

City of Rincon, Georgia
Audited Financial Statements
For the Year Ended
December 31, 2018

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Audited Financial Statements
For the year ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Rincon, Georgia

Report on the Financial Statements

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, 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Rincon, Georgia, as of December 31, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information on pages 39 through 41, and the schedule of changes in net pension liability and related ratios and the schedule of contributions on pages 42 and 43 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.

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

Other 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 individual fund financial statements, the Schedule of Hotel/Motel Tax, and the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund financial statements, the Schedule of Hotel/Motel Tax, the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual comparative major fund financial statements, the non-major fund financial statements, the Schedule of Hotel/Motel Tax, the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds, and the schedule of expenditures of federal awards 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 March 9, 2020, 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.

Canady, Hedges, Cairnes & Hickling, LLP

March 9, 2020

City of Rincon, Georgia
Statement of Net Position
December 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,300,875	\$ 4,752,804	\$ 11,053,679
Restricted cash	258,904	408,917	667,821
Receivables:			
Taxes	1,000,547		1,000,547
Intergovernmental	51,772		51,772
Accounts	73,179	644,118	717,297
Inventory		9,313	9,313
Prepaid items	142,128	31,733	173,861
Capital assets:			
Nondepreciable capital assets	1,356,379	4,575,899	5,932,278
Depreciable capital assets, net	<u>14,221,572</u>	<u>23,512,068</u>	<u>37,733,640</u>
Total assets	<u>23,405,356</u>	<u>33,934,852</u>	<u>57,340,208</u>
Deferred Outflows of Resources			
Pension:			
Difference between expected and actual experience	6,680	2,047	8,727
Contributions after measurement date	70,945	21,745	92,690
Changes in assumptions	26,590	8,150	34,740
Total deferred outflows of resources	<u>104,215</u>	<u>31,942</u>	<u>136,157</u>
Liabilities			
Current liabilities:			
Accounts payable	364,861	93,029	457,890
Accrued interest payable	0	15,309	15,309
Other accrued expenses	41,848	24,761	66,609
Interfund	1,597,438	(1,597,438)	0
Capital leases payable (current portion of long-term)	23,404		23,404
Bonds payable (current portion of long-term)		444,634	444,634
Liabilities payable from restricted assets		430,478	430,478
Long-term liabilities:			
Net pension liability	170,624	52,297	222,921
Capital leases payable (net of current portion)	37,572		37,572
Bonds payable (net of current portion)		7,739,803	7,739,803
Total liabilities	<u>2,235,747</u>	<u>7,202,873</u>	<u>9,438,620</u>
Deferred Inflows of Resources			
Pension:			
Difference between expected and actual experience	103,020	31,575	134,595
Changes of assumptions	2,415	740	3,155
Net difference between projected and actual earnings on investments	51,239	15,705	66,944
Total deferred inflows of resources	<u>156,674</u>	<u>48,020</u>	<u>204,694</u>
Net Position			
Net investment in capital assets	15,516,975	19,903,530	35,420,505
Restricted for:			
Public safety	380,427		380,427
Capital projects	4,148,724	408,917	4,557,641
Unrestricted	<u>1,071,024</u>	<u>6,403,454</u>	<u>7,474,478</u>
Total net position	<u>\$ 21,117,150</u>	<u>\$ 26,715,901</u>	<u>\$ 47,833,051</u>

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

City of Rincon, Georgia
Statement of Activities
For the Year Ended December 31, 2018

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	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General Government							
City Council	\$ 396,810				\$ (396,810)		\$ (396,810)
General administration	408,061	\$ 67,815			(340,246)		(340,246)
Financial administration	212,495				(212,495)		(212,495)
Judicial	59,051				(59,051)		(59,051)
Public Safety - police	1,740,296	580,849		\$ 126,597	(1,032,850)		(1,032,850)
Public Safety - fire	1,098,180	446,500	\$ 534,767	126,597	9,684		9,684
Public Works - streets and lanes	1,142,794		41,048	309,275	(792,471)		(792,471)
Public Works - drainage				194,765	194,765		194,765
Public Works - water & sewer				779,059	779,059		779,059
Parks and Recreation	689,985	181,886		136,336	(371,763)		(371,763)
Housing & Development - building & zoning	378,714	250,889			(127,825)		(127,825)
Interest expense	2,248				(2,248)		(2,248)
Total governmental activities	<u>6,128,634</u>	<u>1,527,939</u>	<u>575,815</u>	<u>1,672,629</u>	<u>(2,352,251)</u>	<u>\$ 0</u>	<u>(2,352,251)</u>
Business-type activities:							
Sanitation	527,531	722,130				194,599	194,599
Water	1,040,994	1,865,943		103,362		928,311	928,311
Sewer	1,585,688	1,797,334		325,329		536,975	536,975
Golf course	595,802	471,112				(124,690)	(124,690)
Total business-type activities	<u>3,750,015</u>	<u>4,856,519</u>	<u>0</u>	<u>428,691</u>	<u>0</u>	<u>1,535,195</u>	<u>1,535,195</u>
Total - primary government	<u>\$ 9,878,649</u>	<u>\$ 6,384,458</u>	<u>\$ 575,815</u>	<u>\$ 2,101,320</u>	<u>(2,352,251)</u>	<u>1,535,195</u>	<u>(817,056)</u>
General revenues							
Local option sales tax					1,513,596		1,513,596
Title ad valorem tax					394,786		394,786
Franchise taxes					503,656		503,656
Business occupation tax					108,766		108,766
Alcohol taxes					184,918		184,918
Insurance premium taxes					638,767		638,767
Real estate transfer and intangibles tax					11,034		11,034
Hotel/motel tax					5,750		5,750
Investment earnings					12,651	31,193	43,844
Miscellaneous					141,173	77,476	218,649
Total general revenues					<u>3,515,097</u>	<u>108,669</u>	<u>3,623,766</u>
Transfers					(10,660)	10,660	0
Total general revenues and transfers					<u>3,504,437</u>	<u>119,329</u>	<u>3,623,766</u>
Change in net position					1,152,186	1,654,524	2,806,710
Net position beginning of year					<u>19,964,964</u>	<u>25,061,377</u>	<u>45,026,341</u>
Net position end of year					<u>\$ 21,117,150</u>	<u>\$ 26,715,901</u>	<u>\$ 47,833,051</u>

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

City of Rincon, Georgia
 Balance Sheet
 Governmental Funds
 December 31, 2018

	General	Fire Department Fund	SPLOST Capital Projects Fund	Special Projects Capital Projects Fund	Hotel/Motel Tax Fund (non-major)	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,306,649		\$ 3,914,489	\$ 79,737		\$ 6,300,875
Restricted cash and cash equivalents	34,637	\$ 224,267				258,904
Receivables						
Taxes	716,422		284,125			1,000,547
Intergovernmental	41,113	9,725			\$ 934	51,772
Accounts		73,179				73,179
Interfund balances	105,184	151,883				257,067
Prepaid items	131,430	10,698				142,128
Total assets	<u>\$ 3,335,435</u>	<u>\$ 469,752</u>	<u>\$ 4,198,614</u>	<u>\$ 79,737</u>	<u>\$ 934</u>	<u>\$ 8,084,472</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 321,085	\$ 15,376	\$ 28,400			\$ 364,861
Accrued expenses	33,016	8,832				41,848
Interfund balances	1,652,590	99,754	21,490	\$ 79,737	\$ 934	1,854,505
Total liabilities	<u>2,006,691</u>	<u>123,962</u>	<u>49,890</u>	<u>79,737</u>	<u>934</u>	<u>2,261,214</u>
Fund balances						
Nonspendable - prepaid items	131,430					131,430
Restricted for:						
Public safety	34,637	345,790				380,427
Capital outlays			4,148,724			4,148,724
Unassigned	1,162,677					1,162,677
Total fund balances	<u>1,328,744</u>	<u>345,790</u>	<u>4,148,724</u>	<u>0</u>	<u>0</u>	<u>5,823,258</u>
Total liabilities and fund balances	<u>\$ 3,335,435</u>	<u>\$ 469,752</u>	<u>\$ 4,198,614</u>	<u>\$ 79,737</u>	<u>\$ 934</u>	<u>\$ 8,084,472</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, 2018

Total governmental fund balances		\$ 5,823,258
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and 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	\$ 22,608,607	
Less accumulated depreciation	<u>(7,030,656)</u>	<u>15,577,951</u>
 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, 2018, are:		
Deferred outflows		104,215
Deferred inflows		(156,674)
 Liabilities, including capital leases and net pension liability are not due and payable in the current period and therefore are not reported at the fund financial reporting level, however, these liabilities are reported at the government-wide reporting level:		
Capital lease payable		(60,976)
Net pension liability		<u>(170,624)</u>
 Net position of governmental activities		 \$ <u>21,117,150</u>

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

City of Rincon, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Fire Department Fund	SPLOST Capital Projects Fund	Special Projects Capital Projects Fund	Hotel/ Motel Tax Fund (non-major)	Total Governmental Funds
Revenues						
Taxes	\$ 3,355,522				\$ 5,750	\$ 3,361,272
Licenses and permits	318,704					318,704
Intergovernmental	155,558	\$ 534,768	\$ 1,533,653			2,223,979
Charges for services	181,886	446,500				628,386
Fines and forfeitures	580,849					580,849
Investment earnings	11,838	541	24,466	\$ 273		37,118
Miscellaneous	83,535	57,638				141,173
Total Revenues	<u>4,687,892</u>	<u>1,039,447</u>	<u>1,558,119</u>	<u>273</u>	<u>5,750</u>	<u>7,291,481</u>
Expenditures						
Current:						
General Government - administration						
City Council	396,960				5,750	402,710
General administration	428,652					428,652
Financial administration	212,593					212,593
Judicial	59,131					59,131
Public Safety						
Police	1,690,144					1,690,144
Fire		974,019				974,019
Public Works - streets and lanes	978,177			447,647		1,425,824
Parks and Recreation	534,293					534,293
Housing & Development - building & zoning	370,826					370,826
Capital outlays			139,127			139,127
Debt service:						
Principal	24,742					24,742
Interest and fiscal charges	2,434					2,434
Total expenditures	<u>4,697,952</u>	<u>974,019</u>	<u>139,127</u>	<u>447,647</u>	<u>5,750</u>	<u>6,264,495</u>
Excess (deficit) of revenues to expenditures	(10,060)	65,428	1,418,992	(447,374)	0	1,026,986
Other financing sources (uses)						
Interfund transfers	(369,817)		(10,660)	369,817		(10,660)
Net change in fund balances	(379,877)	65,428	1,408,332	(77,557)	0	1,016,326
Fund balances beginning of year	1,708,621	280,362	2,740,392	77,557	0	4,806,932
Fund balances end of year	<u>\$ 1,328,744</u>	<u>\$ 345,790</u>	<u>\$ 4,148,724</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,823,258</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, 2018

Net changes in fund balances - total governmental funds \$ 1,016,326

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	\$ (727,860)	
Capitalized capital outlay	<u>833,802</u>	105,942

Interest expense 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.

Liability at 12/31/18	0	
Liability at 12/31/17	<u>186</u>	186

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.

24,742

Net pension liability 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 liability		
Balance at 12/31/18	(170,624)	
Balance at 12/31/17	<u>171,733</u>	1,109
Deferred inflows/outflows of resources from pensions		
Balance at 12/31/18	(52,459)	
Balance at 12/31/17	<u>56,340</u>	<u>3,881</u>

Change in net position of governmental activities \$ 1,152,186

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

City of Rincon, Georgia

Statement of Net Position

Proprietary Funds

December 31, 2018

	<u>Sanitation</u>	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Assets					
Current assets:					
Cash and cash equivalents					
Unrestricted	\$ 167,029	\$ 3,739,436	\$ 837,185	\$ 9,154	\$ 4,752,804
Restricted		408,917			408,917
Receivables - accounts	106,180	294,988	242,442	508	644,118
Interfund balances	314,447	1,006,784	1,091,924		2,413,155
Inventory				9,313	9,313
Prepaid expenses		18,711	7,914	5,108	31,733
Total current assets	<u>587,656</u>	<u>5,468,836</u>	<u>2,179,465</u>	<u>24,083</u>	<u>8,260,040</u>
Noncurrent assets:					
Capital assets:					
Nondepreciable capital assets		2,341,018	1,789,881	445,000	4,575,899
Depreciable capital assets, net		6,751,399	14,344,561	2,416,108	23,512,068
Total capital assets	<u>0</u>	<u>9,092,417</u>	<u>16,134,442</u>	<u>2,861,108</u>	<u>28,087,967</u>
Total assets	<u>587,656</u>	<u>14,561,253</u>	<u>18,313,907</u>	<u>2,885,191</u>	<u>36,348,007</u>
Deferred outflows of resources					
Pension:					
Difference between expected and actual experience		735	875	437	2,047
Contributions after measurement date		7,808	9,290	4,647	21,745
Changes in assumptions		2,926	3,482	1,742	8,150
Total deferred outflows of resources	<u>0</u>	<u>11,469</u>	<u>13,647</u>	<u>6,826</u>	<u>31,942</u>
Liabilities					
Current liabilities:					
Accounts payable	45,122	15,347	28,847	3,713	93,029
Accrued interest payable		3,260	12,049		15,309
Other accrued expenses		11,171	8,282	5,308	24,761
Interfund balances	196,806	575,803		43,108	815,717
Current portion of notes payable			444,634		444,634
Current liabilities payable from restricted assets - Customer deposits		<u>430,478</u>			<u>430,478</u>
Total current liabilities	<u>241,928</u>	<u>1,036,059</u>	<u>493,812</u>	<u>52,129</u>	<u>1,823,928</u>
Long-term liabilities:					
Net pension liability		18,777	22,342	11,178	52,297
Notes payable (net of current portion)		2,069,769	5,670,034		7,739,803
	<u>0</u>	<u>2,088,546</u>	<u>5,692,376</u>	<u>11,178</u>	<u>7,792,100</u>
Total liabilities	<u>241,928</u>	<u>3,124,605</u>	<u>6,186,188</u>	<u>63,307</u>	<u>9,616,028</u>
Deferred inflows of resources					
Pension:					
Difference between expected and actual experience		11,337	13,490	6,748	31,575
Net difference between projected and actual earnings		5,639	6,709	3,357	15,705
Changes in assumptions		266	316	158	740
Total deferred inflows of resources	<u>0</u>	<u>17,242</u>	<u>20,515</u>	<u>10,263</u>	<u>48,020</u>
Net position					
Net investment in capital assets		7,022,648	10,019,774	2,861,108	19,903,530
Restricted for capital improvements		408,917			408,917
Unrestricted	345,728	3,999,310	2,101,077	(42,661)	6,403,454
Total net position	<u>\$ 345,728</u>	<u>\$ 11,430,875</u>	<u>\$ 12,120,851</u>	<u>\$ 2,818,447</u>	<u>\$ 26,715,901</u>

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

City of Rincon, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended December 31, 2018

	<u>Sanitation</u>	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues					
Charges for services	\$ 722,130	\$ 1,827,452	\$ 1,772,554	\$ 471,112	\$ 4,793,248
Other revenues		38,491	24,780		63,271
Total operating revenues	<u>722,130</u>	<u>1,865,943</u>	<u>1,797,334</u>	<u>471,112</u>	<u>4,856,519</u>
Operating expenses					
Salaries		280,902	251,718	232,605	765,225
Payroll taxes and employee benefits		116,277	105,742	52,353	274,372
Utilities and telephone		79,847	149,345	46,810	276,002
Repairs and maintenance		30,639	77,454	13,934	122,027
Office supplies and expenses		32,744	8	1,918	34,670
Computer support		10,345	238	3,151	13,734
Operational supplies		55,707	87,412	40,671	183,790
Gas, oil and tires		13,476	13,632	8,195	35,303
Insurance		5,514	10,989	3,450	19,953
Contractual services	527,531	59,819	110,667	25,047	723,064
Engineering fees		1,609	1,609		3,218
Advertising/legal ads		771	329	2,336	3,436
Dues and subscriptions		175	224	1,937	2,336
Travel and training		3,662	4,382	1,066	9,110
Tournament expenses				2,087	2,087
License and taxes				4,065	4,065
Miscellaneous expense		13,044		20,924	33,968
Bad debt expense		(3,832)	(9,928)	8,203	(5,557)
Bank merchant fees		35,216		900	36,116
Leased equipment				2,210	2,210
Depreciation		274,059	635,345	123,940	1,033,344
Total operating expenses	<u>527,531</u>	<u>1,009,974</u>	<u>1,439,166</u>	<u>595,802</u>	<u>3,572,473</u>
Operating income (loss)	<u>194,599</u>	<u>855,969</u>	<u>358,168</u>	<u>(124,690)</u>	<u>1,284,046</u>
Non-operating revenues (expenses)					
Impact fees		103,362	325,329		428,691
Investment earnings	1,083	23,722	6,065	323	31,193
Tower rental		77,274			77,274
Interest expense		(31,020)	(146,522)		(177,542)
Miscellaneous				202	202
Total non-operating revenues	<u>1,083</u>	<u>173,338</u>	<u>184,872</u>	<u>525</u>	<u>359,818</u>
Income (loss) before interfund transfers	195,682	1,029,307	543,040	(124,165)	1,643,864
Interfund transfers	<u>(1,051,717)</u>	<u>(955,029)</u>	<u>2,017,406</u>		<u>10,660</u>
Change in net position	(856,035)	74,278	2,560,446	(124,165)	1,654,524
Net position beginning of year	<u>1,201,763</u>	<u>11,356,597</u>	<u>9,560,405</u>	<u>2,942,612</u>	<u>25,061,377</u>
Net position end of year	<u>\$ 345,728</u>	<u>\$ 11,430,875</u>	<u>\$ 12,120,851</u>	<u>\$ 2,818,447</u>	<u>\$ 26,715,901</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, 2018

	Sanitation	Water	Sewer	Golf Course	Total
Increase (decrease) in cash and cash equivalents					
Cash flows from operating activities					
Cash received from customers	\$ 676,755	\$ 1,767,862	\$ 1,675,031	\$ 483,298	\$ 4,602,946
Cash payments to employees for personal services		(389,008)	(355,047)	(282,323)	(1,026,378)
Cash payments for goods and services	(541,262)	(429,990)	(454,206)	(201,108)	(1,626,566)
Net cash provided by (used for) operating activities	<u>135,493</u>	<u>948,864</u>	<u>865,778</u>	<u>(133)</u>	<u>1,950,002</u>
Cash flows from noncapital financing activities					
Interfund balances	934,074	1,657,194	(3,100,544)	(46,731)	(556,007)
Tower rental		77,274			77,274
Interfund transfers	(1,051,717)	(953,154)	2,019,281		14,410
Net cash provided by (used for) noncapital financing activities	<u>(117,643)</u>	<u>781,314</u>	<u>(1,081,263)</u>	<u>(46,731)</u>	<u>(464,323)</u>
Cash flows from capital and related financing activities					
Proceeds from impact fees		103,362	325,329		428,691
Proceeds from long-term debt		1,152,327	545,752		1,698,079
Principal paid on long-term debt			(396,535)		(396,535)
Interest paid on debt		(28,710)	(135,115)		(163,825)
Payments for capital acquisitions		(1,349,012)	(704,429)	(13,999)	(2,067,440)
Transfers from SPLOST Capital Projects Fund		(1,875)	(1,875)		(3,750)
Net cash used for capital and related financing activities	<u>0</u>	<u>(123,908)</u>	<u>(366,873)</u>	<u>(13,999)</u>	<u>(504,780)</u>
Cash flows from investing activities					
Investment earnings	1,083	23,722	6,065	525	31,395
Net change in cash and cash equivalents	18,933	1,629,992	(576,293)	(60,338)	1,012,294
Cash and cash equivalents beginning of year	<u>148,096</u>	<u>2,518,361</u>	<u>1,413,478</u>	<u>69,492</u>	<u>4,149,427</u>
Cash and cash equivalents end of year	<u>\$ 167,029</u>	<u>\$ 4,148,353</u>	<u>\$ 837,185</u>	<u>\$ 9,154</u>	<u>\$ 5,161,721</u>
Cash and cash equivalents					
Unrestricted	\$ 167,029	\$ 3,739,436	\$ 837,185	\$ 9,154	\$ 4,752,804
Restricted		408,917			408,917
	<u>\$ 167,029</u>	<u>\$ 4,148,353</u>	<u>\$ 837,185</u>	<u>\$ 9,154</u>	<u>\$ 5,161,721</u>

(continued)

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

City of Rincon, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

(continued)

	<u>Sanitation</u>	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 194,599	\$ 855,969	\$ 358,168	\$ (124,690)	\$ 1,284,046
Adjustments:					
Depreciation		274,059	635,345	123,940	1,033,344
(Increase) decrease in assets:					
Accounts receivable	(56,905)	(124,305)	(132,231)	12,186	(301,255)
Prepaid expenses		(18,711)	(7,914)	(5,108)	(31,733)
Increase (decrease) in liabilities:					
Accounts payable	(2,201)	(68,711)	9,997	(9,096)	(70,011)
Accrued expenses		8,721	3,069	2,960	14,750
Customer deposits		22,392			22,392
Net pension liability		(550)	(656)	(325)	(1,531)
Net cash provided by (used for) operating activities	<u>\$ 135,493</u>	<u>\$ 948,864</u>	<u>\$ 865,778</u>	<u>\$ (133)</u>	<u>\$ 1,950,002</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, 2018

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.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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:

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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.

The Special Projects Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of special capital projects.

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

Sewer Fund – This fund is used to account for the construction of facilities and operation of activities involved in providing sewer utility 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.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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 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.

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 fair market values as of the date received. The City maintains a capitalization threshold of ten thousand dollars or at managements 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.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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

Vacation benefits are not accrued since the amount of the liability cannot be reasonably determined.

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.

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.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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".

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.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

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 fund's 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.

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.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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, 2018, the City was not exposed to custodial credit risk.

Note 5 - Receivables

Receivables at December 31, 2018, 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 \$125,062 for the year ended December 31, 2018.

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, 2018, was \$9,313.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 8 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2018, was as follows:

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Reclassi- fication</u>	<u>Balance 12/31/18</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,356,379				\$ 1,356,379
Depreciable capital assets:					
Land improvements	4,673,893			\$ (258,030)	4,415,863
Buildings	3,147,260				3,147,260
Equipment	4,387,123	\$ 238,733	\$ (64,711)	258,030	4,819,175
Vehicles	1,307,347	82,360			1,389,707
Infrastructure	6,902,803	512,709			7,415,512
Total depreciable capital assets	<u>20,418,426</u>	<u>833,802</u>	<u>(64,711)</u>	<u>0</u>	<u>21,187,517</u>
Total capital assets	<u>21,774,805</u>	<u>833,802</u>	<u>(64,711)</u>	<u>0</u>	<u>22,543,896</u>
Accumulated depreciation:					
Land improvements	453,302	89,524			542,826
Buildings	986,146	68,986			1,055,132
Equipment	3,230,462	319,753	(64,711)		3,485,504
Vehicles	995,313	108,152			1,103,465
Infrastructure	637,573	141,445			779,018
Total accumulated depreciation	<u>6,302,796</u>	<u>727,860</u>	<u>(64,711)</u>	<u>0</u>	<u>6,965,945</u>
Governmental activities capital assets, net	<u>\$ 15,472,009</u>	<u>\$ 105,942</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,577,951</u>
Governmental activities depreciation expense:					
General government			\$ 79,750		
Public safety - police			154,432		
Public safety - fire			157,454		
Public works - streets and lanes			186,424		
Parks and recreation			147,278		
Building and zoning			2,522		
Total governmental activities depreciation expense			<u>\$ 727,860</u>		

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 8 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2018, was as follows:

	Balance 12/31/17	Additions	Dispositions	Reclassi- fication	Balance 12/31/18
Business-type activities:					
Capital assets not being depreciated:					
Land and rights	\$ 819,163				\$ 819,163
Construction in progress	3,273,611	\$ 532,286		\$ (49,161)	3,756,736
Total capital assets not being depreciated	<u>4,092,774</u>	<u>532,286</u>	<u>\$ 0</u>	<u>(49,161)</u>	<u>4,575,899</u>
Depreciable capital assets:					
Buildings	775,684				775,684
Improvements, other than buildings	2,358,106				2,358,106
Water system	9,665,102	58,041	(26,131)		9,697,012
Sewer plant	22,352,463	25,381	(49,750)	49,161	22,377,255
Equipment	916,936	14,000			930,936
Vehicles	425,188				425,188
Office equipment	29,408		(29,408)		0
Total depreciable capital assets	<u>36,522,887</u>	<u>97,422</u>	<u>(105,289)</u>	<u>49,161</u>	<u>36,564,181</u>
Total capital assets	<u>40,615,661</u>	<u>629,708</u>	<u>(105,289)</u>	<u>0</u>	<u>41,140,080</u>
Accumulated depreciation:					
Buildings	198,266	25,758			224,024
Improvements, other than buildings	473,942	58,880			532,822
Water system	2,779,671	249,546	(26,131)		3,003,086
Sewer plant	7,573,651	609,597	(49,750)		8,133,498
Equipment	729,582	63,516			793,098
Vehicles	339,538	26,047			365,585
Office equipment	29,408		(29,408)		0
Total accumulated depreciation	<u>12,124,058</u>	<u>1,033,344</u>	<u>(105,289)</u>	<u>0</u>	<u>13,052,113</u>
Business-type activities capital assets, net	<u>\$ 28,491,603</u>	<u>\$ (403,636)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,087,967</u>

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 9 - Interfund Balances and Transfers

Interfund balances at December 31, 2018, consisted of the following amounts and represent charges for services or reimbursable expenses. 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.

Payable from:	Payable to:			
	General Fund	Fire Department Fund	Special Projects fund	Sanitation Fund
General Fund		\$ 151,883		\$ 314,447
Fire Department Fund				
SPLOST Fund	\$ 21,490			
Special Projects Fund	79,737			
Hotel/Motel Tax Fund	934			
Golf Course Fund	3,023			
Total	\$ 105,184	\$ 151,883	\$ 0	\$ 314,447

	Water Fund	Sewer Fund	Golf Course Fund	Total
General Fund	\$ 670,139	\$ 516,121		\$ 1,652,590
Fire Department Fund	99,754			99,754
SPLOST Fund				21,490
Hotel/Motel Tax Fund				934
Sanitation Fund	196,806			196,806
Water Fund		575,803		575,803
Golf Course Fund	40,085			43,108
Total	\$ 1,006,784	\$ 1,091,924	\$ 0	\$ 2,590,485

Interfund transfers for the year ended December 31, 2018, were as follows:

- SPLOST fund transferred \$1,875 to the Water fund for water system additions.
- SPLOST fund transferred \$8,785 to the Sewer fund for sewer system additions.
- Water fund transferred \$2,008,621 to Sewer fund to supplement its finances.
- Sanitation fund transferred \$1,051,717 to the Water fund to supplement its finances.
- General fund transferred \$369,817 to the Special Projects fund to supplement its finances.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 \$58,333 (cost of \$125,000 less accumulated depreciation of \$66,667). The outstanding balance of the corresponding liabilities is included in the governmental activities long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2018, follow:

Year	Principal	Interest	Total
2019	\$ 23,404	\$ 1,508	\$ 24,912
2020	26,341	835	27,176
2021	11,231	96	11,327
Total	\$ 60,976	\$ 2,439	\$ 63,415

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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. Annual debt service requirements to amortize the bonds as of December 31, 2018, follow.

Year	Principal	Interest	Total
2019	\$ 444,364	111,746	\$ 556,110
2020	455,600	100,510	556,110
2021	467,122	88,988	556,110
2022	478,934	77,176	556,110
2023	491,046	65,064	556,110
2024-2028	2,335,569	134,513	2,470,082
Total	<u>\$ 4,672,635</u>	<u>\$ 577,997</u>	<u>\$ 5,250,632</u>

GEFA 2017 Loan (Water) - The purpose of the loan is to complete improvements to the water system. The total amount of this loan is expected to be \$2,100,000. Advances were made on this loan in 2017 and 2018 totaling \$917,442 and \$1,152,327, respectively. The loan will be converted from construction status to fixed amortization upon completion of the project with payments to be amortized over 20 years at 1.89% interest.

GEFA 2017 Loan (Sewer) - The purpose of the loan is to complete improvements to the sewer system. The total amount of this loan is expected to be \$2,540,000. Advances were made on this loan in 2017 and 2018, totaling \$896,281 and \$545,752, respectively. The loan will be converted from construction status to fixed amortization upon completion of the project with payments to be amortized over 20 years at 1.89% interest.

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2018.

	Outstanding 12/31/17	Additions	Reductions	Outstanding 12/31/18	Amounts Due in One Year
Governmental Activities					
Capital lease	\$ 85,718		\$ 24,742	\$ 60,976	\$ 23,404
Net pension liability	171,733		1,109	170,624	
Total governmental activities	<u>\$ 257,451</u>	<u>\$ 0</u>	<u>\$ 25,851</u>	<u>\$ 231,600</u>	<u>\$ 23,404</u>

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 10 - Long-Term Debt (continued)

	Outstanding 12/31/17	Additions	Reductions	Outstanding 12/31/18	Amounts Due in One Year
Business-Type Activities					
Series 2015 bonds	\$ 5,069,170		\$ 396,535	\$ 4,672,635	\$ 444,634
GEFA loan- Water Fund	917,442	\$ 1,152,327		2,069,769	
GEFA loan- Sewer Fund	896,281	545,752		1,442,033	
Net pension liability	52,637		340	52,297	
Total Business-Type Activities	<u>\$ 6,935,530</u>	<u>\$ 1,698,079</u>	<u>\$ 396,875</u>	<u>\$ 8,236,734</u>	<u>\$ 444,634</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. The principal and interest payments related to the City's business-type capital lease is being financed from income derived from the operation of the golf course.

Total interest incurred (all of which was charged to operations) in the government-wide financial statements amounted to \$2,248 for governmental activities and \$177,542 for business-type activities.

Note 11 - Defined Benefit Pension Plan

General Information About the Pension Plan

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

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.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 11 - Defined Benefit Pension Plan (continued)

Employees Covered - At July 1, 2018, the following employees were covered by the benefit terms for the plan:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	39
Active employees	63
Total	117

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 \$123,587 for the year ended December 31, 2018.

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, 2017, using an annual actuarial valuation as of July 1, 2017. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation date	July 1, 2018
Measurement date	March 31, 2018
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 value.
Discount rate	7.50%
Inflation rate	2.75%

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 11 - Defined Benefit Pension Plan (continued)

Net investment rate of return	7.50%
Projected salary increase	2.75% 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, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through June 30, 2014. Further details of the experience study can be obtained by contacting the Georgia Municipal Association.

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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.

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, 2018, (see the discussion of the pension plan's investment policy) are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Cash	0%	
Total	<u>100%</u>	

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 11 - Defined Benefit Pension Plan (continued)

Changes in Net Pension Liability

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

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability/ Asset</u>
Balances as of March 31, 2017	\$ 1,842,688	\$ 1,618,318	\$ 224,370
Changes for the year:			
Service cost	136,661		136,661
Interest	140,700		140,700
Differences between expected and actual experience	(1,960)		(1,960)
Contributions - employer		129,365	(129,365)
Net investment income		204,461	(204,461)
Benefit payments	(54,411)	(54,411)	0
Administrative expense		(10,657)	10,657
Changes in assumptions	46,319		46,319
Net changes	<u>267,309</u>	<u>268,758</u>	<u>(1,449)</u>
Balances as of March 31, 2018	<u>\$ 2,109,997</u>	<u>\$ 1,887,076</u>	<u>\$ 222,921</u>

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

	Current	
<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
\$ 545,812	\$ 222,920	\$ (40,905)

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

For the year ended December 31, 2018, the City recognized a pension expense of \$117,064. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,727	\$ (134,595)
Pension contributions subsequent to measurement date	92,690	

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 11 - Defined Benefit Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		(66,944)
Changes of assumptions	34,740	(3,155)
Total	\$ 136,157	\$ (204,694)

\$92,690 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, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a component of pension expense as follows:

Year ended December 31:	
2019	\$ (43,040)
2020	(44,042)
2021	(58,837)
2022	(15,308)
	\$ (161,227)

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, 2018, is as follows:

	Governmental Activities	Business Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 22,543,896	\$ 41,140,080
Less accumulated depreciation	6,965,945	13,052,113
Book value	15,577,951	28,087,967
Less capital related debt	60,976	8,184,437
Investments in capital assets, net of related debt	\$ 15,516,975	\$ 19,903,530

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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, 2018. No provisions have been made in the financial statements for the year ended December 31, 2018, for any estimate of potential unpaid claims.

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

Note 14 - Commitments

The City had contractual commitments at December 31, 2018, of approximately \$324,471 for various construction contracts. Future appropriations will fund these commitments as work is performed. Following is a schedule of these commitments.

General fund	
Public works - streets and lanes	\$ 28,400
Utility funds	
Water and sewer projects	296,071

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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, 2018. 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 - 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 17 - Subsequent Events

Subsequent events have been evaluated by management through March 9, 2020, 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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes	\$ 2,946,400	\$ 3,006,217	\$ 3,355,522	\$ 349,305
Licenses and permits	104,750	104,750	318,704	213,954
Intergovernmental	114,000	114,000	155,558	41,558
Charges for services	140,000	140,000	181,886	41,886
Fines and forfeitures	805,000	805,000	580,849	(224,151)
Investment earnings	5,050	5,050	11,838	6,788
Miscellaneous	47,500	47,500	83,535	36,035
Total revenues	<u>4,162,700</u>	<u>4,222,517</u>	<u>4,687,892</u>	<u>465,375</u>
Expenditures				
Current:				
General Government				
City Council	417,756	417,756	396,960	20,796
General administration	338,001	433,001	428,652	4,349
Financial administration	124,834	214,834	212,593	2,241
Judicial	58,888	58,888	59,131	(243)
Public Safety - police	1,930,369	1,696,869	1,690,144	6,725
Public Works - streets and lanes	1,372,025	1,012,025	1,005,353	6,672
Parks and Recreation	502,803	537,803	534,293	3,510
Housing and Development -				
Building and zoning	301,021	371,021	370,826	195
Total expenditures	<u>5,045,697</u>	<u>4,742,197</u>	<u>4,697,952</u>	<u>44,245</u>
Deficit of revenues to expenditures	(882,997)	(519,680)	(10,060)	509,620
Other financing sources				
Interfund transfer - Special Projects fund		(369,817)	(369,817)	0
Net change in fund balance	<u>\$ (882,997)</u>	<u>\$ (889,497)</u>	<u>(379,877)</u>	<u>\$ 509,620</u>
Fund balances beginning of year			<u>1,708,621</u>	
Fund balances end of year			<u>\$ 1,328,744</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues				
Intergovernmental	\$ 550,000	\$ 550,000	\$ 534,768	\$ (15,232)
Charges for service	420,000	420,000	446,500	26,500
Investment earnings	350	350	541	191
Miscellaneous	<u>7,850</u>	<u>7,850</u>	<u>57,638</u>	<u>49,788</u>
Total revenues	<u>978,200</u>	<u>978,200</u>	<u>1,039,447</u>	<u>61,247</u>
Expenditures				
Public safety	<u>1,057,239</u>	<u>1,057,239</u>	<u>974,019</u>	<u>83,220</u>
Deficit of revenues to expenditures	<u>\$ (79,039)</u>	<u>\$ (79,039)</u>	65,428	<u>\$ 144,467</u>
Fund balances				
Beginning of year			<u>280,362</u>	
End of year			<u>\$ 345,790</u>	

City of Rincon, Georgia
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

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 nine budget revision, three of which affected governmental funds.

All unexpended annual appropriations lapse at year-end.

On the budgetary basis, debt service expenditures (i.e. \$27,176) are budgeted within the functions but are reported as separate character classifications on the GAAP basis. The reconciliation to the Schedule of Revenue, Expenditures and Changes in Fund Balance is as follows:

	<u>Financial Statement</u>	<u>Budgetary Adjustment</u>	<u>Budget</u>
Public works - streets and lanes	\$ 978,177	\$ 27,176	\$ 1,005,353
Debt service			
Principal	24,742	(24,742)	0
Interest and fiscal charges	<u>2,434</u>	<u>(2,434)</u>	<u>0</u>
	<u>\$ 1,005,353</u>	<u>\$ 0</u>	<u>\$ 1,005,353</u>

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, 2018

	2018	2017
Total Pension Liability		
Service cost	\$ 136,661	\$ 108,123
Interest	140,700	141,487
Difference between expected and actual experience	(1,960)	(204,573)
Changes in assumptions	46,319	
Benefit payments, including refunds of employee contributions	(54,411)	(55,969)
Net change in total pension liability	267,309	(10,932)
Total pension liability - beginning	1,842,688	1,853,620
Total pension liability - ending	\$ 2,109,997	\$ 1,842,688
 Plan fiduciary net position		
Contributions - employer	\$ 129,365	\$ 125,260
Net investment income	204,461	177,863
Benefit payments, including refunds of employee contributions	(54,411)	(55,969)
Administrative expense	(10,657)	(10,441)
Net change in fiduciary net position	268,758	236,713
Plan fiduciary net position - beginning	1,618,318	1,381,605
Plan fiduciary net position - ending	\$ 1,887,076	\$ 1,618,318
 Net pension liability - ending	222,921	224,370
 Plan fiduciary net position as a percentage of total pension liability	89.44%	87.82%
Covered employee payroll	2,010,635	2,495,005
Net position liability as a percentage of covered-employee payroll	11.09%	8.99%

Changes in assumptions

Amounts reported for the fiscal year ending in 2018 reflect the following assumption changes based on the actuarial study conducted in September 2017:

The investment return assumption was decreased from 7.75% to 7.5%

The inflation assumption was decreased from 3.25% to 2.75%

Benefit changes

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

City of Rincon, Georgia
General Fund
Comparative Balance Sheet
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 2,306,649	\$ 2,559,621
Restricted cash and cash equivalents	34,637	39,818
Receivables		
Taxes	716,422	631,071
Intergovernmental	41,113	
Interfund balances	105,184	2,715,682
Prepaid items	131,430	106,369
Total Assets	\$ 3,335,435	\$ 6,052,561
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 321,085	\$ 648,829
Accrued expenses	33,016	19,853
Interfund	1,652,590	3,675,258
Total liabilities	2,006,691	4,343,940
Fund balances		
Nonspendable - prepaid items	131,430	106,369
Restricted for public safety	34,637	39,818
Unrestricted	1,162,677	1,562,434
Total fund balances	1,328,744	1,708,621
Total liabilities, deferred inflows of resources and fund balances	\$ 3,335,435	\$ 6,052,561

City of Rincon, Georgia
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Taxes	\$ 3,355,522	\$ 3,154,971
Licenses and permits	318,704	478,002
Intergovernmental	155,558	482,652
Charges for services	181,886	142,893
Fines and forfeitures	580,849	789,886
Investment earnings	11,838	5,357
Miscellaneous	83,535	214,553
Total revenues	<u>4,687,892</u>	<u>5,268,314</u>
Expenditures		
Current:		
General Government		
City Council	396,960	444,078
General administration	428,652	366,420
Financial administration	212,593	123,212
Judicial	59,131	49,851
Public Safety - police	1,690,144	1,707,808
Public Works - streets and lanes	978,177	1,185,502
Parks and Recreation	534,293	543,257
Housing and Development - building and zoning	370,826	279,633
Debt service:		
Principal	24,742	23,957
Interest and fiscal charges	2,434	3,220
Total expenditures	<u>4,697,952</u>	<u>4,726,938</u>
Excess (deficit) of revenues to expenditures	(10,060)	541,376
Other financing uses		
Transfer to special projects fund	<u>(369,817)</u>	
Net change in fund balance	(379,877)	541,376
Fund balances beginning of year	<u>1,708,621</u>	<u>1,167,245</u>
Fund balances end of year	<u>\$ 1,328,744</u>	<u>\$ 1,708,621</u>

*City of Rincon, Georgia
Fire Department Fund
Comparative Balance Sheet
December 31, 2018 and 2017*

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents:		
Restricted	\$ 224,267	\$ 12,148
Receivables:		
Intergovernmental	9,725	164,255
Accounts	73,179	64,124
Interfund balances	151,883	368,538
Prepaid expenses	10,698	
Total current assets	\$ 469,752	\$ 609,065
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 15,376	\$ 14,460
Accrued expenses	8,832	5,173
Interfund	99,754	309,070
Total current liabilities	123,962	328,703
Fund balances		
Restricted for public safety	345,790	280,362
Total liabilities and fund balances	\$ 469,752	\$ 609,065

City of Rincon, Georgia
Fire Department Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Intergovernmental	\$ 534,768	\$ 540,465
Charges for service	446,500	375,041
Investment earnings	541	297
Miscellaneous	57,638	2,300
Total revenues	<u>1,039,447</u>	<u>918,103</u>
 Expenditures		
Public safety	<u>974,019</u>	<u>1,083,854</u>
 Net change in fund balance	65,428	(165,751)
 Fund balances		
Beginning of year	<u>280,362</u>	<u>446,113</u>
 End of year	<u><u>\$ 345,790</u></u>	<u><u>\$ 280,362</u></u>

City of Rincon, Georgia
SPLOST Capital Projects Fund
Comparative Balance Sheet
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 3,914,489	\$ 2,587,728
Receivables - taxes	284,125	345,813
Total Assets	\$ 4,198,614	\$ 2,933,541
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 28,400	
Interfund balance	21,490	\$ 193,149
Total liabilities	49,890	193,149
Fund balances		
Restricted for capital projects	4,148,724	2,740,392
Total liabilities and fund balances	\$ 4,198,614	\$ 2,933,541

City of Rincon, Georgia
SPLOST Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenues		
Intergovernmental	\$ 1,533,653	\$ 1,283,112
Investment earnings	24,466	5,365
Total revenues	1,558,119	1,288,477
Expenditures		
Capital outlays:		
General Government	45,176	4,410
Public Works - streets and lanes	43,620	
Parks and Recreation	50,331	2,491
Total expenditures	139,127	6,901
Excess of revenues over expenditures	1,418,992	1,281,576
Other financing uses		
Transfer to water and sewer funds	(10,660)	(118,266)
Net change in fund balance	1,408,332	1,163,310
Fund balances beginning of year	2,740,392	1,577,082
Fund balances end of year	\$ 4,148,724	\$ 2,740,392

City of Rincon, Georgia
Special Projects Fund (Capital Projects Fund)
Comparative Balance Sheet
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 79,737	\$ 25,555
Interfund balance		157,002
Total Assets	\$ 79,737	\$ 182,557
Liabilities and Fund Balances		
Liabilities		
Interfund balance	\$ 79,737	\$ 105,000
Total liabilities	79,737	105,000
Fund balances		
Restricted for capital projects	0	77,557
Total liabilities and fund balances	\$ 79,737	\$ 182,557

City of Rincon, Georgia
Special Projects Fund (Capital Projects Fund)
Project Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended December 31, 2018

	Project Length Budget (Original)	Project Length Budget (Revised)	Prior Years	Current Year	Total	Variance with budget
Revenues						
Intergovernmental	\$ 500,000	\$ 500,000	500,000		\$ 500,000	\$ 0
Contributions	1,942,000	1,942,000	1,942,000		1,942,000	0
Investment earnings		3,872	3,599	\$ 273	3,872	0
Total revenues	<u>2,442,000</u>	<u>2,445,872</u>	<u>\$ 2,445,599</u>	<u>273</u>	<u>2,445,872</u>	<u>0</u>
Expenditures						
Current						
Public works - streets and lanes	<u>2,442,000</u>	<u>2,815,689</u>	<u>2,368,042</u>	<u>447,647</u>	<u>2,815,689</u>	<u>0</u>
Excess (deficit) of revenues to expenditures	0	(369,817)	77,557	(447,374)	(369,817)	0
Other financing uses						
Transfer from general fund		<u>369,817</u>		<u>369,817</u>	<u>369,817</u>	<u>0</u>
Net change in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 77,557</u>	<u>(77,557)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund balance beginning of year				<u>77,557</u>		
Fund balance end of year				<u>\$ 0</u>		

City of Rincon, Georgia
Hotel/Motel Tax Fund
Balance Sheet
December 31, 2018 and 2017

	2018	2017
Assets		
Receivables - taxes	\$ <u>934</u>	\$ <u>176</u>
Liabilities and Fund Balances		
Liabilities		
Interfund	\$ 934	\$ 176
Fund balances	<u>0</u>	<u>0</u>
Total liabilities and fund balances	\$ <u>934</u>	\$ <u>176</u>

City of Rincon, Georgia
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
For the Years Ended December 31, 2018 and 2017

	2018				2017 Actual
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
Revenues					
Taxes	\$ 6,500	\$ 6,500	\$ 5,750	\$ (750)	\$ 6,463
Expenditures					
Tourism promotion	<u>6,500</u>	<u>6,500</u>	<u>5,750</u>	<u>750</u>	<u>6,463</u>
Net change in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>	<u>\$ 0</u>
Fund balances beginning of year			<u>0</u>		
Fund balances end of year			<u>\$ 0</u>		

City of Rincon, Georgia
Sanitation Fund
Comparative Statement of Net Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 167,029	\$ 148,096
Receivables - accounts	106,180	49,275
Interfund balances	314,447	1,551,841
Total current assets	587,656	1,749,212
Liabilities		
Current liabilities:		
Accounts payable	45,122	47,323
Interfund balances	196,806	500,126
Total current liabilities	241,928	547,449
Net Position		
Unrestricted	\$ 345,728	\$ 1,201,763

City of Rincon, Georgia
Sanitation Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenues		
Charges for services	\$ 722,130	\$ 635,317
Operating expenses		
Contractual services	527,531	589,829
Operating income	194,599	45,488
Non-operating revenues		
Investment earnings	1,083	1,228
Income before interfund transfers	195,682	46,716
Interfund transfers - to Water Fund	(1,051,717)	
Change in net position	(856,035)	46,716
Net position		
Beginning of year	1,201,763	1,155,047
End of year	\$ 345,728	\$ 1,201,763

City of Rincon, Georgia
Water Fund
Comparative Statement of Net Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 3,739,436	\$ 2,111,575
Restricted	408,917	406,786
Receivables - accounts	294,988	170,683
Interfund	1,006,784	4,008,554
Prepaid expenses	18,711	
Total current assets	5,468,836	6,697,598
Noncurrent assets:		
Capital assets:		
Nondepreciable capital assets	2,341,018	1,808,733
Depreciable capital assets, net	6,751,399	6,967,417
Total capital assets	9,092,417	8,776,150
Total assets	14,561,253	15,473,748
Deferred outflows of resources		
Pension:		
Difference between expected and actual experience	735	1,470
Contributions after measurement date	7,808	8,294
Changes in assumptions	2,926	0
Total deferred outflows of resources	11,469	9,764
Liabilities		
Current liabilities:		
Accounts payable	15,347	842,744
Interest payable	3,260	950
Other accrued expense	11,171	2,450
Interfund balances	575,803	1,920,379
Current liabilities payable from restricted assets		
Customer deposits	430,478	408,086
Total current liabilities	1,036,059	3,174,609
Long-term liabilities:		
Net pension liability	18,777	18,899
Note payable	2,069,769	917,442
Total long-term liabilities	2,088,546	936,341
Total liabilities	3,124,605	4,110,950
Deferred inflows of resources		
Pension:		
Difference between expected and actual experience	11,337	15,097
Net difference between projected and actual earnings on pension plan investments	5,639	336
Changes in assumptions	266	532
Total deferred inflows of resources	17,242	15,965
Net Position		
Net investment in capital assets	7,022,648	7,858,708
Restricted for capital system improvements	408,917	406,786
Unrestricted	3,999,310	3,091,103
Total net position	\$ 11,430,875	\$ 11,356,597

City of Rincon, Georgia
Water Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues		
Charges for services	\$ 1,827,452	\$ 1,504,682
Other revenues	38,491	27,756
Total operating revenues	<u>1,865,943</u>	<u>1,532,438</u>
Operating expenses		
Salaries	280,902	206,024
Payroll taxes and employee benefits	116,277	79,008
Utilities and telephone	79,847	57,904
Repairs and maintenance	30,639	57,218
Office supplies and expenses	32,744	27,746
Computer support	10,345	11,113
Operating supplies	55,707	48,341
Gas, oil and tires	13,476	12,231
Insurance	5,514	11,041
Contractual services	59,819	105,419
Engineering fees	1,609	9,383
Advertising/legal ads	771	569
Dues and subscriptions	175	1,700
Travel and training	3,662	1,673
Bank merchant fees	35,216	30,452
Bad debts expense	(3,832)	25,248
Other	13,044	2,309
Depreciation	274,059	258,923
Total operating expenses	<u>1,009,974</u>	<u>946,302</u>
Operating income	<u>855,969</u>	<u>586,136</u>
Non-operating revenues (expenses)		
Impact fees	103,362	29,431
Tower rental	77,274	74,302
Investment earnings	23,722	11,407
Interest	(31,020)	(28,608)
Total non-operating revenues	<u>173,338</u>	<u>86,532</u>
Income before interfund transfers	<u>1,029,307</u>	<u>672,668</u>
Interfund transfers		
From SPLOST Capital Projects Fund	1,875	80,070
From Sanitation Fund	1,051,717	
To Sewer Fund	(2,008,621)	
Total interfund transfers	<u>(955,029)</u>	<u>80,070</u>
Change in net position	74,278	752,738
Net position beginning of year	<u>11,356,597</u>	<u>10,603,859</u>
Net position end of year	<u>\$ 11,430,875</u>	<u>\$ 11,356,597</u>

City of Rincon, Georgia
Sewer Fund
Comparative Statement of Net Position
December 31, 2018 and 2017

	2018	2017
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 837,185	\$ 1,412,478
Restricted		1,000
Receivables		
Intergovernmental - grants	242,442	110,211
Accounts	1,091,924	
Interfund balances	7,914	
Prepaid expenses	<u>2,179,465</u>	<u>1,523,689</u>
Total current assets		
Noncurrent assets:		
Capital assets:		
Nondepreciable capital assets	1,789,881	1,839,041
Depreciable capital assets, net	<u>14,344,561</u>	<u>14,905,363</u>
Total capital assets	<u>16,134,442</u>	<u>16,744,404</u>
Total assets	<u>18,313,907</u>	<u>18,268,093</u>
Deferred outflows of resources		
Pension:		
Difference between expected and actual experience	875	1,749
Contributions after measurement date	9,290	9,869
Changes in assumptions	<u>3,482</u>	<u>0</u>
Total deferred outflows of resources	<u>13,647</u>	<u>11,618</u>
Liabilities		
Current liabilities:		
Accounts payable	28,847	697,896
Accrued interest	12,049	642
Other accrued expenses	8,282	5,213
Interfund balances		2,008,620
Notes payable	<u>444,634</u>	<u>396,535</u>
Total current liabilities	<u>493,812</u>	<u>3,108,906</u>
Long-term liabilities:		
Net pension liability	22,342	22,488
Notes payable (net of current portion)	<u>5,670,034</u>	<u>5,568,916</u>
Total long-term liabilities	<u>5,692,376</u>	<u>5,591,404</u>
Total liabilities	<u>6,186,188</u>	<u>8,700,310</u>
Deferred inflows of resources		
Pension:		
Difference between expected and actual experience	13,490	17,964
Difference between projected and actual earnings on investments	6,709	399
Changes in assumptions	<u>316</u>	<u>633</u>
Total deferred inflows of resources	<u>20,515</u>	<u>18,996</u>
Net Position		
Net investment in capital assets	10,019,774	10,778,953
Restricted for capital improvements	0	1,000
Unrestricted	<u>2,101,077</u>	<u>(1,219,548)</u>
Total net position	<u>\$ 12,120,851</u>	<u>\$ 9,560,405</u>

City of Rincon, Georgia
Sewer Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues		
Charges for services	\$ 1,772,554	\$ 1,452,800
Other revenues	24,780	21,958
Total operating revenues	<u>1,797,334</u>	<u>1,474,758</u>
Operating expenses		
Salaries	251,718	299,665
Payroll taxes and employee benefits	105,742	90,063
Utilities and telephone	149,345	127,975
Repairs and maintenance	77,454	77,488
Office supplies and expenses	8	2,118
Computer support	238	150
Operating supplies	87,412	98,828
Gas, oil and tires	13,632	11,228
Insurance	10,989	39,518
Contractual services	110,667	129,879
Advertising/legal ads	329	436
Dues and subscriptions	224	1,307
Engineering fees	1,609	
Travel and training	4,382	2,934
Bad debts expense	(9,928)	29,021
Other expenses		1,616
Depreciation	635,345	605,885
Total operating expenses	<u>1,439,166</u>	<u>1,518,111</u>
Operating income (loss)	<u>358,168</u>	<u>(43,353)</u>
Non-operating revenues (expenses)		
Impact fees	325,329	233,533
Investment earnings	6,065	3,588
Bond issue costs		
Interest expense	(146,522)	(154,448)
Total non-operating revenues (expenses)	<u>184,872</u>	<u>82,673</u>
Income before interfund transfers	<u>543,040</u>	<u>39,320</u>
Interfund transfers		
From Water Fund	2,008,621	
From SPLOST Capital Projects Fund	8,785	38,196
	<u>2,017,406</u>	<u>38,196</u>
Change in net position	2,560,446	77,516
Net position beginning of year	<u>9,560,405</u>	<u>9,482,889</u>
Net position end of year	<u>\$ 12,120,851</u>	<u>\$ 9,560,405</u>

City of Rincon, Georgia
Golf Course Fund
Comparative Statement of Net Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,154	\$ 69,492
Receivables - accounts (net of allowance of \$49,313 in 2018 and \$42,526 in 2017)	508	12,694
Inventory	9,313	9,313
Prepaid expense	5,108	
Total current assets	24,083	91,499
Noncurrent assets:		
Capital assets:		
Nondepreciable capital assets	445,000	445,000
Depreciable capital assets, net	2,416,108	2,526,049
Total capital assets	2,861,108	2,971,049
Total assets	2,885,191	3,062,548
Deferred outflows of resources		
Pension:		
Difference between expected and actual experience	437	875
Contributions after measurement date	4,647	4,937
Changes in assumptions	1,742	
Total deferred outflows of resources	6,826	5,812
Liabilities		
Current liabilities:		
Accounts payables	3,713	12,809
Accrued expenses	5,308	2,348
Interfund balances	43,108	89,839
Total current liabilities	52,129	104,996
Long-term liabilities:		
Net pension liability	11,178	11,250
Total liabilities	63,307	116,246
Deferred inflows of resources		
Pension:		
Difference between expected and actual experience	6,748	8,986
Difference between projected and actual earnings on investments	3,357	200
Changes in assumptions	158	316
Total deferred inflows of resources	10,263	9,502
Net Position		
Net investment in capital assets	2,861,108	2,971,049
Unrestricted	(42,661)	(28,437)
Total net position	\$ 2,818,447	\$ 2,942,612

City of Rincon, Georgia
Golf Course Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenues		
Course fees	\$ 439,398	\$ 471,116
Golf course sales (net of cost of goods sold)	4,335	(6,020)
Grill sales (net of cost of goods sold)	27,379	29,339
Total operating revenues	471,112	494,435
 Operating expenses		
Salaries	232,605	308,447
Payroll taxes and employee benefits	52,353	61,521
Utilities and telephone	46,810	55,605
Repairs and maintenance	13,934	49,083
Office supplies and expenses	1,918	2,214
Computer support	3,151	
Operating supplies	40,671	50,600
Gas and oil	8,195	4,859
Insurance	3,450	7,240
Contractual services	25,047	1,718
Advertising	2,336	3,065
Dues and subscriptions	1,937	1,704
Travel and training	1,066	169
Bank merchant fees	900	0
Tournament expenses	2,087	1,280
Bad debts	8,203	13,186
License and taxes	4,065	5,151
Miscellaneous expense	20,924	16,981
Leased equipment	2,210	2,040
Depreciation	123,940	124,050
Total operating expenses	595,802	708,913
 Operating loss	(124,690)	(214,478)
 Non-operating revenues (expenses)		
Miscellaneous revenue	202	1,973
Investment earnings	323	127
Interest expense		(286)
Total non-operating revenues (expenses)	525	1,814
 Change in net position	(124,165)	(212,664)
 Net position beginning of year	2,942,612	3,155,276
 Net position end of year	\$ 2,818,447	\$ 2,942,612

City of Rincon, Georgia
Schedule of Hotel/Motel Tax
For the Year Ended December 31, 2018

In accordance with O.C.G.A. 48-13-51, the City of Rincon levies a 5% tax on hotel/motel lodging and disburses collected funds for the purpose of promoting tourism.

This schedule provides information on the amount of Hotel/Motel tax cash receipts and the amount of such receipts which were disbursed for that purpose.

Revenues and expenditures for the year ended December 31, 2018, were as follows.

	Amount	Amount as a percentage of revenue
Hotel/Motel tax cash receipts	\$ <u>5,750</u>	
Expenditures for:		
Community promotion - Freedom Rings Celebration	\$ <u>5,750</u>	<u>100.00%</u>

City of Rincon, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2018

	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percent Complete
2011 Effingham County SPLOST						
Public buildings	\$ 38,867	\$ 38,867	\$ 4,410	\$ 45,176	\$ 49,586	127.58%
Public safety	155,467	67,449	331,832		331,832	491.97%
Roads, streets, and bridges	777,333	490,881	441,925	43,620	485,545	98.91%
Drainage	15,547	15,547				0.00%
Recreation	1,554,667	1,554,667	504,559	50,331	554,890	35.69%
Water and sewerage	3,754,520	3,754,520	730,712	10,660	741,372	19.75%
Total	<u>\$ 6,296,401</u>	<u>\$ 5,921,931</u>	<u>\$ 2,013,438</u>	<u>\$ 149,787</u>	<u>\$ 2,163,225</u>	

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

Public buildings	\$ 1,183,000	\$ 1,183,000			\$ 0	0.00%
Police	961,838	961,838			0	0.00%
Fire	961,837	961,837			0	0.00%
Streets and drainage	2,959,500	2,959,500			0	0.00%
Recreation	1,035,825	1,035,825			0	0.00%
Water and sewerage	4,735,200	4,735,200			0	0.00%
Total	<u>\$ 11,837,200</u>	<u>\$ 11,837,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	

Remaining fund balance at December 31, 2018:

2011 Effingham County SPLOST	\$ 1,714,749
2016 Effingham County SPLOST	<u>2,433,975</u>
	<u>\$ 4,148,724</u>

City of Rincon, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Environmental Protection Agency/ Georgia Environmental Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	CW16001	\$ 239,888
Georgia Environmental Finance Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW2016019	<u>1,251,033</u>
Total Environmental Protection Agency			<u>1,490,921</u>
Federal Emergency Management Agency/ Georgia Emergency Management Agency Disaster Grants - Public Assistance	97.036	FEMA-DR-4284- DR-GA	<u>40,363</u>
Total expenditure of federal awards			<u>\$ 1,531,284</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Rincon, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.



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 aggregate remaining fund information of City of Rincon, Georgia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Rincon, Georgia's basic financial statements, and have issued our report thereon dated March 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Rincon, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Rincon, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs at 2018-01 through 2018-08, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Rincon, Georgia's Response to Findings

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

Purpose of this Report

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

Canady, Hodges, Carnes & Rickelberg, LLP

March 9, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and City Council
City of Rincon, Georgia

Report on compliance for Each Major Federal Program

We have audited the City of Rincon, Georgia's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Canady, Hodges, Caines & Richbourg, LLP

March 9, 2020

City of Rincon, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section 1 - Summary of Auditor's Reports

Financial Statements

Type of auditors' report issued Unmodified
 Internal control over financial reporting:
 Material weakness(as) identified? X yes no
 Significant deficiencies identified not considered to be material yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
 Material weakness(as) identified? yes X no
 Significant deficiencies identified not considered to be material yes X none reported

Type of auditors' report on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? yes X no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
66.468	Environmental Protection Agency/Georgia Environmental Facilities Authority/Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? yes X no

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City of Rincon, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section II - Financial Statement Findings

2018-01 Accruals not properly recorded (REPEAT FINDING) (PY2017-01)

Condition: Accruals were not properly adjusted at the end of the current year.

Context: Procedures should be designed and implemented sufficient to ensure that accruals are calculated and recorded in accordance with generally accepted accounting principles.

Effect: Prior to adjustment, accounts were misstated; without such adjustments, the financial statements would be materially misstated.

Cause: Some accrual entries from the prior year were not properly reversed in the current year, and some current year accruals were not properly calculated and recorded.

Recommendation: Establish procedures to ensure that all appropriate accruals and reversals of accruals are made in the appropriate periods.

Management response: Management agrees with the finding.

2018-02 Bank statement reconciliations

Condition: The City's bank statements were not consistently reconciled in a timely manner throughout the year.

Context: Bank statements should be reconciled in a timely manner to ensure proper recording and detection of fraud and error in a timely manner.

Effect: Incomplete bank reconciliations result in increased risk that financial activity recorded is incomplete and inaccurate and could result in material misstatements in the financial statements.

Cause: Internal control procedures were modified to provide for numerous personnel, many without adequate training, to reconcile bank statements. This appears to be due to lack of adequate training of staff previously responsible for such procedures. Further causes included numerous erroneous entries to cash accounts which significantly increased the difficulty of reconciling bank statements.

Recommendation: Design and implement controls to ensure that all bank statements are consistently reconciled in a timely manner and that personnel performing bank statement reconciliations are qualified to do so.

Management response: Management agrees with the finding.

City of Rincon, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-03 **Accounts receivable - utilities**

Condition: The accounts receivable detail for utilities was not periodically reconciled to the general ledger control accounts.

Context: Internal controls should be in place to provide that all utility receivable general ledger accounts are reconciled to detail accounts receivable aging reports on a timely basis.

Effect: Because of the failure to require the accounts receivable balances to be reconciled to the accounts receivable detail, errors or other irregularities remained undetected for extended periods of time and, before correction, would have resulted in a material misstatement of the financial statements.

Cause: Procedures previously in place were not implemented effectively during most of the year under audit.

Recommendation: Implement procedures to periodically reconcile the accounts receivable general ledger control account to the accounts receivable detail.

Management response: Management agrees with the finding.

2018-04 **Interfund balances**

Condition: The City's general ledger contained a large number of misclassifications of transactions related to interfund balances.

Context: All activity should be appropriately classified by fund and account.

Effect: Prior to adjustment, a large number of interfund accounts were materially misstated.

Cause: The City had not provided adequate training to its staff to ensure the proper accounting treatment of various types of transactions.

Recommendation: Design and implement internal controls to ensure that all staff with access to the financial reporting system are adequately trained regarding use of the system and the classification of the various transactions in which the City is engaged.

Management response: Management agrees with the finding.

City of Rincon, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-05 Accounts payable and payroll liabilities

Condition: Liability accounts, specifically accounts payable and payroll liability general ledger control accounts were not reconciled to the underlying detail prior to commencement of the audit.

Context: Internal control procedures should be designed and implemented sufficient to ensure that significant liability accounts are periodically reconciled to the underlying detail and adjusted as necessary.

Effect: This condition could lead to fraud or error that is not detected and corrected in a timely manner. Specifically, numerous undetected misclassifications and erroneous entries in liability and expense accounts existed several months after year end.

Cause: Lack of observance of existing internal control procedures; inadequate training of personnel responsible for the performance of internal control procedures related to reconciling or review of accounts payable and payroll liability accounts.

Recommendation: Establish procedures to ensure that staff are adequately trained to review and reconcile liability accounts and that such accounts are continually reviewed and periodically reconciled and adjusted as necessary.

Management response: Management agrees with the finding.

2018-06 Misclassification of transactions

Condition: Prior to audit detection, there were numerous omitted or misclassified transactions among various general ledger accounts totaling to material amounts in each fund.

Context: Internal control procedures should be sufficiently designed and implemented to ensure that general ledger transactions are classified properly and that misclassifications are detected and corrected in a timely manner.

Effect: This condition lead to a material misstatement of the financial statements and could lead to theft or other fraud. Many of the transactions were recorded by personnel not properly authorized to have access to the financial reporting system and were thus made without the knowledge of upper management.

Cause: Insufficient training of personnel involved in most internal control procedures, including bank reconciliation, general ledger entry, and review of general ledger activity; and unauthorized contracting of a bookkeeper to help "clean up" the City's financial records and reporting.

City of Rincon, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-06 **Misclassification of transactions (continued)**

Recommendation: Establish procedures to ensure that all transactions are recorded correctly and that management review is conducted in a thorough and timely manner sufficient to detect and correct account misclassifications.

Management response: Management agrees with the finding.

2018-07 **Management override of controls- contracted services**

Condition: Subsequent to year end but before the completion to the audit, management contracted a bookkeeper without approval and appears to have paid the bookkeeper several payments specifically under the threshold above which approval of the city manager's approval is required.

Context: Internal control procedures should be consistently applied to ensure that all hired contractors are adequately approved by appropriate levels of management and that disbursement procedures, specifically those related to approval thresholds, are consistently applied.

Effect: This condition could lead to fraudulent activity and at a minimum has led and could lead to unapproved activity and undesired repercussions.

Cause: Management override of internal controls, inadequate training of management personnel involved in creating the condition.

Recommendation: Establish procedures to require that vendors be approved by appropriate levels of management prior to procurement or to entry into the financial reporting system. Further, establish procedures to periodically review check registers to identify unauthorized vendors or unusual payments to vendors.

Management response: Management agrees with the finding.

2018-08 **Excess refund of capital project contributions**

Condition: Adequate supporting documentation was not provided for a disbursement of approximately \$447,000. Upon further inquiry and review of records, it appears that the disbursement was refunded to a contributor to a capital project in error.

Context: Internal control procedures should be designed and implemented to ensure that each disbursement is adequately substantiated by supporting documentation. Under the terms of an agreement with a contributor to a capital project, any amounts not expended under the project agreement were to be refunded to the contributor. During 2018, the contributor submitted a request for refund of approximately \$447,000, to which the City complied. Upon examination during the audit process, the initial contribution claimed by the contributor could not be substantiated.

City of Rincon, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-08 Excess refund of capital project contributions (continued)

Effect: This condition could lead to errors in disbursements.

Cause: The disbursement appears to have been made based on documentation provided by the contributor without research by City staff to determine the requested amount was correct.

Recommendation: Ensure procedures to provide adequate documentation for all disbursements are adhered to.

Management response: Management agrees with the finding.

City of Rincon, Georgia
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2018

None