,734</u>

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

City of Rincon, Georgia
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2022

Net changes in fund balances - total governmental funds \$ 6,006,143

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

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 as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.

Depreciation expense	\$ (890,602)	
Capitalized capital outlay	<u>1,345,483</u>	454,881

Proceeds from the disposition of capital assets is an other financing source in the governmental funds, but sales proceeds less the carrying value of the disposed assets is recognized as a gain (loss) in the statement of activities:

Cost of assets disposed	(375,700)	
Accumulated depreciation of assets disposed	<u>292,199</u>	(83,501)

Net pension liability and pension-related deferred inflows and outflows of resources reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.

Net pension asset/liability		
Liability at 12/31/2022	(30,231)	
Asset at 12/31/2021	<u>(93,295)</u>	(123,526)

Deferred inflows/outflows of resources from pensions

Balance at 12/31/2022	(56,577)	
Balance at 12/31/2021	<u>221,476</u>	<u>164,899</u>

Change in net position of governmental activities \$ 6,418,896

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

City of Rincon, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2022

Assets	Sanitation	Water and Sewer	Golf Course	Total
Current assets:				
Cash and cash equivalents	\$ 647,139	\$ 10,762,172	\$ 850	\$ 11,410,161
Restricted cash		1,247,133		1,247,133
Accounts receivable	86,092	399,982	165	486,239
Interfund balances		718,718		718,718
Inventory			2,000	2,000
Total current assets	<u>733,231</u>	<u>13,128,005</u>	<u>3,015</u>	<u>13,864,251</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable capital assets		612,865	445,000	1,057,865
Depreciable capital assets, net		23,760,169	2,079,836	25,840,005
Total capital assets	<u>0</u>	<u>24,373,034</u>	<u>2,524,836</u>	<u>26,897,870</u>
Total assets	<u>733,231</u>	<u>37,501,039</u>	<u>2,527,851</u>	<u>40,762,121</u>
Deferred outflows of resources				
Pension:				
Difference between expected and actual experience	1,745	25,185		26,930
Contributions after measurement date	1,825	26,329		28,154
Changes in assumptions	365	5,267		5,632
Net difference between projected and actual earnings on pension plan investments	2,914	42,049		44,963
Total deferred outflows of resources	<u>6,849</u>	<u>98,830</u>	<u>0</u>	<u>105,679</u>
Liabilities				
Current liabilities:				
Accounts payable		6,074	76	6,150
Accrued interest payable		12,837	63	12,900
Other accrued expenses	1,028	30,287	8,517	39,832
Customer deposits		586,069		586,069
Interfund balances			74,927	74,927
Unearned revenue		600,000		600,000
Current portion of financed purchases payable			19,530	19,530
Current portion of bonds payable		489,686		489,686
Current portion of notes payable		169,754		169,754
Total current liabilities	<u>1,028</u>	<u>1,894,707</u>	<u>103,113</u>	<u>1,998,848</u>
Long-term liabilities:				
Net pension liability	754	10,881		11,635
Financed purchases payable (net of current portion)			12,770	12,770
Bonds payable (net of current portion)		2,342,287		2,342,287
Notes payable (net of current portion)		3,423,935		3,423,935
Total long-term liabilities	<u>754</u>	<u>5,777,103</u>	<u>12,770</u>	<u>5,790,627</u>
Total liabilities	<u>1,782</u>	<u>7,671,810</u>	<u>115,883</u>	<u>7,789,475</u>
Deferred inflows of resources				
Pension:				
Difference between expected and actual experience	378	5,454		5,832
Difference between projected and actual earnings on investments	7,882	113,741		121,623
Total deferred inflows of resources	<u>8,260</u>	<u>119,195</u>	<u>0</u>	<u>127,455</u>
Net position				
Net investment in capital assets		17,947,372	2,492,536	20,439,908
Restricted for capital system improvements		1,247,133		1,247,133
Unrestricted	730,038	10,614,359	(80,568)	11,263,829
Total net position	<u>\$ 730,038</u>	<u>\$ 29,808,864</u>	<u>\$ 2,411,968</u>	<u>\$ 32,950,870</u>

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

City of Rincon, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended December 31, 2022

	Sanitation	Water and Sewer	Golf Course	Total
Operating revenues				
Charges for services	\$ 731,708	\$ 3,517,295	\$ 762,200	\$ 5,011,203
Other revenues		53,173		53,173
Total operating revenues	<u>731,708</u>	<u>3,570,468</u>	<u>762,200</u>	<u>5,064,376</u>
Operating expenses				
Depreciation		1,021,911	103,740	1,125,651
Contractual services	548,029	316,324	137,803	1,002,156
Salaries	27,779	805,624	273,524	1,106,927
Payroll taxes and employee benefits	15,266	287,371	43,561	346,198
Repairs and maintenance		252,912	72,744	325,656
Utilities and telephone		212,387	48,733	261,120
Operational supplies		144,853	68,519	213,372
Bank merchant fees		57,692		57,692
Miscellaneous		2,750	42,442	45,192
Insurance		8,076	8,972	17,048
Gas, oil and tires		23,977	18,242	42,219
Office supplies		28,561	1,029	29,590
Travel and training		3,170	10,893	14,063
Golf course grounds maintenance			25,846	25,846
Computer support		4,008	9,053	13,061
Leased equipment			22,872	22,872
Dues and subscriptions		2,540	1,565	4,105
Bad debts	22,242	51,276		73,518
Advertising/legal ads		3,182	1,819	5,001
Total operating expenses	<u>613,316</u>	<u>3,226,614</u>	<u>891,357</u>	<u>4,731,287</u>
Operating income (loss)	<u>118,392</u>	<u>343,854</u>	<u>(129,157)</u>	<u>333,089</u>
Non-operating revenues (expenses)				
Impact fees		406,751		406,751
Grant revenue		18,290		18,290
Tower rental		92,444		92,444
Investment earnings	6,297	86,092		92,389
Interest expense		(147,398)	19,469	(127,929)
Total non-operating revenues	<u>6,297</u>	<u>456,179</u>	<u>19,469</u>	<u>481,945</u>
Income (loss) before interfund transfers	<u>124,689</u>	<u>800,033</u>	<u>(109,688)</u>	<u>815,034</u>
Interfund transfers				
From SPLOST capital projects fund		484,726		484,726
From water and sewer fund			56,894	56,894
To golf course fund		(56,894)		(56,894)
Total interfund transfers	<u>0</u>	<u>427,832</u>	<u>56,894</u>	<u>484,726</u>
Change in net position	124,689	1,227,865	(52,794)	1,299,760
Net position beginning of year	<u>605,349</u>	<u>28,580,999</u>	<u>2,464,762</u>	<u>31,651,110</u>
Net position end of year	<u>\$ 730,038</u>	<u>\$ 29,808,864</u>	<u>\$ 2,411,968</u>	<u>\$ 32,950,870</u>

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

City of Rincon, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	<u>Sanitation</u>	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Increase (decrease) in cash and cash equivalents				
Cash flows from operating activities				
Cash received from customers	\$ 788,303	\$ 4,524,944	\$ 762,200	\$ 6,075,447
Cash payments to employees for personal services	(40,664)	(1,112,397)	(321,244)	(1,474,305)
Cash payments for goods and services	<u>(624,402)</u>	<u>(1,120,523)</u>	<u>(479,361)</u>	<u>(2,224,286)</u>
Net cash provided by (used for) operating activities	<u>123,237</u>	<u>2,292,024</u>	<u>(38,405)</u>	<u>2,376,856</u>
Cash flows from noncapital financing activities				
Interfund balances			(18,489)	8,218
Tower rental		92,444		92,444
Interfund transfers		<u>(56,894)</u>	<u>56,894</u>	<u>0</u>
Net cash provided by noncapital financing activities	<u>0</u>	<u>62,257</u>	<u>38,405</u>	<u>100,662</u>
Cash flows from capital and related financing activities				
Transfers from SPLOST Capital Projects Fund		484,726		484,726
Proceeds from impact fees		406,751		406,751
Grant proceeds		18,290		18,290
Payments for capital acquisitions		(473,554)		(473,554)
Principal paid on long-term debt		(643,920)	(19,532)	(663,452)
Interest paid on debt		<u>(147,203)</u>	<u>19,532</u>	<u>(127,671)</u>
Net cash used for capital and related financing activities	<u>0</u>	<u>(354,910)</u>	<u>0</u>	<u>(354,910)</u>
Cash flows from investing activities				
Investment earnings	<u>6,297</u>	<u>86,092</u>		<u>92,389</u>
Net increase in cash and cash equivalents	129,534	2,085,463	0	2,214,997
Cash and cash equivalents beginning of year	<u>517,605</u>	<u>9,923,842</u>	<u>850</u>	<u>10,442,297</u>
Cash and cash equivalents end of year	<u>\$ 647,139</u>	<u>\$ 12,009,305</u>	<u>\$ 850</u>	<u>\$ 12,657,294</u>
Cash and cash equivalents				
Unrestricted	\$ 647,139	\$ 10,762,172	\$ 850	\$ 11,410,161
Restricted		1,247,133		1,247,133
	<u>\$ 647,139</u>	<u>\$ 12,009,305</u>	<u>\$ 850</u>	<u>\$ 12,657,294</u>

(continued)

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

City of Rincon, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	(continued)			
	<u>Sanitation</u>	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 118,392	\$ 343,854	\$ (129,157)	\$ 333,089
Adjustments:				
Depreciation		1,021,911	103,740	1,125,651
(Increase) decrease in assets:				
Accounts receivable	56,595	368,257		424,852
Inventory			3	3
Prepaid expenses		3,062		3,062
Increase (decrease) in liabilities:				
Accounts payable	(54,131)	(63,153)	(8,832)	(126,116)
Accrued expenses	216	4,832	2,086	7,134
Customer deposits		37,495		37,495
Unearned revenue		600,000		600,000
Net pension liability	2,165	(24,234)	(6,245)	(28,314)
Net cash provided by (used for) operating activities	<u>\$ 123,237</u>	<u>\$ 2,292,024</u>	<u>\$ (38,405)</u>	<u>\$ 2,376,856</u>

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

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 1 - Reporting Entity

The City of Rincon, Georgia (the City) was incorporated under the provisions of Georgia law on August 3, 1927. The City operates under a Council-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and lanes, sanitation, planning and zoning, water and sewer, and various administrative services.

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

The City has no component units and there are no organizations which have been excluded from the reporting entity.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the City's accounting policies are described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government is presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City at year end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; and (2) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns on the fund statements.

Fund Accounting - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

Governmental Funds - Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

The General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

The Fire Fund - This fund is used to account for the operation of activities involved in providing fire services to City residents.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

The SPLOST Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction or other capital projects under the Special Local Option Sales Tax referendum.

The TSPLOST Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of transportation projects under the Transportation Special Local Option Sales Tax referendum.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds. The following are the City's major enterprise funds:

Sanitation Fund – This fund is used to account for the operation of activities involved in providing sanitation services to City residents.

Water and Sewer Fund – This fund is used to account for the construction of facilities and operation of activities involved in providing water and sewer utilities services to City residents.

Golf Course Fund – This fund is used to account for the purchase of facilities and operation of activities involved in operating a municipal golf course. The golf course is being utilized as a dispersal site for sewer re-use water.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On both the government-fund financial statements and the government-wide financial statements, revenues are deferred for grants and entitlements received before the eligibility requirements are met (e.g., cash advances).

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue at December 31.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current year end are recorded as expenses in the governmental funds using the purchases method and as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value. The City maintains a capitalization threshold of \$10,000 or at management's discretion for items under this threshold. The City's infrastructure consists of roads, bridges, water lines and sewer lines. Improvements to capital assets are capitalized. The City has capitalized only those infrastructure costs related to roads and bridges incurred after December 31, 2004. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Asset Class	Governmental Activities	Business-type Activities
Buildings and improvements	30-50 Years	30 years
Improvements, other than buildings		15 years
Equipment	5-10 years	7-10 Years
Vehicles	5-8 years	5 Years
Infrastructure	20 years	
Water and sewer collection systems		40 Years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments. The cost of assets acquired with capital leases is capitalized and depreciated at the fund level for enterprise funds and at the government-wide level for governmental activities and business-type activities.

Compensated Absences

Unless approved otherwise by management on a case-by-case basis, unused vacation benefits expire at year end. The liability, if any, is not anticipated to be significant. Accordingly, no accrual for unused vacation benefits has been made.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Debt Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against debt. On the government-wide and proprietary fund type statement of activities, debt premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Debt issuance costs are recognized as an outflow of resources in the reporting period in which they are incurred.

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 current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (1) not in spendable form (i.e., items that are not expected to be converted to cash) or (2) 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 or 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 formal action of the City Council through the approval of a motion. 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. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The City reported positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Net Position Flow Assumptions – In order to report net position as a "restricted net position" and an "unrestricted net position" in the government-wide and proprietary fund financial statements, the City has established a flow assumption policy. It is the City's policy to use "restricted net position first before using "unrestricted net position."

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance Flow Assumptions – It is the City's policy to consider restricted fund balance to have been used before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and finally (3) Unassigned.

Net Position - Net position represent the difference between assets and liabilities. Net position component "net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any debt issuance deferral amounts. The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The balance of the net position is reported as unrestricted.

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements of the City will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources in the form of expenditures until that time. The Governmental Activities, Business-Type Activities and the Proprietary Funds report deferred outflows for pension related items.

In addition to liabilities, the financial statements of the City will sometimes report a separate section for deferred inflows of resources. This separate element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources in the form of revenue until that time. The Governmental Activities, Business-Type Activities and the Proprietary funds report deferred inflows for pension related items.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer and sanitation and charges for the activities of the golf course. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Recent accounting Pronouncement

In June 2017, GASB issued GASB Statement No. 87, "Leases." The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the City in 2022. This statement did not have a material effect on the financial statements of the City in 2022.

Note 3 – Stewardship, Compliance and Accountability

Budgetary Information

The City adopts an annual operating budget for the general fund and the capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund.

The general and capital projects funds budgets are adopted on a basis consistent with GAAP. For fund level reporting purposes, capital outlays and debt service are reported separately from current operating expenditures. For budgetary purposes, capital outlays and debt service are included in the departmental expenses charged for the expenditures.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 3 – Stewardship, Compliance and Accountability (continued)

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

Transfer of budget amounts can occur within departments. All unexpended annual appropriations lapse at year-end.

Note 4 - Deposits and Investments

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2022, the City was not exposed to custodial credit risk.

Note 5 - Receivables

Receivables at December 31, 2022, consisted of taxes, interest, and accounts (billings for user charges).

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of the allowance for uncollectible accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. With council approval, trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded as revenue when received. Allowances for uncollectible accounts, which was netted with accounts receivable, were \$399,836 for the year ended December 31, 2022.

Note 6 - Property Taxes

Property taxes have not been imposed since 1998; therefore no tax bills were mailed in the current year.

Note 7 - Inventory

Inventory is stated at the lower of cost or market, and valued using the first in, first out method. Inventory in the Proprietary Fund consists of clothing and golf-related items sold to customers and expendable supplies held for future consumption. The cost is recorded as an expense as items are sold or consumed. Inventory balance at December 31, 2022, was \$2,000.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 8 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2022, was as follows:

	<u>Balance 12/31/21</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Reclassi- fication</u>	<u>Balance 12/31/22</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,356,379				\$ 1,356,379
Construction in progress and assets not in service	<u>1,215,029</u>			\$ (1,215,029)	<u>0</u>
Total capital assets not being depreciated	<u>2,571,408</u>	\$ 0	\$ 0	<u>(1,215,029)</u>	<u>1,356,379</u>
Depreciable capital assets:					
Land improvements	4,415,863	165,881		22,513	4,604,257
Buildings	3,108,586				3,108,586
Equipment	4,574,521	197,180	(355,000)	721,018	5,137,719
Vehicles	1,509,827	134,748	(20,700)		1,623,875
Infrastructure	<u>9,947,541</u>	<u>847,674</u>		<u>471,498</u>	<u>11,266,713</u>
Total depreciable capital assets	<u>23,556,338</u>	<u>1,345,483</u>	<u>(375,700)</u>	<u>1,215,029</u>	<u>25,741,150</u>
Total capital assets	<u>26,127,746</u>	<u>1,345,483</u>	<u>(375,700)</u>	<u>0</u>	<u>27,097,529</u>
Accumulated depreciation:					
Land improvements	811,398	91,093			902,491
Buildings	1,229,126	66,765			1,295,891
Equipment	3,896,368	312,771	(271,499)		3,937,640
Vehicles	1,139,938	150,423	(20,700)		1,269,661
Infrastructure	<u>1,356,082</u>	<u>269,550</u>			<u>1,625,632</u>
Total accumulated depreciation	<u>8,432,912</u>	<u>890,602</u>	<u>(292,199)</u>	<u>0</u>	<u>9,031,315</u>
Governmental activities capital assets, net	<u>\$ 17,694,834</u>	<u>\$ 454,881</u>	<u>\$ (83,501)</u>	<u>\$ 0</u>	<u>\$ 18,066,214</u>
Governmental activities depreciation expense:					
General government			\$ 19,009		
Public safety - police			174,364		
Public safety - fire			213,129		
Public works - streets and lanes			309,228		
Parks and recreation			172,350		
Building and zoning			<u>2,522</u>		
Total governmental activities depreciation expense			<u>\$ 890,602</u>		

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 8 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2022, was as follows:

	Balance 12/31/21	Additions	Dispositions	Reclassi- fication	Balance 12/31/22
Business-type activities:					
Capital assets not being depreciated:					
Land and rights	\$ 819,163				\$ 819,163
Construction in progress	957,217	\$ 218,527		\$ (937,042)	238,702
Total capital assets not being depreciated	<u>1,776,380</u>	<u>218,527</u>	<u>\$ 0</u>	<u>(937,042)</u>	<u>1,057,865</u>
Depreciable capital assets:					
Buildings	775,684				775,684
Improvements, other than buildings	2,358,106				2,358,106
Water system	11,513,020	160,512			11,673,532
Sewer plant	25,258,282			937,042	26,195,324
Equipment	624,432	94,515			718,947
Vehicles	305,004				305,004
Total depreciable capital assets	<u>40,834,528</u>	<u>255,027</u>	<u>0</u>	<u>937,042</u>	<u>42,026,597</u>
Total capital assets	<u>42,610,908</u>	<u>473,554</u>	<u>0</u>	<u>0</u>	<u>43,084,462</u>
Accumulated depreciation:					
Buildings	295,554	19,754			315,308
Improvements, other than buildings	676,079	25,497			701,576
Water system	3,464,153	298,844			3,762,997
Sewer plant	9,911,282	663,915			10,575,197
Equipment	461,229	93,819			555,048
Vehicles	252,644	23,822			276,466
Total accumulated depreciation	<u>15,060,941</u>	<u>1,125,651</u>	<u>0</u>	<u>0</u>	<u>16,186,592</u>
Business-type activities capital assets, net	<u>\$ 27,549,967</u>	<u>\$ (652,097)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,897,870</u>

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 9 - Interfund Balances and Transfers

Interfund balances at December 31, 2022, consisted of the following amounts and represent charges for services or reimbursable expenses:

The TSPLOST Fund owed \$705,341 to the Water and Sewer Fund.

The Golf Course Fund owed \$34,842 to the General Fund and \$40,085 to the Water and Sewer Fund.

The Water Sewer Fund owed \$26,708 the General Fund.

These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year.

Interfund transfers for the year ended December 31, 2022, were as follows:

SPLOST fund transferred \$484,726 to the Water and Sewer fund for water and sewer system additions.

Water fund transferred \$56,894 to Golf Course fund to supplement its finances.

Note 10 - Long-Term Debt

Financed Purchases – From time to time the City enters into capital leases for various pieces of equipment. Each lease meets the criteria of a capital lease since it transfers benefits and risks of ownership to the lessee at the end of the lease term. Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level. At the fund level for enterprise funds and at the government-wide level for both governmental and business-type activities, the cost of the assets purchased with capital leases is capitalized and depreciated over the estimated useful life of the asset. Also at the fund level for enterprise funds and the government-wide level for both governmental and business-type activities the capital leases are recorded at the net present value of the debt service payments and amortized over the lives of the leases at the stated effective rates of interest in the lease agreements. Depreciation expense on capital assets purchased with capital leases is reported as a direct expense in the activity that utilizes the asset.

Governmental Activities

The governmental activities had no long-term debt during 2022.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 10 - Long-Term Debt (continued)

Business Type Activities

Refunding Revenue Bonds - Water and Sewer refunding revenue bonds, series 2015, in the amount of \$6,150,000. The interest rate for the bonds is 2.5%. The bonds mature on June 1, 2028. The bonds were issued in order pay off GEFA debt, which was incurred constructing a wastewater treatment plant. The bonds are secured by a charge or lien on the revenues derived from the ownership and operation of the water and sewer system. Annual debt service requirements to amortize the bonds as of December 31, 2022, follow.

Year	Principal	Interest	Total
2023	\$ 489,686	\$ 65,221	\$ 554,907
2024	502,077	52,830	554,907
2025	514,774	40,133	554,907
2026	527,792	27,115	554,907
2027	541,139	13,768	554,907
2028	256,505	1,775	258,280
Total	<u>\$ 2,831,973</u>	<u>\$ 200,842</u>	<u>\$ 3,032,815</u>

GEFA 2017 Loan (Water) - The purpose of the loan is to complete improvements to the water system. Total advances during the construction phase totaled \$2,306,026. Construction was completed in 2021. This note is payable in equal monthly payments of \$11,542 including interest at 1.89% beginning March 14, 2021, and ending October 14, 2040. The purpose of this loan was to complete improvements to the water system. Annual debt service requirements to amortize the loan as of December 31, 2022, follow.

Year	Principal	Interest	Total
2023	\$ 98,814	\$ 39,694	\$ 138,508
2024	100,697	37,811	138,508
2025	102,617	35,891	138,508
2026	104,573	33,935	138,508
2027	106,566	31,942	138,508
2028-2032	564,087	128,450	692,537
2033-2037	619,940	72,597	692,537
2038-2040	447,353	14,673	462,026
Total	<u>\$ 2,144,647</u>	<u>\$ 394,993</u>	<u>\$ 2,539,640</u>

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 10 - Long-Term Debt (continued)

GEFA 2017 Loan (Sewer) - Note payable in equal monthly payments of \$8,142.23 including interest at 1.89% beginning January 14, 2020, and ending May 1, 2040. The purpose of the loan was to complete improvements to the sewer system. Annual debt service requirements to amortize the loan as of December 31, 2022, follow.

Year	Principal	Interest	Total
2023	\$ 70,940	\$ 26,767	\$ 97,707
2024	72,285	25,422	97,707
2025	73,663	24,044	97,707
2026	75,067	22,640	97,707
2027	76,498	21,209	97,707
2028-2032	404,930	83,603	488,533
2033-2037	445,030	43,504	488,534
2038-2040	230,629	5,497	236,126
	<u>\$ 1,449,042</u>	<u>\$ 252,686</u>	<u>\$ 1,701,728</u>

Financed Purchase #1 - Capital lease payable in equal monthly payments of \$651 including interest at 7.61% through April 2024. The purpose of this lease was to purchase equipment for the golf course. The original principal amount of the lease was \$34,218. The equipment acquired by the lease is included in business-type activities capital assets in the amount of \$19,554 (cost of \$34,218 less accumulated depreciation of \$14,664). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Annual debt service requirements to amortize this financed purchase agreement as of December 31, 2022, follow.

Year	Principal	Interest	Total
2023	\$ 9,249	\$ 893	\$ 10,142
2024	4,063	5	4,068
Total	<u>\$ 13,312</u>	<u>\$ 898</u>	<u>\$ 14,210</u>

Financed Purchase #2 - Capital lease payable in equal monthly payments of \$828 including interest at 7.53% through May 2024. The purpose of this lease was to purchase equipment for the golf course. The original principal amount of the lease was \$26,875. The equipment acquired by the lease is included in business-type activities capital assets in the amount of \$15,358 (cost of \$26,875 less accumulated depreciation of \$11,517). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Annual debt service requirements to amortize this financed purchase agreement as of December 31, 2022, follow.

Year	Principal	Interest	Total
2023	\$ 7,298	\$ 506	\$ 7,804
2024	2,570	42	2,612
Total	<u>\$ 9,868</u>	<u>\$ 548</u>	<u>\$ 10,416</u>

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 10 - Long-Term Debt (continued)

Financed Purchase #3 - Capital lease payable in equal monthly payments of \$255 including interest at 18.39% through January 2023. The purpose of this lease was to purchase equipment for the golf course. The original principal amount of the lease was \$8,180. The equipment acquired by the lease is included in business-type activities capital assets in the amount of \$3,272 (cost of \$8,180 less accumulated depreciation of \$4,908). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Annual debt service requirements to amortize this financed purchase agreement as of December 31, 2022, follow.

Year	Principal	Interest	Total
2023	\$ <u>602</u>	\$ <u>16</u>	\$ <u>618</u>

Financed Purchase #4 - Capital lease payable in equal monthly payments of \$222 plus interest at 3.75% through May 2026. The purpose of this lease was to purchase equipment for the golf course. The original principal amount of the lease was \$11,000. The equipment acquired by the lease is included in business-type activities capital assets in the amount of \$6,600 (cost of \$11,000 less accumulated depreciation of \$4,400). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Annual debt service requirements to amortize this financed purchase agreement as of December 31, 2022, follow.

Year	Principal	Interest	Total
2023	\$ 2,381	\$ 279	\$ 2,660
2024	2,472	188	2,660
2025	2,567	93	2,660
2026	1,098	10	1,108
Total	\$ <u>8,518</u>	\$ <u>570</u>	\$ <u>9,088</u>

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2022.

	Outstanding 12/31/21	Additions	Reductions	Outstanding 12/31/22	Amounts Due in One Year
Business-Type Activities					
Series 2015 bonds	\$ 3,309,302		\$ 477,329	\$ 2,831,973	\$ 489,686
GEFA loan- Water Fund	2,241,633		96,986	2,144,647	98,814
GEFA loan- Sewer Fund	1,518,647		69,605	1,449,042	70,940
Golf Fund					
Financed purchase #1	21,150		7,838	13,312	9,249
Financed purchase #2	16,596		6,728	9,868	7,298
Financed purchase #3	3,274		2,672	602	602
Financed purchase #4	10,812		2,294	8,518	2,381
Total Business-Type Activities	\$ <u>7,121,414</u>	\$ <u>0</u>	\$ <u>663,452</u>	\$ <u>6,457,962</u>	\$ <u>678,970</u>

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 10 - Long-Term Debt (continued)

The governmental capital lease payable is being financed through future general fund expendable available financial sources as it becomes due. Principal and interest payments related to the City's revenue bonds and the GEFA loans are financed from income derived from the operation of the water and sewer system.

Total interest incurred (all of which was charged to operations) in the government-wide financial statements amounted to \$0 for governmental activities and \$127,929 for business-type activities.

Note 11 - Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description - All full-time city employees are eligible to participate in the Georgia Municipal Employees Benefit System (GMEBS) which is an agent multiple employer defined benefit plan administered by the Georgia Municipal Association which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the plan are established by state statute and an adoption agreement executed by City Council. The Georgia Municipal Association issues a publicly available annual report that includes financial statements and required supplementary information for the Georgia Municipal Employees Benefit System Retirement Trust. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia, 30303-3606.

Benefits Provided - GMEBS provides retirement, disability benefits and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with 5 years of total service are eligible to retire at age 55.

Employees Covered - At July 1, 2022, the following employees were covered by the benefit terms for the plan:

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	63
Active employees	61
Total	144

Contributions - The City's employee's participation is noncontributory. The City is subject to minimum standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). Policy set by the City for contributing the annual pension expense exceeds the minimum requirements. Employer contribution rates are determined on an annual basis by the actuary and shall be effective on July 1 following the notice of a change in the rate.

The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The City's contributions to the plan were \$135,069 for the year ended December 31, 2022.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 11 - Defined Benefit Pension Plan (continued)

Net Pension Liability

The City's net pension liability (NPL) for the plan is measured as the total pension liability (TPL), less the pension plan's fiduciary net position (FNP). The net pension liability of the plan is measured as of March 31, 2022, using an annual actuarial valuation as of July 1, 2022. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation date	July 1, 2022
Measurement date	March 31, 2022
Actuarial cost method	Entry age normal
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of twelve years.
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market
Discount rate	7.375%
Inflation rate	2.25%
Net investment rate of return	7.375%
Projected salary increase	2.25% plus service based merit increases
Cost of living adjustments	Not applicable
Postretirement benefit increase	Not applicable

The underlying mortality assumptions and all other actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period January 1, 2015, through June 30, 2019. Further details of the experience study can be obtained by contacting the Georgia Municipal Association.

Discount Rate - The discount rate used to measure the total pension liability was 7.375%. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 11 - Defined Benefit Pension Plan (continued)

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 March 31, 2022, (see the discussion of the pension plan's investment policy) are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.55%
International equity	20%	7.30%
Domestic fixed income	20%	0.40%
Real estate	10%	3.65%
Global fixed income	5%	0.50%
Cash	0%	
Total	<u>100%</u>	

Changes in Net Pension Liability

The changes in the Net Pension Liability for the plan are as follows:

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability/ (Asset)</u>
Balances as of March 31, 2021	\$ 2,687,888	\$ 2,826,098	\$ (138,210)
Changes for the year:			
Service cost	133,120		133,120
Interest	204,371		204,371
Differences between expected and actual experience	129,197		129,197
Contributions - employer		125,464	(125,464)
Net investment income		172,711	(172,711)
Benefit payments	(99,559)	(99,559)	0
Administrative expense		(11,563)	11,563
Net changes	<u>367,129</u>	<u>187,053</u>	<u>180,076</u>
Balances as of March 31, 2022	<u>\$ 3,055,017</u>	<u>\$ 3,013,151</u>	<u>\$ 41,866</u>

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 11 - Defined Benefit Pension Plan (continued)

Sensitivity of the Net Pension (Asset) Liability to changes in the discount rate is as follows:

1% Decrease	Current Discount Rate	1% Increase
\$ 525,242	\$ 41,866	\$ (350,811)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the City recognized a pension expense of \$67,547. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,897	\$ (20,980)
Pension contributions subsequent to measurement date	101,300	
Changes in assumptions	20,263	
Net difference between projected and actual earnings on plan investments	161,784	(437,617)
Total	\$ 380,244	\$ (458,597)

\$101,300 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a component of pension expense as follows:

Year ended December 31:	
2022	(31,111)
2023	(49,473)
2024	(106,318)
2025	7,249
	\$ (179,653)

Note 12 - Net Investment in Capital Assets

The "net investment in capital assets" amount as reported on the government-wide statement of net position as of December 31, 2022, is as follows:

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 12 - Net Investment in Capital Assets (continued)

	Governmental Activities	Business- Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 27,097,529	\$ 43,084,462
Less accumulated depreciation	9,031,315	16,186,592
Book value	18,066,214	26,897,870
Less capital related debt	0	6,457,962
Investments in capital assets, net of related debt	\$ 18,066,214	\$ 20,439,908

Note 13 - Risk Management

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the city in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2022. No provisions have been made in the financial statements for the year ended December 31, 2022, for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (the Fund). As a participant in the Fund, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the Fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the Fund permits the Fund to levy an assessment upon its members to make up any deficiency the Fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

Note 14 - Commitments

The City had contractual commitments at December 31, 2022, of approximately \$685,776 for various construction contracts. Future appropriations will fund these commitments as work is performed. Following is a schedule of these commitments.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 14 - Commitments (continued)

	Contract	Progress	Remaining
Utility funds			
Water and sewer projects	\$ 920,259	\$ (234,483)	\$ 685,776

Note 15 - Contingent Liabilities

State Grant Audits - The City has received state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

Litigation - The City was a defendant in several lawsuits at December 31, 2022. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

Note 16 - Hotel/Motel Tax

The City levies a 5% tax on hotel/motel lodging and disburses collected funds for the purpose of promoting tourism in accordance with O.C.G.A. 48-13-51. Revenues and expenditures for the year ended December 31, 2022, were \$14,544, and \$24,900, respectively.

Note 17 - Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Georgia Regional Commission (RC) and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from Coastal Georgia Regional Commission, P. O. Box 2917, Brunswick, Georgia 31521.

Note 18 - Subsequent Events

Subsequent events have been evaluated by management through April 3, 2024, which is the date the financial statements were available to be issued.

City of Rincon, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes	\$ 3,723,200	\$ 4,878,396	\$ 4,878,396	\$ 0
Licenses and permits	236,600	595,068	595,068	0
Intergovernmental	143,700	449,260	449,260	0
Charges for services	281,275	397,915	397,915	0
Fines and forfeitures	526,300	514,802	514,802	0
Investment earnings	4,000	18,286	18,286	0
Miscellaneous	5,800	110,800	110,800	0
Total revenues	<u>4,920,875</u>	<u>6,964,527</u>	<u>6,964,527</u>	<u>0</u>
Expenditures				
Current:				
General Government				
City Council	279,693	336,031	336,031	0
General administration	249,326	251,160	251,160	0
Financial administration	110,505	128,413	128,413	0
Judicial	89,864	96,813	96,813	0
Public Safety				
Police	1,984,406	2,076,185	2,076,185	0
Emergency management		774	774	0
Public Works - streets and lanes	769,136	608,561	608,561	0
Parks and Recreation	668,213	839,716	839,716	0
Housing and Development -				
Building and zoning	277,692	235,576	235,576	0
Total expenditures	<u>4,428,835</u>	<u>4,573,229</u>	<u>4,573,229</u>	<u>0</u>
Excess of revenues to expenditures	492,040	2,391,298	2,391,298	0
Other financing sources (uses)				
Interfund transfers	<u>(1,934,587)</u>	<u>(1,934,587)</u>	4,860	<u>1,939,447</u>
Net change in fund balance	<u>\$ (1,442,547)</u>	<u>\$ 456,711</u>	2,396,158	<u>\$ 1,939,447</u>
Fund balances beginning of year			<u>5,866,388</u>	
Fund balances end of year			<u>\$ 8,262,546</u>	

See the accompanying notes to the required supplementary information.

City of Rincon, Georgia
Fire Department Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 625,000	\$ 572,917	\$ (52,083)
Charges for service	815,600	780,698	(34,902)
Investment earnings	800	10,343	9,543
Miscellaneous	600	181,509	180,909
Total revenues	1,442,000	1,545,467	103,467
Expenditures			
Public safety	1,210,643	1,202,924	7,719
Excess (deficit) of revenues to expenditures	\$ 231,357	342,543	\$ 111,186
Fund balances			
Beginning of year		1,398,358	
End of year		\$ 1,740,901	

See the accompanying notes to the required supplementary information.

City of Rincon, Georgia
Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

Note 1 - Budgetary Information

The City adopts an annual operating budget for the general fund, each special revenue fund, each capital projects fund and the debt service fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund.

The City Manager may approve budget transfers within departments. Any changes to a fund total or departmental appropriation within a fund requires approval of the City Council. During the year, the City Council approved twelve budget revisions, eleven of which affected governmental funds.

All unexpended annual appropriations lapse at year-end.

City of Rincon, Georgia
Schedule of Changes in the Net Pension Liability and Related Ratios
Defined Benefit Pension Plan
For the Year Ended December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 133,120	\$ 127,760	\$ 119,238	\$ 101,862	\$ 136,661	\$ 108,123	\$ 97,483	\$ 88,655
Interest	204,371	187,279	171,775	163,752	140,700	141,487	130,270	116,317
Difference between expected and actual experience	129,197	(8,505)	(66,928)	(113,151)	(1,960)	(204,573)	(25,955)	43,628
Changes in assumptions	(99,559)	(60,544)	(68,704)	(57,002)	46,319	(55,969)	(58,166)	(15,768)
Benefit payments, including refunds of employee contributions	367,129	245,990	236,439	95,461	267,309	(10,932)	143,632	(47,411)
Net change in total pension liability	2,687,888	2,441,898	2,205,459	2,109,998	1,842,689	1,853,621	1,709,989	1,524,568
Total pension liability - beginning								
Total pension liability - ending	\$ 3,055,017	\$ 2,687,888	\$ 2,441,898	\$ 2,205,459	\$ 2,109,998	\$ 1,842,689	\$ 1,853,621	\$ 1,709,989
Plan fiduciary net position								
Contributions - employer	\$ 125,464	\$ 123,219	\$ 117,342	\$ 121,640	\$ 129,365	\$ 125,260	\$ 111,719	\$ 95,936
Net investment income	172,711	871,649	(142,765)	69,390	204,461	177,863	4,954	115,339
Benefit payments, including refunds of employee contributions	(99,559)	(60,544)	(68,704)	(57,002)	(54,411)	(55,969)	(58,166)	(47,411)
Administrative expense	(11,563)	(12,310)	(11,695)	(11,198)	(10,657)	(10,441)	(6,914)	(6,018)
Net change in fiduciary net position	187,053	922,014	(105,822)	122,830	268,758	236,713	51,593	157,846
Plan fiduciary net position - beginning	2,826,098	1,904,084	2,009,906	1,887,076	1,618,318	1,381,605	1,330,012	1,172,166
Plan fiduciary net position - ending	\$ 3,013,151	\$ 2,826,098	\$ 1,904,084	\$ 2,009,906	\$ 1,887,076	\$ 1,618,318	\$ 1,381,605	\$ 1,330,012
Net pension liability - ending	\$ 41,866	\$ (138,210)	\$ 537,814	\$ 195,553	\$ 222,922	\$ 224,371	\$ 472,016	\$ 379,977
Plan fiduciary net position as a percentage of total pension liability	98.63%	105.14%	77.98%	91.13%	89.43%	87.82%	74.54%	77.78%
Covered employee payroll	2,623,827	2,697,584	2,571,392	2,459,722	2,010,635	2,495,005	2,058,549	1,810,133
Net position liability as a percentage of covered-employee payroll	1.60%	-5.12%	20.92%	7.95%	11.09%	8.99%	22.93%	20.99%

Changes in assumptions

There are no changes in assumptions in the last two fiscal years

Benefit changes

There were no changes in benefit provisions in the last two fiscal years.

The City implemented GASB 68 for the fiscal year ended December 31, 2015. In time, this schedule will present the required ten years of data.

City of Rincon, Georgia
Schedule of Contributions
Defined Benefit Pension Plan
For the Year Ended December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 122,262	\$ 121,972	\$ 115,799	\$ 123,587	\$ 131,291	\$ 123,249	\$ 107,875	
Contributions in relation to actuarially determined contribution	123,437	121,972	115,799	123,587	131,291	123,249	107,875	
Contribution deficiency (excess)	(1,175)	0	0	0	0	0	0	
Covered-employee payroll	2,697,584	2,571,392	2,459,722	2,010,635	2,495,005	2,058,549	1,810,196	
Contributions as a percentage of covered-employee payroll	4.58%	4.74%	4.71%	6.15%	5.26%	5.99%	5.96%	

Notes to Schedule of Contributions

- 2022 information will be determined after fiscal year end and will be included in the 2023 valuation report.
- Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of noncompliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.
- Covered payroll is based on data collected as of March 31, of each of the respective years for the actuarial valuations for the respective years.

The City implemented GASB 68 for the fiscal year ended December 31, 2015. In time this schedule will present the required ten years of data.

Valuation Date The actuarially determined contribution rate was determined as of July 1, 2021, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2022.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of twelve years.
Asset valuation method	Sun of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Inflation	2.25%
Salary increases	2.25%, plus service based merit increases
Investment rate of return	7.375%
Retirement age	Retirement rates are adjusted to closely reflect actual experience
Mortality rates	Pri-2012 head-count weighted Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Health	
Disabled Plan termination basis (all lives)	Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25 1994 Group Annuity Reserving Unisex Table

City of Rincon, Georgia
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes	\$ 6,500	\$ 14,544	\$ 14,544	\$ 0
Expenditures				
Tourism promotion	<u>6,500</u>	<u>24,900</u>	<u>24,900</u>	<u>0</u>
Excess (deficit) of revenues to expenditures		(10,356)	(10,356)	0
Other financing uses - transfer to general fund		<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	\$ <u>0</u>	\$ <u>(10,356)</u>	(10,356)	\$ <u>0</u>
Fund balances beginning of year			<u>10,356</u>	
Fund balances end of year			<u>\$ 0</u>	

City of Rincon, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2022

	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percent Complete
2011 Effingham County SPLOST						
Public buildings	\$ 38,867	\$ 49,586	\$ 49,586		\$ 49,586	100.00%
Public safety	155,467	324,250	324,250		324,250	100.00%
Roads, streets, and bridges	777,333	850,519	850,519		850,519	100.00%
Drainage	15,547					
Recreation	1,554,667	702,907	642,380	\$ 60,527	702,907	100.00%
Water and sewerage	3,754,520	1,961,383	1,540,110	421,656	1,961,766	100.02%
Total	<u>\$ 6,296,401</u>	<u>\$ 3,888,645</u>	<u>\$ 3,406,845</u>	<u>\$ 482,183</u>	<u>\$ 3,889,028</u>	

2016 Effingham County SPLOST (Passed November, 2016; Began July 1, 2017)*

Public buildings	\$ 1,183,000	\$ 773,203	\$ 21,175		\$ 21,175	2.74%
Police	961,838	628,877	546,434	\$ 217,919	764,353	121.54%
Fire	961,837	628,878	424,769	29,631	454,400	72.26%
Streets and drainage	2,959,500	1,935,007	724,078	304,022	1,028,100	53.13%
Recreation	1,035,825	677,253	60,587	203,515	264,102	39.00%
Water and sewerage	4,735,200	3,096,012	104,037	63,070	167,107	5.40%
Total	<u>\$ 11,837,200</u>	<u>\$ 7,739,230</u>	<u>\$ 1,881,080</u>	<u>\$ 818,157</u>	<u>\$ 2,699,237</u>	

Remaining fund balance at December 31, 2021:

2011 Effingham County SPLOST	\$ 0
2016 Effingham County SPLOST	<u>7,939,728</u>
	<u>\$ 7,939,728</u>

*Beginning figures have been recalculated to appropriately reflect previous years' additions.

City of Rincon, Georgia
*Schedule of Projects Constructed with
Transportation Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2022*

	Original Estimated Cost*	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percent Complete
E 4th St. (Hwy. 21 to city limits)	\$ 625,000	\$ 746,877	\$ 746,877	\$ 1,271	\$ 748,148	100.17%
E 9th St. (Hwy. 21 to end)	437,500	437,500				0.00%
Walthour intersection of Lockner	218,750	218,750				0.00%
Georgia Ave. (W 9th to end)	350,000	227,358	227,358		227,358	100.00%
Savannah Ave.	350,000	227,358	227,358		227,358	100.00%
Lisa St.	500,000	500,000				0.00%
Scott Ave.	375,000	375,000				0.00%
Weisenbaker Rd.	800,000	637,850	637,850	1,367	639,217	100.21%
7th St. (Giles Ave. to Middleground Rd.)	1,000,000	1,000,000				0.00%
Picket Fences alternative entrance	750,000	750,000				0.00%
Sidewalks	500,000	500,000				0.00%
Richland Ave./Rincon Branch culvert replacement	300,000	300,000		82,496	82,496	27.50%
Middleground Rd./Rincon Branch culvert replacement	300,000	1,015,000	454,598	598,382	1,052,980	103.74%
Drainage	500,000	500,000				0.00%
Contingency	500,000	70,557				0.00%
East - West Connector	250,000	250,000				0.00%
Total	<u>\$ 7,756,250</u>	<u>\$ 7,756,250</u>	<u>\$ 2,294,041</u>	<u>\$ 683,516</u>	<u>\$ 2,977,557</u>	



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**INDEPENDENT AUDITORS' 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 Mayor Pro Tem and City Council
City of Rincon, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Rincon, Georgia, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Rincon, Georgia's basic financial statements, and have issued our report thereon dated April 3, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rincon, Georgia's internal control over financial reporting (internal control) as a basis for designing 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 of Rincon, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rincon, Georgia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2023-1 through 2023-14, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rincon, Georgia'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 financial statements. 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*.

City of Rincon, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Rincon, Georgia's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Rincon, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



April 3, 2024

City of Rincon, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2022

INTERNAL CONTROL

2022-01 Management override of internal controls

Condition: Staff were instructed to change internal control procedures that resulted in inadequate document maintenance and undetected errors in the recording of financial transactions.

Context: Changes in prescribed internal control procedures should be considered and approved by appropriate levels of management prior to implementation.

Effect: This condition led to unsubstantiated general ledger entries, inadequate ability of management to review transactions, and complications in completing the audit.

Cause: Staff were instructed to change procedures related to document maintenance, and adequate oversight of the process was not maintained.

Recommendation: Ensure that all changes to internal control procedures related to financial reporting are reviewed and approved in writing by appropriate levels of management.

Management response: Management agrees with the finding and will ensure that all internal control procedures related to financial reporting proposed by any level of management are reviewed and approved, in writing, by the city manager.

2022-02 Erroneous general ledger entries

Condition: Several erroneous general ledger entries were made and not reversed or otherwise corrected.

Context: General ledger activity should be conducted by staff with adequate training, and review of such activity should be conducted regularly and in a timely manner to ensure timely detection and correction of any errors or other misstatements.

Effect: This condition led to several significant errors in the accounting records of the City.

Cause: Inexperienced staff conducted general ledger activity without sufficient management oversight.

Recommendation: Ensure that all general ledger activity is conducted by adequately trained personnel and is reviewed for errors and other misstatements in a timely manner.

Management response: Management agrees with the finding and will implement procedures to ensure that staff conducting general ledger activity are adequately trained and will ensure that general ledger activity is consistently reviewed for errors and other misstatements in a timely manner.

2022-03 Unrecorded and unreconciled pension activity

Condition: Deferred inflows of resources, deferred outflows of resources, net pension liability and pension expense were materially misstated in the utility and golf funds.

City of Rincon, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2022

2022-03 Unrecorded and unreconciled pension activity (continued)

Context: Pension activity and balances should be adjusted for current year activity and reconciled in a timely manner to the annual actuarial valuation of the City's defined benefit retirement plan.

Effect: The City's accounting records with respect to the pension plan were materially misstated.

Cause: Prior year pension balances were written off; current year pension activity, other than contributions, was not recorded, and current year pension balances were not reconciled to the annual defined benefit retirement plan actuarial valuation.

Recommendation: Ensure that all pension balances and activity are recorded and reconciled to the annual defined benefit retirement plan actuarial valuation.

Management response: Management agrees with the finding and will reimplement procedures that were previously in place to ensure that all pension activity and balances are properly recorded and reconciled to the underlying accounting records, specifically the annual retirement plan actuarial valuation.

2022-04 Accrued wages not adjusted

Condition: Accrued wages and related liabilities and wages and related expense were misstated in the City's general ledger.

Context: Accrued wages and related liabilities should be adjusted at the end of each year to reflect amounts earned by and due to employees for wages earned but not yet paid before year-end.

Effect: Payroll and related liabilities and expenses were misstated.

Cause: Prior year accrued wages were correctly reversed in the current year, but no accrual was made in the current year for unpaid earned wages at the end of the year.

Recommendation: Ensure that accrued wages and related liabilities are properly adjusted at the end of each year to ensure that liabilities and expenses are properly recorded.

Management response: Management agrees with the finding and will reimplement procedures that were previously in place to ensure that wages and related liabilities are properly adjusted at the end of each year.

2022-05 Erroneous payroll withholding account balances

Condition: Payroll withholding liabilities were misstated due to large erroneous account balances.

Context: Payroll withholding liabilities should be periodically analyzed and adjusted to the actual liability.

City of Rincon, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2022

2022-05 Erroneous payroll withholding account balances (continued)

Effect: Payroll withholding liabilities were materially misstated.

Cause: The City's portion of employee benefits was misclassified as a reduction of liabilities rather than expense and not adjusted; the allocation of the remaining balances among funds was not addressed by City personnel; the balances in payroll withholdings were not reconciled or properly adjusted to actual balances.

Recommendation: Establish procedures to periodically and at the end of each year review payroll withholding account activity, make necessary reclassifying and other adjusting entries, and calculate and reconcile to the actual liabilities.

Management response: Management agrees with the finding and will establish procedures to ensure that payroll liabilities are reconciled to actual amounts owed on a quarterly basis and that necessary adjusting entries are made accordingly.

2022-06 Governmental receivables not adjusted

Condition: Governmental receivables were not adjusted to reflect changes amounts due but not received before year-end.

Context: Amounts receivable at year-end should be adjusted to reflect all amounts due to the City but not collected.

Effect: Receivables and revenue were misstated in the City's accounting records.

Cause: Receivables were not adjusted to reflect changes in amounts due between the beginning and end of the year; supporting documentation (e.g., remittance advices) necessary to perform such adjustments was shredded, contributing to the condition.

Recommendation: Ensure that receivables are appropriately adjusted at year-end; ensure that the supporting documentation necessary to execute this is properly maintained.

Management response: Management agrees with the finding will ensure that supporting documentation related to receipts of revenue is maintained and reinstitute procedures to ensure that receivables are appropriately adjusted at year-end to accomplish accurate recording of receivables.

2022-07 Utility receivables not reconciled to subsidiary ledger

Condition: Utility receivables and revenue were materially misstated.

Context: Utility receivables should be reconciled each month to the underlying subsidiary ledger (listing of customer utility accounts receivables) to ensure that accounts receivable and revenue are properly recorded and that errors and other misstatements are prevented or detected and corrected in a timely manner.

City of Rincon, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2022

2022-07 Utility receivables not reconciled to subsidiary ledger (continued)
Effect: Utility receivables and revenue were materially misstated in the City's general ledger.

Cause: No procedures to adjust the prior year receivables balance to amounts earned but not collected for services provided before current year-end were performed; further, no reconciliation of the balances in utility accounts receivable to the underlying subsidiary ledger was performed.

Recommendation: Ensure that regular reconciliations of the general ledger utility accounts receivable balances to the underlying subsidiary ledger are performed and that necessary adjustments are made in a timely manner to ensure that throughout the year, utility revenue and accounts receivable are properly recorded and that errors and other misstatements are prevented or detected and corrected in a timely manner.

Management response: Management agrees with the finding and will ensure that on a monthly basis, utility accounts receivable are reconciled to the underlying subsidiary ledger, that necessary adjusting entries are made and that significant discrepancies are investigated.

2022-08 Allowance for uncollectible accounts not recorded
Condition: Allowance for uncollectible accounts for utility services was not recorded.

Context: Allowance for uncollectible accounts is an accounting estimate that is required to be made and recorded for expected accounts receivable that will not be collected.

Effect: Adequate valuation of net utilities accounts receivable was not achieved.

Cause: The balance of prior year allowance for uncollectible accounts was properly reversed in the current year; however, no procedures to calculate and record the current year allowance were undertaken.

Recommendation: Ensure that all accounting estimates (e.g., allowance for uncollectible accounts) are updated throughout and at the end of each year to reflect changes in assumptions and are properly recorded.

Management response: Management agrees with the finding and will ensure that allowance for uncollectible accounts are calculated and adjusted in the City's general ledger based on appropriate assumptions.

2022-09 Misstated cash balances
Condition: Erroneous cash entries were made and not detected and corrected.

Context: Cash balances reflected in the general ledger at the end of each period should be reconciled to the general ledger; following any subsequent adjustments of those cash balances, bank reconciliations should be reperformed.

City of Rincon, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2022

2022-09 Misstated cash balances (continued)

Effect: Cash balances were materially misstated.

Cause: Subsequent to the completion of bank reconciliations, erroneous entries were made to cash general ledger accounts. Following these entries, bank reconciliations were not reperformed.

Recommendation: Ensure that staff making general ledger entries are sufficiently trained to do so. Ensure that bank reconciliations are complete - that they are reperformed following any additional entries made to cash accounts following the initial performance of bank reconciliation procedures.

Management response: Management agrees with the finding and will ensure that general ledger activity is performed exclusively by staff adequately trained to do so. Management will ensure that such training includes the updating of bank reconciliations for subsequent entries and the review of those entries to verify proper recording.

2022-10 Long-term debt not adjusted for current year activity

Condition: Long-term debt did not reflect current year principal payments; those payments were erroneously classified as expense.

Context: In the proprietary funds, liabilities should be adjusted for current year activity, inclusive of principal payments on debt.

Effect: Long-term liabilities and expense were materially misstated.

Cause: No reclassification of principal payments from expense to the respective liability account was made.

Recommendation: Ensure that debt balances are adjusted for the principal component of debt payments and that remaining interest expense properly reflects such adjustment.

Management response: Management agrees with the finding and will ensure that debt payments are properly classified and that debt balances are properly adjusted.

2022-11 Unrecorded accounts payable

Condition: Accounts payable recorded at year-end did not include several invoices for expenses that were incurred prior to year-end.

Context: The recording of accounts payable should be complete - all expenses incurred but not paid prior to year-end should be recorded as accounts payable.

Effect: Accounts payable and expenses were misstated.

Cause: Several invoices for expenses incurred before year-end were received subsequent to year-end and recorded in the subsequent year rather than in the correct period.

City of Rincon, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2022

2022-11 Unrecorded accounts payable (continued)

Recommendation: Establish procedures to ensure that expenses are recorded in the period incurred.

Management response: Management agrees with the finding and will establish procedures to ensure that invoices are recorded in the correct period.

2022-12 Unrecorded capital asset activity

Condition: Capital assets were expensed in the business-type activities funds instead of being capitalized; capital asset records were not updated.

Context: Fixed assets should be capitalized rather than expensed in accordance with the accrual basis of accounting; fixed asset records should be updated for current year depreciation activity and such activity recorded in accordance with the accrual basis of accounting.

Effect: Expenses and noncurrent assets were misstated.

Cause: Capital assets were maintained primarily on the cash basis of accounting throughout the year, and no reclassifications or maintenance of capital asset depreciation records were performed at year-end to adjust the accounting records to the appropriate basis of accounting.

Recommendation: Implement procedures to ensure that capital assets are properly recorded and that depreciation records are updated periodically and that resulting adjusting entries are made and reviewed by management.

Management response: Management agrees with the finding and will establish procedures to ensure that capital assets are properly recorded and that capital asset records, including depreciation, are properly updated and corresponding entries are made and reviewed in a timely manner.

2022-13 Hotel/motel tax fund - erroneous and unrecorded entries

Condition: Hotel/motel tax fund expenses and balance sheet accounts were misstated in the City's general ledger.

Context: All hotel/motel tax fund activity and adjustments should be properly recorded in the general ledger of the hotel/motel tax fund.

Effect: Hotel/motel tax fund expenses were materially understated; fund balance was materially overstated.

Cause: An erroneous entry to fund balance was made and not detected or corrected; necessary entries to reclassify general fund payment for hotel/motel tax fund expenditures were not made.

Recommendation: Ensure that hotel/motel tax fund activity is reviewed for completeness and accurate recording throughout the year and is properly adjusted at year-end.

City of Rincon, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2022

2022-13 Hotel/motel tax fund - erroneous and unrecorded entries (continued)

Management response: Management agrees with the finding and will establish procedures to ensure that hotel/motel tax fund activity is reviewed throughout the year and at year-end to ensure that necessary adjusting entries are made to account for current year activity and that ending balances are properly stated.

2022-14 Misclassified intergovernmental receipts

Condition: Amounts were misclassified between unearned revenue and intergovernmental revenue and were also misclassified between the general and water and sewer funds.

Context: Grant funds received for specified purposes are required to be recognized as unearned revenue (a liability) until spent, at which point they are required to be recognized as revenue.

Effect: General fund unearned revenue was materially overstated, general fund revenue was understated, and water and sewer fund unearned revenue was materially understated.

Cause: Adjusting entries were not made to reclassify unspent grant funds to the unearned revenue in the correct fund; an adjusting entry was also not made to recognize revenue for grant funds received in the prior year but not spent until the current year.

Recommendation: Establish procedures to ensure that periodically, and at a minimum annually, unearned grant revenue and grant revenue recorded in the general ledger are reconciled to current year grant activity (e.g., receipts and expenditures) and are properly adjusted accordingly.

Management response: Management agrees with the finding will establish procedures to monitor grant activity throughout the year and, at year-end, to reconcile grant-related liability and revenue beginning and ending balances to current year activity and to ensure that resulting necessary journal entries are properly recorded and reviewed.