

***City of Rincon, Georgia***  
***Audited Financial Statements***  
***For the Year Ended***  
***December 31, 2021***

**City of Rincon, Georgia**  
***Audited Financial Statements***  
***For the year ended December 31, 2021***

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## INDEPENDENT AUDITORS' REPORT

To the Mayor 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, 2021, 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, 2021, 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 that the management's discussion and analysis on pages 6 through 13, the budgetary comparison information on pages 48 through 50, and the schedule of changes in net pension liability and related ratios and the schedule of contributions on pages 51 through 53 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.

***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 June 29, 2022, 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.



June 29, 2022

**City of Rincon, Georgia**  
**Management's Discussion and Analysis**

As management of the City of Rincon (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Rincon, Georgia for the fiscal year ended December 31, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

**Financial Highlights**

- The City's total net position on a government-wide basis, at the close of fiscal year 2021 was \$62,475,354 (net position). Of this amount, \$14,881,535 (unrestricted net position) is available to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$6,228,007 from the prior year. The governmental net position increased by \$5,598,353 and business-type net position increased by \$629,654.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,257,591, which is an increase of \$3,345,694 from the prior year. The general fund, fire department fund, and SPLOST fund all reported increases in fund balances of \$1,959,813, \$475,553, and \$1,668,870, respectively. The TSPLOST fund reported a decrease of \$764,886. The increase in the general and fire funds fund balance is attributed to City Council's policy to increase a depleted fund balance in the funds and special events income. Management made a conscious effort to come under budgets established by Council. The SPLOST fund collected more during the year than expended on projects approved by the voters of Effingham County. This trend will change in future years as the City expends funds on eligible SPLOST projects. The TSPLOST fund expended more than collected on eligible TSPLOST projects due to timing of the selected projects for 2021.
- The General Fund reported a total fund balance of \$5,866,388, an increase from 2020 of \$1,959,813. The unassigned fund balance for the general fund was \$5,785,338 or 152% of the total general fund operating expenditures. The City has \$77,988 in restricted fund balance for public safety purposes.

**Overview of the Financial Statements**

This annual report consists of four parts – Management's Discussion and Analysis, the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City of Rincon. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the City's overall health, the reader needs to consider additional nonfinancial factors such as the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities – Most of the City's basic services are included here, such as police, fire, public works, court, recreation and parks, and general administration. Sales taxes, franchise taxes, insurance premium tax, charges for services, and fines and forfeitures provide most of the funding.
- Business-type activities – The City charges fees to customers to help cover the costs of certain services it provides. The City's water and sewer system, sanitation collection, and golf course and restaurant operations are treated as business-type activities.

**City of Rincon, Georgia**  
**Management’s Discussion and Analysis**

**Fund Financial Statements**

The fund financial statements provide detailed information about the City’s most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. State law requires some funds. The City Council establishes other funds to control and manage money for particular purposes.

The City has two kinds of funds:

- Governmental funds – Most of the City’s basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow, and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the future to finance the City’s programs.
- Proprietary funds – Services for which the City charges customers a fee generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

**Financial Overview**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Rincon, Georgia, assets exceeded liabilities by \$62.8 million at the close of the most recent fiscal period. Governmental activities comprise \$30.8 million, and business-type activities make up \$31.6 million of the total net position. In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 15,924,926	\$ 10,699,197	\$ 12,010,462	\$ 10,581,779	\$ 27,935,388	\$ 21,280,976
Noncurrent assets	93,295	-	44,915	-	138,210	-
Capital assets, net	17,694,834	15,524,476	27,549,967	28,792,597	45,244,801	44,317,073
Total assets	33,713,055	26,223,673	39,605,344	39,374,376	73,318,399	65,598,049
Deferred outflows of resources - pensions	228,698	281,746	110,118	118,187	338,816	399,933
Current liabilities	2,667,335	796,262	1,389,993	1,330,568	4,057,328	2,126,830
Noncurrent liabilities	-	378,880	6,457,601	7,096,752	6,457,601	7,475,632
Total liabilities	2,667,335	1,175,142	7,847,594	8,427,320	10,514,929	9,602,462
Deferred inflows of resources - pensions	450,174	104,386	216,758	43,787	666,932	148,173
Net position:						
Net investment in capital assets	17,694,834	15,515,514	20,428,553	21,360,734	38,123,387	36,876,248
Restricted for:						
Public safety	1,476,346	972,062	-	-	1,476,346	972,062
Housing & development	10,356	4,012	-	-	10,356	4,012
Capital projects	6,747,375	5,078,505	1,236,355	1,006,536	7,983,730	6,085,041
Unrestricted	4,895,333	3,655,798	9,986,202	8,654,186	14,881,535	12,309,984
Total net position	\$ 30,824,244	\$ 25,225,891	\$ 31,651,110	\$ 31,021,456	\$ 62,475,354	\$ 56,247,347

The largest portion of the City’s net position (61%) represents its investment in capital assets such as land, buildings, infrastructure, and equipment, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be



**City of Rincon, Georgia**  
**Management's Discussion and Analysis**

noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City has an unrestricted net position totaling \$14.9 million or 23.8% of total net position, which may be used to meet the City's ongoing obligations to citizens and creditors.

The remaining balance of total net position contains resources that are subject to external restrictions on how they may be used, such as SPLOST and TSPLOST resources and confiscated assets.

The total net position increased by \$6,228,007 from the prior year. Governmental activities net position increased \$5,598,353, while business-type activities net position increased by \$629,654.

**Changes in Net Position**

The following table shows the changes in net position for 2021:

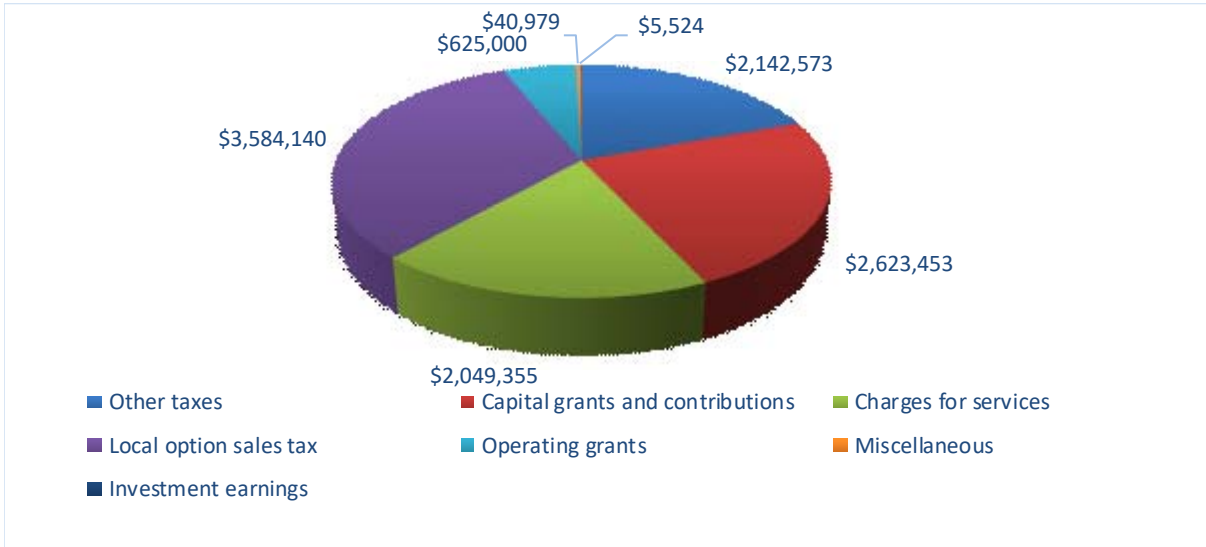
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,049,355	\$ 1,645,376	\$ 5,282,962	\$ 4,841,838	\$ 7,332,317	\$ 6,487,214
Operating grants and contributions	625,000	629,574	-	-	625,000	629,574
Capital grants and contribution	2,623,453	2,455,062	311,062	1,961,498	2,934,515	4,416,560
General revenues:						
Sales taxes	3,584,140	1,743,907	-	-	3,584,140	1,743,907
Other taxes	2,142,573	1,966,622	-	-	2,142,573	1,966,622
Unrestricted investment earnings	5,524	10,944	11,996	15,961	17,520	26,905
Miscellaneous	40,979	15,401	92,444	125,371	133,423	140,772
Loss on disposition of assets	(146,498)	-	(400,716)	-	(547,214)	-
Transfers	(56,380)	(477,278)	56,380	477,278	-	-
<b>Total revenues</b>	<u>10,868,146</u>	<u>7,989,608</u>	<u>5,354,128</u>	<u>7,421,946</u>	<u>16,222,274</u>	<u>15,411,554</u>
<b>Expenses:</b>						-
General government	645,316	801,328	-	-	645,316	801,328
Judiciary	88,438	66,307	-	-	88,438	66,307
Public safety	2,767,506	3,578,259	-	-	2,767,506	3,578,259
Public works	754,194	397,865	-	-	754,194	397,865
Culture and recreation	820,747	743,583	-	-	820,747	743,583
Housing and development	193,495	230,631	-	-	193,495	230,631
Interest on long-term debt	97	606	163,279	118,418	163,376	119,024
Sanitation	-	-	686,546	669,543	686,546	669,543
Water and sewer	-	-	3,241,225	3,219,807	3,241,225	3,219,807
Golf course	-	-	633,424	779,807	633,424	779,807
<b>Total expenses</b>	<u>5,269,793</u>	<u>5,818,579</u>	<u>4,724,474</u>	<u>4,787,575</u>	<u>9,994,267</u>	<u>10,606,154</u>
<b>Change in net position</b>	5,598,353	2,171,029	629,654	2,634,371	6,228,007	4,805,400
<b>Net position-beginning</b>	25,225,891	23,054,862	31,021,456	28,387,085	56,247,347	51,441,947
<b>Net position-ending</b>	<u>\$ 30,824,244</u>	<u>\$ 25,225,891</u>	<u>\$ 31,651,110</u>	<u>\$ 31,021,456</u>	<u>\$ 62,475,354</u>	<u>\$ 56,247,347</u>

**City of Rincon, Georgia**  
**Management’s Discussion and Analysis**

**Governmental Activities**

Revenues for governmental activities totaled \$10.9 million in 2021, which represents an increase of 36% over 2020. The largest source of revenue for the City, local option sales taxes, accounted for \$3.58 million or 32% of total revenue, a reported increase of \$1,840,233 from 2020. Other taxes account for \$2.14 million or 19% of the total revenue. Capital grants and contributions accounted for \$2.62 million or 24% of the total revenue, a reported increase of \$168,391 from 2020. Charges for services generated \$2.05 million or 19% of total revenue. Operating grants and contributions, miscellaneous and investment earnings accounted for 6% of the City’s total revenue for 2021.

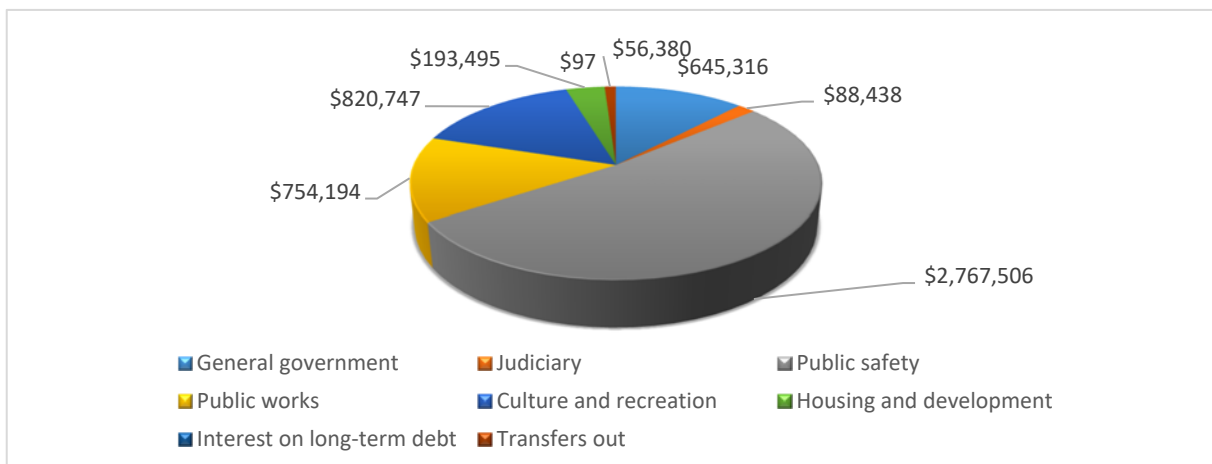
**Revenues by Source – Governmental Activities – Year Ended December 31, 2021**



\*Other taxes includes franchise, insurance premium, business occupation, alcohol, energy excise tax and title ad valorem taxes.

The City’s expenses for governmental activities cover a wide range of services, with 52% or \$2.77 million related to public safety, 12% or \$0.6 million for general government services (includes interest for long-term debt), 14% or \$0.7 million for public works, 15% or \$0.8 million for culture and recreation and 4% or \$0.19 million for housing and development. Overall expenses for governmental activities totaled \$5.3 million, which represents a decrease of \$548,786 compared to 2020. The decrease in governmental activities is mainly attributed to a decrease in public safety - fire due to the purchase of a new fire truck in 2020 and a concerted effort to keep spending levels below budget targets in 2021.

**Expenses by Function – Governmental Activities – Year Ended December 31, 2021**

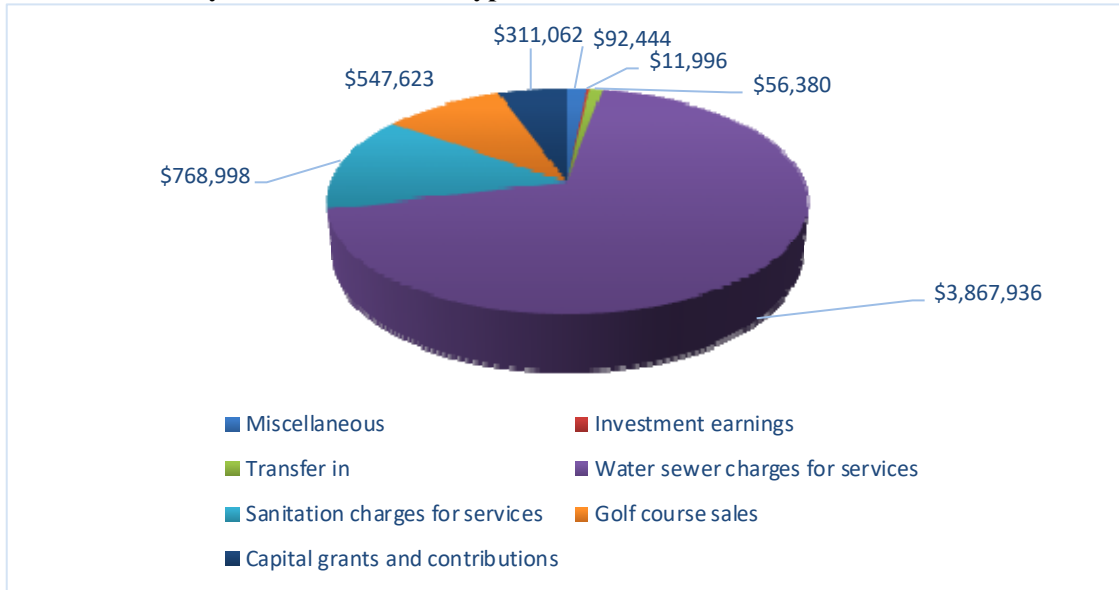


**City of Rincon, Georgia**  
**Management's Discussion and Analysis**

**Business-type Activities**

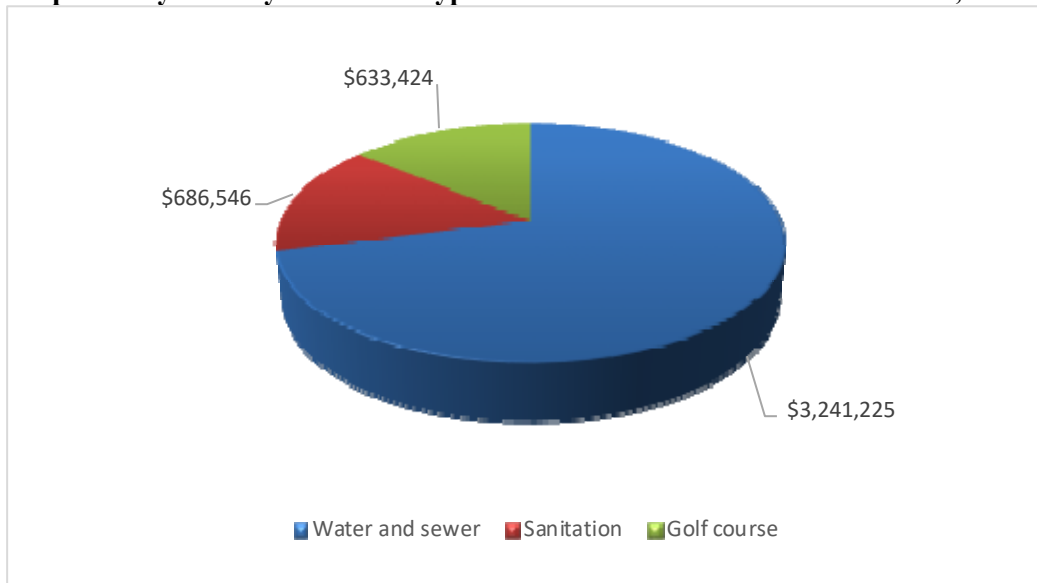
The City has three business-type activities: water and sewer operations, sanitation collection services, and the City golf course. For fiscal year 2021, total revenues for business-type activities were \$5.35 million, which represents a decrease of 28% when compared to 2020. The decrease in revenue is partially due to a capital contribution for the Omnitrax project in 2020 only offset by an increase in charges for services during the year and an increase in loss on disposition of assets.

**Revenues by Source – Business-type Activities – Year Ended December 31, 2021**



Total expenses (excluding interest) for fiscal year 2021 were \$4.56 million, which represents a decrease of 2% from the prior year. The net decrease in expenses is attributable to decreases in repairs and maintenance and contractual services.

**Expenses by Activity – Business-type Activities – Year Ended December 31, 2021**



**City of Rincon, Georgia**  
**Management’s Discussion and Analysis**

**Financial Analysis of City Funds**

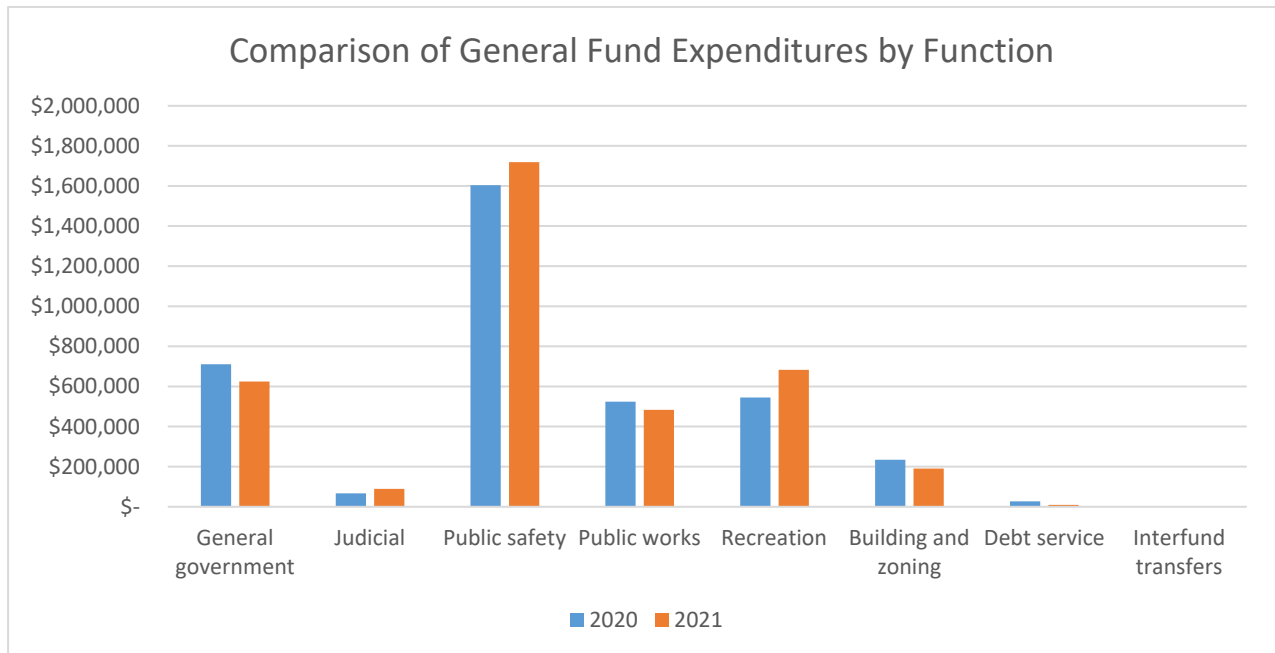
General Fund

The general fund is the chief operating fund of the City. At year-end, the total fund balance in the general fund was \$5,866,388. The total amount of unassigned fund balance for the general fund was \$5,785,338.

One measure of the general fund’s liquidity is to compare its unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance and total fund balance represents 152% and 154% percent of total general fund expenditures, respectively.

The fund balance of the general fund increased \$1,959,813 during fiscal year 2021. The increase is mainly attributed to a concerted effort to keep spending levels below budget targets in 2021 and special events income. A majority of departments had reductions in expenditures from 2020 levels.

The chart below compares general fund expenditures by function to the prior year. This chart demonstrates the reduction in expenditures by function for several departments.



Capital Projects Fund

The SPLOST Capital Projects Fund balance at December 31, 2021 was \$6,747,375. This was an increase of \$1,668,870. The TSPLOST Capital Projects Fund balance at December 31, 2021 was \$(764,886). This was a decrease of \$764,886. Revenues received exceeded expenditures on the various projects and capital purchases for the SPLOST fund and expenditures exceeded revenues on the various projects for the TSPLOST fund.

Proprietary Funds

Proprietary fund statements provide the same information as in the business-type activities column of the government-wide financial statements, only in greater detail. The City uses three enterprise funds at this time in the proprietary fund financial statements, the water and sewer fund, the solid waste fund, and the City golf course fund. An enterprise fund is required to account for the operations for which fees are charged to external users for goods or services.

**City of Rincon, Georgia**  
**Management's Discussion and Analysis**

**Capital Assets**

Statement of net position presents capital assets in two groups: those assets subject to depreciation, such as equipment or operational facilities and those assets not subject to depreciation such as land and construction in progress. At year-end, the City's net capital assets for both governmental activities and business-type activities totaled \$45.2 million. Capital assets include assets purchased, constructed or donated.

Additional information on the City's capital assets can be found in Note 8 beginning on page 34.

**Debt Administration**

The long-term liabilities at December 31, 2021 totaled \$7,121,414 (includes loans, installment purchase agreements, and capital leases). Of this amount, \$0 relates to governmental type activities and \$7,121,414 relates to business-type activities.

Additional information on the City's debt can be found in Note 10 beginning on page 36.

**General Fund Budgetary Highlights**

The budgetary comparison schedule of the General Fund and Fire Fund is provided as required supplementary information other than MD&A and can be found beginning on page 48. Additional budgetary comparison schedules for the hotel/motel tax fund can be found within other supplementary information beginning on page 54. Budget columns are provided for both the original budget adopted for fiscal year 2021 as well as the final budget. A column for actual revenues, expenditures, and a column for any variance between final budget and actual are also provided.

**Current Economic Conditions, Next Year's Budget**

In preparing the fiscal year 2022 budget, the City considered outside factors that affect funding decisions such as state and local economic conditions, federal and state mandates, political and social environment, citizen concerns, and outside agency considerations. Based on these factors, the following assumptions were made to guide the development of the budget for 2022.

- Local Option Sales Tax (L.O.S.T), the major source of General Fund revenue continues to increase due to an increase in economic activity in the City.
- Transportation Special Purpose Local Option Sales Tax (TSPLOST), approved by the citizens, will fund streets and roads projects and compliment the streets and roads budget funded by the General Fund.
- The City will continue to make efforts to hold expenditures down in order to meet Council's goal of protecting fund balance reserves and building fire reserves.

**City of Rincon, Georgia**  
**Management's Discussion and Analysis**

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: The City of Rincon, Finance Director, 302 Columbia Avenue, Rincon, Georgia 31326.

**City of Rincon, Georgia**  
**Statement of Net Position**  
**December 31, 2021**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 13,521,675	\$ 9,205,942	\$ 22,727,617
Restricted cash	1,361,230	1,236,355	2,597,585
Receivables:			
Taxes	1,088,254		1,088,254
Intergovernmental	447,579		447,579
Accounts	155,135	911,091	1,066,226
Inventory		2,003	2,003
Internal balances	(652,009)	652,009	0
Prepaid items	3,062	3,062	6,124
<b>Capital assets:</b>			
Nondepreciable capital assets	2,571,408	1,776,380	4,347,788
Depreciable capital assets, net	15,123,426	25,773,587	40,897,013
<b>Other assets - Net pension asset</b>	93,295	44,915	138,210
<b>Total assets</b>	33,713,055	39,605,344	73,318,399
<b>Deferred Outflows of Resources</b>			
Pension:			
Contributions after measurement date	61,892	29,801	91,693
Changes in assumptions	27,355	13,172	40,527
Net difference between projected and actual earnings on pension plan investments	139,451	67,145	206,596
<b>Total deferred outflows of resources</b>	228,698	110,118	338,816
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	626,897	132,266	759,163
Accrued interest payable		12,642	12,642
Other accrued expenses	73,921	32,698	106,619
Customer deposits		548,574	548,574
Unearned revenue	1,966,517		1,966,517
Capital leases payable (current portion of long-term)		19,616	19,616
Bonds payable (current portion of long-term)		477,615	477,615
Notes payable (current portion of long-term)		166,582	166,582
<b>Long-term liabilities:</b>			
Capital leases payable (net of current portion)		32,216	32,216
Notes payable (net of current portion)		3,593,698	3,593,698
Bonds payable (net of current portion)		2,831,687	2,831,687
<b>Total liabilities</b>	2,667,335	7,847,594	10,514,929
<b>Deferred Inflows of Resources</b>			
Pension:			
Difference between expected and actual experience	45,986	22,143	68,129
Net difference between projected and actual earnings on pension plan investments	404,188	194,615	598,803
<b>Total deferred inflows of resources</b>	450,174	216,758	666,932
<b>Net Position</b>			
Net investment in capital assets	17,694,834	20,428,553	38,123,387
Restricted for:			
Public safety	1,476,346		1,476,346
Housing and development	10,356		10,356
Capital projects	6,747,375	1,236,355	7,983,730
Unrestricted	4,895,333	9,986,202	14,881,535
<b>Total net position</b>	\$ 30,824,244	\$ 31,651,110	\$ 62,475,354

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

City of Rincon, Georgia  
Statement of Activities  
For the Year Ended December 31, 2021

Function/Program	Expenses	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
<b>Primary government</b>							
<b>Governmental activities</b>							
General Government							
City Council	\$ 299,508				\$ (299,508)		\$ (299,508)
General administration	242,234	\$ 40,633			(201,601)		(201,601)
Financial administration	103,574				(103,574)		(103,574)
Judicial	88,438				(88,438)		(88,438)
Public Safety - police	1,830,861	565,167		\$ 187,574	(1,078,120)		(1,078,120)
Public Safety - disaster response	8,109				(8,109)		(8,109)
Public Safety - fire	928,536	825,365	\$ 625,000	187,574	709,403		709,403
Public Works - streets and lanes	753,919			603,429	(150,490)		(150,490)
Public Works - drainage	275			288,575	288,300		288,300
Public Works - water & sewer				1,154,299	1,154,299		1,154,299
Parks and Recreation	820,747	391,674		202,002	(227,071)		(227,071)
Housing & Development - building & zoning	190,446	226,516			36,070		36,070
Housing & Development - economic development	3,049				(3,049)		(3,049)
Interest expense	97				(97)		(97)
<b>Total governmental activities</b>	<u>5,269,793</u>	<u>2,049,355</u>	<u>625,000</u>	<u>2,623,453</u>	<u>28,015</u>	<u>\$ 0</u>	<u>28,015</u>
<b>Business-type activities:</b>							
Sanitation	686,546	768,998				82,452	82,452
Water and sewer	3,400,486	3,966,341		311,062		876,917	876,917
Golf course	637,442	547,623				(89,819)	(89,819)
<b>Total business-type activities</b>	<u>4,724,474</u>	<u>5,282,962</u>	<u>0</u>	<u>311,062</u>	<u>0</u>	<u>869,550</u>	<u>869,550</u>
<b>Total - primary government</b>	<u>\$ 9,994,267</u>	<u>\$ 7,332,317</u>	<u>\$ 625,000</u>	<u>\$ 2,934,515</u>	<u>28,015</u>	<u>869,550</u>	<u>897,565</u>
<b>General revenues</b>							
					2,054,985		2,054,985
					1,529,155		1,529,155
					273,624		273,624
					90,547		90,547
					636,874		636,874
					108,156		108,156
					248,124		248,124
					739,916		739,916
					35,939		35,939
					9,393		9,393
					(146,498)	(400,716)	(547,214)
					5,524	11,996	17,520
					40,979	92,444	133,423
					<u>5,626,718</u>	<u>(296,276)</u>	<u>5,330,442</u>
					(56,380)	56,380	0
					<u>5,570,338</u>	<u>(239,896)</u>	<u>5,330,442</u>
					5,598,353	629,654	6,228,007
					25,225,891	31,021,456	56,247,347
					<u>\$ 30,824,244</u>	<u>\$ 31,651,110</u>	<u>\$ 62,475,354</u>

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



**City of Rincon, Georgia**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2021**

	<u>General</u>	<u>Fire Department Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>TSPLOST Capital Projects Fund</u>	<u>Hotel/Motel Tax Fund (non-major)</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 7,118,488		\$ 6,403,187			\$ 13,521,675
Restricted cash and cash equivalents	77,988	\$ 1,273,317			\$ 9,925	1,361,230
Receivables						
Taxes	883,179			\$ 204,644	431	1,088,254
Intergovernmental			447,579			447,579
Accounts		155,135				155,135
Interfund balances	53,332					53,332
Prepaid expenses	3,062					3,062
<b>Total assets</b>	<u>\$ 8,136,049</u>	<u>\$ 1,428,452</u>	<u>\$ 6,850,766</u>	<u>\$ 204,644</u>	<u>\$ 10,356</u>	<u>\$ 16,630,267</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 246,414	\$ 12,903	\$ 103,391	\$ 264,189		\$ 626,897
Accrued expenses	56,730	17,191				73,921
Unearned revenue	1,966,517					1,966,517
Interfund balances				705,341		705,341
<b>Total liabilities</b>	<u>2,269,661</u>	<u>30,094</u>	<u>103,391</u>	<u>969,530</u>	<u>\$ 0</u>	<u>3,372,676</u>
<b>Fund balances</b>						
Nonspendable - prepaid items	3,062					3,062
Restricted for:						
Public safety	77,988	1,398,358				1,476,346
Housing and development					10,356	10,356
Capital outlays			6,747,375			6,747,375
Unassigned	5,785,338			(764,886)		5,020,452
<b>Total fund balances</b>	<u>5,866,388</u>	<u>1,398,358</u>	<u>6,747,375</u>	<u>(764,886)</u>	<u>10,356</u>	<u>13,257,591</u>
<b>Total liabilities and fund balances</b>	<u>\$ 8,136,049</u>	<u>\$ 1,428,452</u>	<u>\$ 6,850,766</u>	<u>\$ 204,644</u>	<u>\$ 10,356</u>	<u>\$ 16,630,267</u>

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, 2021**

<b>Total governmental fund balances</b>		\$ 13,257,591
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
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.		
Cost of capital assets	\$ 26,127,746	
Less accumulated depreciation	<u>(8,432,912)</u>	17,694,834
Net pension asset in the governmental activities is not an available financial resource and is therefore not reported in the funds. However, it is recognized as an asset in the statement of net assets.		
		93,295
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, 2021, are:		
Deferred outflows		228,698
Deferred inflows		<u>(450,174)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>30,824,244</u></b>

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, 2021**

	<b>General</b>	<b>Fire Department Fund</b>	<b>SPLOST Capital Projects Fund</b>	<b>TSPLOST Capital Projects Fund</b>	<b>Hotel/Motel Tax Fund (non-major)</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Taxes	\$ 4,188,165			\$ 1,529,155	\$ 9,393	\$ 5,726,713
Licenses and permits	267,149					267,149
Intergovernmental	314,854	\$ 625,000	\$ 2,303,234			3,243,088
Charges for services	391,674	825,365				1,217,039
Fines and forfeitures	565,167					565,167
Investment earnings	4,547	977	5,365			10,889
Miscellaneous	24,377	16,602				40,979
<b>Total Revenues</b>	<u>5,755,933</u>	<u>1,467,944</u>	<u>2,308,599</u>	<u>1,529,155</u>	<u>9,393</u>	<u>11,071,024</u>
<b>Expenditures</b>						
<b>Current:</b>						
General Government - administration						
City Council	302,705					302,705
General administration	217,339					217,339
Financial administration	104,941					104,941
Judicial	89,081					89,081
Public Safety						
Police	1,710,983					1,710,983
Fire		992,391				992,391
Emergency management	8,109					8,109
Public Works - streets and lanes	483,252			2,294,041		2,777,293
Parks and Recreation	682,797					682,797
Housing & Development						
Building & zoning	190,779					190,779
Economic development					3,049	3,049
<b>Capital outlays</b>			583,349			583,349
<b>Debt service:</b>						
Principal	8,962					8,962
Interest and fiscal charges	97					97
<b>Total expenditures</b>	<u>3,799,045</u>	<u>992,391</u>	<u>583,349</u>	<u>2,294,041</u>	<u>3,049</u>	<u>7,671,875</u>
<b>Excess (deficit) of revenues to expenditures</b>	1,956,888	475,553	1,725,250	(764,886)	6,344	3,399,149
<b>Other financing sources (uses)</b>						
Interfund transfers			(56,380)			(56,380)
Proceeds from sale of assets	2,925					2,925
<b>Total other financing sources (uses)</b>	<u>2,925</u>	<u>0</u>	<u>(56,380)</u>	<u>0</u>	<u>0</u>	<u>(53,455)</u>
<b>Net change in fund balances</b>	1,959,813	475,553	1,668,870	(764,886)	6,344	3,345,694
<b>Fund balances beginning of year</b>	<u>3,906,575</u>	<u>922,805</u>	<u>5,078,505</u>	<u>0</u>	<u>4,012</u>	<u>9,911,897</u>
<b>Fund balances end of year</b>	<u>\$ 5,866,388</u>	<u>\$ 1,398,358</u>	<u>\$ 6,747,375</u>	<u>\$ (764,886)</u>	<u>\$ 10,356</u>	<u>\$ 13,257,591</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, 2021**

**Net changes in fund balances - total governmental funds** \$ 3,345,694

**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	\$ (676,621)	
Capitalized capital outlay	<u>2,996,402</u>	2,319,781

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

8,962

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	(458,815)	
Accumulated depreciation of assets disposed	<u>309,392</u>	(149,423)

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

Asset at 12/31/21	93,295	
Liability at 12/31/20	<u>378,880</u>	472,175

Deferred inflows/outflows of resources from pensions

Balance at 12/31/21	(221,476)	
Balance at 12/31/20	<u>(177,360)</u>	<u>(398,836)</u>

**Change in net position of governmental activities** \$ 5,598,353

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

**City of Rincon, Georgia**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2021**

	<b>Sanitation</b>	<b>Water and Sewer</b>	<b>Golf Course</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 517,605	\$ 8,687,487	\$ 850	\$ 9,205,942
Restricted cash		1,236,355		1,236,355
Accounts receivable	142,687	768,239	165	911,091
Interfund balances		745,425		745,425
Inventory			2,003	2,003
Prepaid expenses		3,062		3,062
<b>Total current assets</b>	<b>660,292</b>	<b>11,440,568</b>	<b>3,018</b>	<b>12,103,878</b>
<b>Noncurrent assets:</b>				
<b>Capital assets:</b>				
Nondepreciable capital assets		1,331,380	445,000	1,776,380
Depreciable capital assets, net		23,590,011	2,183,576	25,773,587
<b>Total capital assets</b>	<b>0</b>	<b>24,921,391</b>	<b>2,628,576</b>	<b>27,549,967</b>
Net pension asset	<b>0</b>	<b>40,381</b>	<b>4,534</b>	<b>44,915</b>
<b>Total assets</b>	<b>660,292</b>	<b>36,402,340</b>	<b>2,636,128</b>	<b>39,698,760</b>
<b>Deferred outflows of resources</b>				
<b>Pension:</b>				
Contributions after measurement date		26,789	3,012	29,801
Changes in assumptions		11,841	1,331	13,172
Net difference between projected and actual earnings on pension plan investments		60,358	6,787	67,145
<b>Total deferred outflows of resources</b>	<b>0</b>	<b>98,988</b>	<b>11,130</b>	<b>110,118</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	54,131	69,227	8,908	132,266
Accrued interest payable		12,642		12,642
Other accrued expenses	812	25,455	6,431	32,698
Customer deposits		548,574		548,574
Interfund balances			93,416	93,416
Current portion of capital leases payable			19,616	19,616
Current portion of bonds payable		477,615		477,615
Current portion of notes payable		166,582		166,582
<b>Total current liabilities</b>	<b>54,943</b>	<b>1,300,095</b>	<b>128,371</b>	<b>1,483,409</b>
<b>Long-term liabilities:</b>				
Capital leases payable (net of current portion)			32,216	32,216
Bonds payable (net of current portion)		3,593,698		3,593,698
Notes payable (net of current portion)		2,831,687		2,831,687
<b>Total long-term liabilities</b>	<b>0</b>	<b>6,425,385</b>	<b>32,216</b>	<b>6,457,601</b>
<b>Total liabilities</b>	<b>54,943</b>	<b>7,725,480</b>	<b>160,587</b>	<b>7,941,010</b>
<b>Deferred inflows of resources</b>				
<b>Pension:</b>				
Difference between expected and actual experience		19,905	2,238	22,143
Difference between projected and actual earnings on investments		174,944	19,671	194,615
<b>Total deferred inflows of resources</b>	<b>0</b>	<b>194,849</b>	<b>21,909</b>	<b>216,758</b>
<b>Net position</b>				
Net investment in capital assets		17,851,809	2,576,744	20,428,553
Restricted for capital system improvements		1,236,355		1,236,355
Unrestricted	605,349	9,492,835	(111,982)	9,986,202
<b>Total net position</b>	<b>\$ 605,349</b>	<b>\$ 28,580,999</b>	<b>\$ 2,464,762</b>	<b>\$ 31,651,110</b>

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, 2021**

	<u>Sanitation</u>	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
<b>Operating revenues</b>				
Charges for services	\$ 768,998	\$ 3,867,936	\$ 547,623	\$ 5,184,557
Other revenues		98,405		98,405
<b>Total operating revenues</b>	<u>768,998</u>	<u>3,966,341</u>	<u>547,623</u>	<u>5,282,962</u>
<b>Operating expenses</b>				
Depreciation		1,051,393	103,740	1,155,133
Contractual services	649,543	377,995	9,230	1,036,768
Salaries	24,921	800,070	250,900	1,075,891
Payroll taxes and employee benefits	12,082	255,392	43,964	311,438
Repairs and maintenance		269,926	26,433	296,359
Utilities and telephone		212,600	61,053	273,653
Operational supplies		152,920	42,858	195,778
Bank merchant fees		44,278		44,278
Miscellaneous			43,424	43,424
Insurance		15,821	15,511	31,332
Gas, oil and tires		22,378	7,591	29,969
Office supplies		23,844	1,551	25,395
Travel and training		6,550	12,486	19,036
Golf course grounds maintenance			9,570	9,570
Computer support		3,774	1,134	4,908
Leased equipment			3,447	3,447
Dues and subscriptions		2,384	380	2,764
Advertising/legal ads		1,900	152	2,052
<b>Total operating expenses</b>	<u>686,546</u>	<u>3,241,225</u>	<u>633,424</u>	<u>4,561,195</u>
<b>Operating income (loss)</b>	<u>82,452</u>	<u>725,116</u>	<u>(85,801)</u>	<u>721,767</u>
<b>Non-operating revenues (expenses)</b>				
Impact fees		311,062		311,062
Tower rental		92,444		92,444
Investment earnings	429	11,567		11,996
Interest expense		(159,261)	(4,018)	(163,279)
Loss on disposition of assets		(400,716)		(400,716)
<b>Total non-operating revenues</b>	<u>429</u>	<u>(144,904)</u>	<u>(4,018)</u>	<u>(148,493)</u>
<b>Income (loss) before interfund transfers</b>	<u>82,881</u>	<u>580,212</u>	<u>(89,819)</u>	<u>573,274</u>
<b>Interfund transfers</b>				
From SPLOST Capital Projects Fund		56,380		56,380
From Water and Sewer Fund			56,894	56,894
To Golf Course Fund		(56,894)		(56,894)
<b>Total interfund transfers</b>	<u>0</u>	<u>(514)</u>	<u>56,894</u>	<u>56,380</u>
<b>Change in net position</b>	82,881	579,698	(32,925)	629,654
<b>Net position beginning of year</b>	<u>522,468</u>	<u>28,001,301</u>	<u>2,497,687</u>	<u>31,021,456</u>
<b>Net position end of year</b>	<u>\$ 605,349</u>	<u>\$ 28,580,999</u>	<u>\$ 2,464,762</u>	<u>\$ 31,651,110</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, 2021**

	<b>Sanitation</b>	<b>Water and Sewer</b>	<b>Golf Course</b>	<b>Total</b>
<b>Increase (decrease) in cash and cash equivalents</b>				
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 752,735	\$ 4,041,414	\$ 547,623	\$ 5,341,772
Cash payments to employees for personal services	(36,191)	(1,072,975)	(297,943)	(1,407,109)
Cash payments for goods and services	(649,363)	(1,017,797)	(231,788)	(1,898,948)
<b>Net cash provided by operating activities</b>	67,181	1,950,642	17,892	2,035,715
<b>Cash flows from noncapital financing activities</b>				
Interfund balances		(705,340)	(52,937)	(758,277)
Tower rental		92,444		92,444
Interfund transfers		(56,894)	56,894	0
<b>Net cash provided by (used for) noncapital financing activities</b>	0	(669,790)	3,957	(665,833)
<b>Cash flows from capital and related financing activities</b>				
Transfers from SPLOST Capital Projects Fund		56,380		56,380
Proceeds from impact fees		311,062		311,062
Proceeds from long-term debt		236,257	11,000	247,257
Payments for capital acquisitions		(335,228)	(11,000)	(346,228)
Principal paid on long-term debt		(598,538)	(17,831)	(616,369)
Interest paid on debt		(160,246)	(4,018)	(164,264)
<b>Net cash used for capital and related financing activities</b>	0	(490,313)	(21,849)	(512,162)
<b>Cash flows from investing activities</b>				
Investment earnings	429	11,567	0	11,996
<b>Net increase in cash and cash equivalents</b>	67,610	802,106	0	869,716
<b>Cash and cash equivalents beginning of year</b>	449,995	9,121,736	850	9,572,581
<b>Cash and cash equivalents end of year</b>	\$ 517,605	\$ 9,923,842	\$ 850	\$ 10,442,297
Cash and cash equivalents				
Unrestricted	\$ 517,605	\$ 8,687,487	\$ 850	\$ 9,205,942
Restricted		1,236,355		1,236,355
	\$ 517,605	\$ 9,923,842	\$ 850	\$ 10,442,297

(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, 2021**

	(continued)			
	<u>Sanitation</u>	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
<b>Operating income (loss)</b>	\$ 82,452	\$ 725,116	\$ (85,801)	\$ 721,767
<b>Adjustments:</b>				
Depreciation		1,051,393	103,740	1,155,133
<b>(Increase) decrease in assets:</b>				
Accounts receivable	(16,263)	49,766		33,503
Prepaid expenses		59,540		59,540
<b>Increase (decrease) in liabilities:</b>				
Accounts payable	180	57,033	3,032	60,245
Accrued expenses	812	2,935	(718)	3,029
Customer deposits		25,307		25,307
Net pension liability		(20,448)	(2,361)	(22,809)
<b>Net cash provided by operating activities</b>	<u>\$ 67,181</u>	<u>\$ 1,950,642</u>	<u>\$ 17,892</u>	<u>\$ 2,035,715</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, 2021***

***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, 2021*

***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.

***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.

*City of Rincon, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

*Note 2 - Summary of Significant Accounting Policies (continued)*

***The TSPLOST Capital Projects Fund*** – This fund is used to account for financial resources to be used for the acquisition or construction 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, 2021*

*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, 2021*

*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, 2021**

**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, 2021*

*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, 2021*

*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, 2021*

*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, not yet adopted***

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. The City is currently assessing the financial statement impact of adopting this statement.

***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, 2021*

***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, 2021, the City was not exposed to custodial credit risk.

***Note 5 - Receivables***

Receivables at December 31, 2021, 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, collectibility. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. 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

***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, 2021, was \$2,003.

**City of Rincon, Georgia**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2021**

**Note 8 - Capital Assets**

Capital asset activity for governmental activities for the year ended December 31, 2021, was as follows:

	Balance 12/31/20	Additions	Dispositions	Reclassi- fication	Balance 12/31/21
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,356,379				\$ 1,356,379
Construction in progress and assets not in service	921,479	\$ 607,104		\$ (313,554)	1,215,029
Total capital assets not being depreciated	2,277,858	607,104	\$ 0	(313,554)	2,571,408
Depreciable capital assets:					
Land improvements	4,415,863				4,415,863
Buildings	3,147,260	1,326	(40,000)		3,108,586
Equipment	4,639,960	99,954	(179,593)	14,200	4,574,521
Vehicles	1,335,059	289,717	(114,949)		1,509,827
Infrastructure	7,774,159	1,998,301	(124,273)	299,354	9,947,541
Total depreciable capital assets	21,312,301	2,389,298	(458,815)	313,554	23,556,338
Total capital assets	23,590,159	2,996,402	(458,815)	0	26,127,746
Accumulated depreciation:					
Land improvements	721,874	89,524			811,398
Buildings	1,193,104	63,222	(27,200)		1,229,126
Equipment	3,908,857	154,754	(167,243)		3,896,368
Vehicles	1,136,456	118,431	(114,949)		1,139,938
Infrastructure	1,105,392	250,690			1,356,082
Total accumulated depreciation	8,065,683	676,621	(309,392)	0	8,432,912
Governmental activities capital assets, net	\$ 15,524,476	\$ 2,319,781	\$ (149,423)	\$ 0	\$ 17,694,834
Governmental activities depreciation expense:					
General government			\$ 26,939		
Public safety - police			162,797		
Public safety - fire			32,671		
Public works - streets and lanes			285,210		
Parks and recreation			166,482		
Building and zoning			2,522		
Total governmental activities depreciation expense			\$ 676,621		

*City of Rincon, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

**Note 8 - Capital Assets (continued)**

Capital asset activity for business-type activities for the year ended December 31, 2021, was as follows:

	Balance 12/31/20	Additions	Dispositions	Reclassi- fication	Balance 12/31/21
Business-type activities:					
Capital assets not being depreciated:					
Land and rights	\$ 819,163				\$ 819,163
Construction in progress	685,588	\$ 271,629			957,217
Total capital assets not being depreciated	<u>1,504,751</u>	<u>271,629</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>1,776,380</u>
Depreciable capital assets:					
Buildings	775,684				775,684
Improvements, other than buildings	2,358,106				2,358,106
Water system	12,074,303		(561,283)		11,513,020
Sewer plant	25,531,672		(273,390)		25,258,282
Equipment	887,891	41,590	(305,049)		624,432
Vehicles	400,924		(95,920)		305,004
Total depreciable capital assets	<u>42,028,580</u>	<u>41,590</u>	<u>(1,235,642)</u>	<u>0</u>	<u>40,834,528</u>
Total capital assets	<u>43,533,331</u>	<u>313,219</u>	<u>(1,235,642)</u>	<u>0</u>	<u>42,610,908</u>
Accumulated depreciation:					
Buildings	275,800	19,754			295,554
Improvements, other than buildings	650,582	25,497			676,079
Water system	3,381,333	311,914	(229,094)		3,464,153
Sewer plant	9,441,398	674,747	(204,863)		9,911,282
Equipment	675,459	90,819	(305,049)		461,229
Vehicles	316,162	32,402	(95,920)		252,644
Total accumulated depreciation	<u>14,740,734</u>	<u>1,155,133</u>	<u>(834,926)</u>	<u>0</u>	<u>15,060,941</u>
Business-type activities capital assets, net	<u>\$ 28,792,597</u>	<u>\$ (841,914)</u>	<u>\$ (400,716)</u>	<u>\$ 0</u>	<u>\$ 27,549,967</u>

**City of Rincon, Georgia**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2021**

**Note 9 - Interfund Balances and Transfers**

Interfund balances at December 31, 2021, consisted of the following amounts and represent charges for services or reimbursable expenses:

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

The Golf Course Fund owed \$53,332 to the General Fund and \$40,084 to the Water and Sewer 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, 2021, were as follows:

- SPLOST fund transferred \$56,380 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**

**Capital Leases** – 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**

**Capital lease** - Capital lease payable in equal monthly payments of \$2,265 including interest at 3.26% through May, 2021. The purpose of this lease was to purchase equipment for streets and lanes. The original principal amount of the lease was \$125,000. The equipment acquired by the lease is included in governmental activities capital assets in the amount of \$0 (cost of \$125,000 less accumulated depreciation of \$125,000). This lease was paid off during the year.

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**City of Rincon, Georgia**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2021**

**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, 2021, follow.

Year	Principal	Interest	Total
2022	\$ 477,615	\$ 77,292	\$ 554,907
2023	489,693	65,214	554,907
2024	502,077	52,830	554,907
2025	514,774	40,133	554,907
2026	527,792	27,115	554,907
2026-2028	797,351	15,543	812,894
Total	<u>\$ 3,309,302</u>	<u>\$ 278,127</u>	<u>\$ 3,587,429</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, 2021, follow.

Year	Principal	Interest	Total
2022	\$ 96,977	\$ 41,531	\$ 138,508
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
2027-2031	553,536	139,000	692,536
2032-2036	608,343	84,193	692,536
2037-2040	576,076	24,466	600,542
Total	<u>\$ 2,241,633</u>	<u>\$ 436,521</u>	<u>\$ 2,678,154</u>

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**City of Rincon, Georgia**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2021**

**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, 2020, follow.

Year	Principal	Interest	Total
2022	\$ 69,605	\$ 28,102	\$ 97,707
2023	70,932	26,775	97,707
2024	72,285	25,422	97,707
2025	73,663	24,044	97,707
2026	75,067	22,640	97,707
2027-2031	397,355	91,179	488,534
2032-2036	436,704	51,830	488,534
2037-2040	323,036	10,719	333,755
	<u>\$ 1,518,647</u>	<u>\$ 280,711</u>	<u>\$ 1,799,358</u>

**Capital lease #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 \$24,442 (cost of \$34,218 less accumulated depreciation of \$9,776). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2022	\$ 7,892	\$ 1,046	\$ 8,938
2023	9,249	893	10,142
2024	4,009	42	4,051
Total	<u>\$ 21,150</u>	<u>\$ 1,981</u>	<u>\$ 23,131</u>

**Capital lease #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 19,197 (cost of \$26,875 less accumulated depreciation of \$7,678). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2022	\$ 6,758	\$ 1,357	\$ 8,115
2023	7,298	1,193	8,491
2024	2,540	77	2,617
Total	<u>\$ 16,596</u>	<u>\$ 2,627</u>	<u>\$ 19,223</u>

**City of Rincon, Georgia**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2021**

**Note 10 - Long-Term Debt (continued)**

**Capital lease #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 \$4,908 (cost of \$8,180 less accumulated depreciation of \$3,272). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2022	\$ 2,672	\$ 384	\$ 3,056
2023	602	16	618
Total	<u>\$ 3,274</u>	<u>\$ 400</u>	<u>\$ 3,674</u>

**Capital lease #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 \$8,800 (cost of \$11,000 less accumulated depreciation of \$2,200). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2022	\$ 2,294	\$ 367	\$ 2,661
2023	2,381	280	2,661
2024	2,472	189	2,661
2025	2,567	94	2,661
2026	1,098	10	1,108
Total	<u>\$ 10,812</u>	<u>\$ 940</u>	<u>\$ 11,752</u>

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**City of Rincon, Georgia**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2021**

**Note 10 - Long-Term Debt (continued)**

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2021.

	Outstanding 12/31/20	Additions	Reductions	Outstanding 12/31/21	Amounts Due in One Year
<b>Governmental Activities</b>					
Capital lease	\$ 8,962		\$ 8,962	\$ 0	\$ 0
Net pension liability	378,880		378,880	0	0
Total governmental activities	<u>\$ 387,842</u>	<u>\$ 0</u>	<u>\$ 387,842</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Business-Type Activities</b>					
Series 2015 bonds	\$ 3,775,144		\$ 465,842	\$ 3,309,302	\$ 477,615
GEFA loan- Water Fund	2,069,769	\$ 236,257	64,393	2,241,633	96,977
GEFA loan- Sewer Fund	1,586,950		68,303	1,518,647	69,605
Capital lease #1- Golf Fund	29,851		8,701	21,150	7,892
Capital lease #2- Golf Fund	22,884		6,288	16,596	6,758
Capital lease #3- Golf Fund	5,928		2,654	3,274	2,672
Capital lease #4- Golf Fund		11,000	188	10,812	2,294
Net pension liability	158,934		158,934	0	0
Total Business-Type Activities	<u>\$ 7,649,460</u>	<u>\$ 247,257</u>	<u>\$ 775,303</u>	<u>\$ 7,121,414</u>	<u>\$ 663,813</u>

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 \$97 for governmental activities and \$163,279 for business-type activities.

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*City of Rincon, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

**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, 2021, the following employees were covered by the benefit terms for the plan:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	52
Active employees	<u>65</u>
Total	<u><u>136</u></u>

**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 the 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 \$122,262 for the year ended December 31, 2021.

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*City of Rincon, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

*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, 2021, using an annual actuarial valuation as of July 1, 2021. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation date	July 1, 2021
Measurement date	March 31, 2021
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, 2021, 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

**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, 2021**

**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, 2021, (see the discussion of the pension plan's investment policy) are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.40%
International equity	20%	7.05%
Domestic fixed income	20%	1.15%
Real estate	10%	4.50%
Global fixed income	5%	1.25%
Cash	0%	
Total	<u>100%</u>	

**Changes in Net Pension Liability**

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

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/ (Asset)
Balances as of March 31, 2020	\$ 2,441,898	\$ 1,904,084	\$ 537,814
Changes for the year:			
Service cost	127,760		127,760
Interest	187,279		187,279
Differences between expected and actual experience	(8,505)		(8,505)
Contributions - employer		123,219	(123,219)
Net investment income		871,649	(871,649)
Benefit payments	(60,544)	(60,544)	0
Administrative expense		(12,310)	12,310
Changes in assumptions			0
Other			0
Net changes	<u>245,990</u>	<u>922,014</u>	<u>(676,024)</u>
Balances as of March 31, 2021	<u>\$ 2,687,888</u>	<u>\$ 2,826,098</u>	<u>\$ (138,210)</u>

**City of Rincon, Georgia**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2021**

**Note 11 - Defined Benefit Pension Plan (continued)**

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 295,828	\$ (138,210)	\$ (489,308)

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

For the year ended December 31, 2021, the City recognized a pension expense of \$26,114. At December 31, 2021, 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	\$	\$ (68,129)
Pension contributions subsequent to measurement date	91,693	
Changes in assumptions	40,527	
Net difference between projected and actual earnings on plan investments	<u>206,596</u>	<u>(598,803)</u>
Total	<u>\$ 338,816</u>	<u>\$ (666,932)</u>

\$91,693 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, 2021. 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:

<u>Year ended December 31:</u>	
2022	(114,257)
2023	(70,659)
2024	(89,021)
2025	<u>(145,872)</u>
	<u>\$ (419,809)</u>

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**City of Rincon, Georgia**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2021**

**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, 2021, is as follows:

	Governmental Activities	Business- Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 26,127,746	\$ 42,610,908
Less accumulated depreciation	8,432,912	15,060,941
Book value	17,694,834	27,549,967
Less capital related debt	0	7,121,414
Investments in capital assets, net of related debt	\$ 17,694,834	\$ 20,428,553

**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, 2021. No provisions have been made in the financial statements for the year ended December 31, 2021, 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

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**City of Rincon, Georgia**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2021**

**Note 14 - Commitments**

The City had contractual commitments at December 31, 2021, of approximately \$558,932 for various construction contracts. Future appropriations will fund these commitments as work is performed. Following is a schedule of these commitments.

Fire fund		
Public safety - fire	\$	3,328
TSPLOST fund		
Public works - streets and lanes	\$	555,604

**Operating leases** - The following is a schedule by years of future minimum rental payments under an operating lease which has cancelable lease terms as of December 31, 2021.

<u>For the year ended December 31,</u>		
2022	\$	29,070
2023		29,070
2024		2,423
	\$	<u>60,563</u>

Lease expense relating to operating leases was \$29,070 for 2021.

**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, 2021. 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, 2021, were \$9,393, and \$3,049, respectively.

***City of Rincon, Georgia***  
***Notes to the Basic Financial Statements***  
***For the Year Ended December 31, 2021***

***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 June 29, 2022, 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, 2021**

	<u>Original Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>				
Taxes	\$ 3,201,700	\$ 3,076,019	\$ 4,188,165	\$ 1,112,146
Licenses and permits	123,800	123,800	267,149	143,349
Intergovernmental	148,500	148,500	314,854	166,354
Charges for services	881,300	881,300	391,674	(489,626)
Fines and forfeitures	518,000	518,000	565,167	47,167
Investment earnings	12,700	12,700	4,547	(8,153)
Miscellaneous	1,000	1,000	24,377	23,377
<b>Total revenues</b>	<u>4,887,000</u>	<u>4,761,319</u>	<u>5,755,933</u>	<u>994,614</u>
<b>Expenditures</b>				
<b>Current:</b>				
General Government				
City Council	248,405	302,705	302,705	0
General administration	240,723	240,723	217,339	23,384
Financial administration	141,016	141,016	104,941	36,075
Judicial	87,110	89,081	89,081	0
Public Safety				
Police	1,787,926	1,787,926	1,710,983	76,943
Emergency management		8,109	8,109	0
Public Works - streets and lanes	635,036	635,036	483,252	151,784
Parks and Recreation	622,251	683,552	682,797	755
Housing and Development -				
Building and zoning	272,645	272,645	190,779	81,866
<b>Debt service:</b>				
Principal	26,837	26,837	8,962	17,875
Interest and fiscal charges	340	340	97	243
<b>Total expenditures</b>	<u>4,062,289</u>	<u>4,187,970</u>	<u>3,799,045</u>	<u>388,925</u>
<b>Excess of revenues to expenditures</b>	824,711	573,349	1,956,888	1,383,539
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	<u>0</u>	<u>0</u>	<u>2,925</u>	<u>2,925</u>
<b>Net change in fund balance</b>	<u>\$ 824,711</u>	<u>\$ 573,349</u>	1,959,813	<u>\$ 1,386,464</u>
<b>Fund balances beginning of year</b>			<u>3,906,575</u>	
<b>Fund balances end of year</b>			<u>\$ 5,866,388</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, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 625,000	\$ 625,000	\$ 0
Charges for service	703,000	825,365	122,365
Investment earnings	2,000	977	(1,023)
Miscellaneous		16,602	16,602
<b>Total revenues</b>	<u>1,330,000</u>	<u>1,467,944</u>	<u>137,944</u>
<b>Expenditures</b>			
Public safety	<u>1,343,626</u>	<u>992,391</u>	<u>351,235</u>
<b>Excess of revenues to expenditures</b>	<u>\$ (13,626)</u>	475,553	<u>\$ 489,179</u>
<b>Fund balances</b>			
<b>Beginning of year</b>		<u>922,805</u>	
<b>End of year</b>		<u>\$ 1,398,358</u>	

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, 2021***

***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, 2021**

	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>							
Service cost	\$ 127,760	\$ 119,238	\$ 101,862	\$ 136,661	\$ 108,123	\$ 97,483	\$ 88,655
Interest	187,279	171,775	163,752	140,700	141,487	130,270	116,317
Difference between expected and actual experience	(8,505)	(66,928)	(113,151)	(1,960)	(204,573)	(25,955)	43,628
Changes in assumptions		81,058		46,319			(15,768)
Benefit payments, including refunds of employee contributions	(60,544)	(68,704)	(57,002)	(54,411)	(55,969)	(58,166)	(47,411)
Net change in total pension liability	245,990	236,439	95,461	267,309	(10,932)	143,632	185,421
Total pension liability - beginning	2,441,898	2,205,459	2,109,998	1,842,689	1,853,621	1,709,989	1,524,568
Total pension liability - ending	<u>\$ 2,687,888</u>	<u>\$ 2,441,898</u>	<u>\$ 2,205,459</u>	<u>\$ 2,109,998</u>	<u>\$ 1,842,689</u>	<u>\$ 1,853,621</u>	<u>\$ 1,709,989</u>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 123,219	\$ 117,342	\$ 121,640	\$ 129,365	\$ 125,260	\$ 111,719	\$ 95,936
Net investment income	871,649	(142,765)	69,390	204,461	177,863	4,954	115,339
Benefit payments, including refunds of employee contributions	(60,544)	(68,704)	(57,002)	(54,411)	(55,969)	(58,166)	(47,411)
Administrative expense	(12,310)	(11,695)	(11,198)	(10,657)	(10,441)	(6,914)	(6,018)
Net change in fiduciary net position	922,014	(105,822)	122,830	268,758	236,713	51,593	157,846
Plan fiduciary net position - beginning	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	<u>\$ 2,826,098</u>	<u>\$ 1,904,084</u>	<u>\$ 2,009,906</u>	<u>\$ 1,887,076</u>	<u>\$ 1,618,318</u>	<u>\$ 1,381,605</u>	<u>\$ 1,330,012</u>
<b>Net pension liability - ending</b>	<u>\$ (138,210)</u>	<u>\$ 537,814</u>	<u>\$ 195,553</u>	<u>\$ 222,922</u>	<u>\$ 224,371</u>	<u>\$ 472,016</u>	<u>\$ 379,977</u>
Plan fiduciary net position as a percentage of total pension liability	105.14%	77.98%	91.13%	89.43%	87.82%	74.54%	77.78%
Covered employee payroll	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	-5.12%	20.92%	7.95%	11.09%	8.99%	22.93%	20.99%

**Changes in assumptions**

Amounts reported for fiscal years ending in 2021 and after reflect the following assumption changes based on the actuarial study conducted in November and December of 2019:

The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sexdistinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sexdistinct Pri-2012 head-count weighted Employee Mortality Table.

**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, 2021***

**Changes in assumptions (continued)**

Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct rates under the 2019 OASDI Trustees Report used for the intermediate alternative. Previously future mortality improvements were not explicitly projected.

The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.

The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.

Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.

Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.

Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.

The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.

The disability rates were changed to 50% of the rates in the prior age-based table.

The inflation assumption was decreased from 2.75% to 2.25%.

The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.

The investment return assumption was decreased from 7.50% to 7.375%.

**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, 2021**

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	*	\$ 121,972	\$ 115,799	\$ 123,587	\$ 131,291	\$ 123,249	\$ 107,875
Contributions in relation to actuarially determined contribution	*	121,972 **	115,799 **	123,587 **	131,291 **	123,249 **	107,875 **
Contribution deficiency (excess)	*	0	0	0	0	0	0
Covered-employee payroll	*	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	*	4.74%	4.71%	6.15%	5.26%	5.99%	5.96%

**Notes to Schedule of Contributions**

\* 2021 information will be determined after fiscal year end and will be included in the 2022 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 1, 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, 2020, 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, 2021.

*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            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 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

    Healthy                            Pri-2012 head-count weighted Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females

    Disabled                           Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25

    Plan termination basis (all lives)                                    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, 2021*

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ 6,500	\$ 9,393	\$ 2,893
<b>Expenditures</b>			
Tourism promotion	<u>6,500</u>	<u>3,049</u>	<u>3,451</u>
<b>Net change in fund balance</b>	<u>\$ 0</u>	6,344	<u>\$ 6,344</u>
<b>Fund balances beginning of year</b>		<u>4,012</u>	
<b>Fund balances end of year</b>		<u>\$ 10,356</u>	

**City of Rincon, Georgia**  
**Schedule of Projects Constructed with**  
**Special Purpose Local Option Sales Tax Proceeds**  
**For the Year Ended December 31, 2021**

	Original Estimated Cost	Revised Estimated Cost	Prior Years	Reclassifi- cations	Current Year	Total	Estimated Percent Complete
<b>2011 Effingham County SPLOST</b>							
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	616,465		\$ 25,915	642,380	91.39%
Water and sewerage	3,754,520	1,961,383	1,483,730		56,380	1,540,110	78.52%
Total	<u>\$ 6,296,401</u>	<u>\$ 3,888,645</u>	<u>\$ 3,324,550</u>	<u>\$ 0</u>	<u>\$ 82,295</u>	<u>\$ 3,406,845</u>	

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

Public buildings	\$ 1,183,000	\$ 773,203	\$ 13,028	\$ 8,147		\$ 21,175	2.74%
Police	961,838	628,877	134,263	127,278	\$ 284,893	546,434	86.89%
Fire	961,837	628,878	377,080	47,689		424,769	67.54%
Streets and drainage	2,959,500	1,935,007	443,342	8,195	272,541	724,078	37.42%
Recreation	1,035,825	677,253	60,587			60,587	8.95%
Water and sewerage	4,735,200	3,096,012	104,037			104,037	3.36%
Total	<u>\$ 11,837,200</u>	<u>\$ 7,739,230</u>	<u>\$ 1,132,337</u>	<u>\$ 191,309</u>	<u>\$ 557,434</u>	<u>\$ 1,881,080</u>	

Remaining fund balance at December 31, 2021:

2011 Effingham County SPLOST	\$ 482,183
2016 Effingham County SPLOST	6,265,192
	<u>\$ 6,747,375</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, 2021**

	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	\$ 746,877	100.00%
E 9th St. (Hwy. 21 to end)	437,500	437,500				0.00%
Walthour intersection of Lockner Georgia Ave. (W 9th to end)	218,750	218,750				0.00%
Savannah Ave.	350,000	227,358		227,358	227,358	100.00%
Lisa St.	350,000	227,358		227,358	227,358	100.00%
Scott Ave.	500,000	500,000				0.00%
Weisenbaker Rd.	375,000	375,000				0.00%
7th St. (Giles Ave. to Middleground Rd.)	800,000	637,850		637,850	637,850	100.00%
Picket Fences alternative entrance	1,000,000	1,000,000				0.00%
Sidewalks	750,000	750,000				0.00%
Richland Ave./Rincon Branch culvert replacement	500,000	500,000				0.00%
Middleground Rd./Rincon Branch culvert replacement	300,000	300,000				0.00%
Drainage	300,000	1,015,000		454,598	454,598	44.79%
Contingency	500,000	500,000				0.00%
East - West Connector	250,000	70,557				0.00%
Total	<u>\$ 7,756,250</u>	<u>\$ 7,756,250</u>	<u>\$ 0</u>	<u>\$ 2,294,041</u>	<u>\$ 2,294,041</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 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, 2021, 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 June 29, 2022.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*.

**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.



June 29, 2022