

City of Rincon, Georgia
Audited Financial Statements
For the Year Ended
December 31, 2020

City of Rincon, Georgia
Audited Financial Statements
For the year ended December 31, 2020

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and Georgia Society of Certified Public Accountants

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, 2020, 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, 2020, 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 on pages 6 through 13, the budgetary comparison information on pages 46 through 48, and the schedule of changes in net pension liability and related ratios and the schedule of contributions on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rincon, Georgia's basic financial statements. The Hotel/Motel Tax Fund Schedule of Revenues, Expenditures and Changes in Fund balances - Budget and Actual, The Schedule of Hotel/Motel Tax 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 Hotel/Motel Tax Fund Schedule of Revenues, Expenditures and Changes in Fund balances - Budget and Actual, the Schedule of Hotel/Motel Tax and the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds 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 Schedule of Revenues, Expenses, Expenditures and Changes in Fund Balances - Budget and Actual - Hotel/Motel Tax Fund, Schedule of Hotel/Motel Tax and the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Mayor and City Council
City of Rincon, Georgia
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, 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.

A handwritten signature in cursive script that reads "Cairns, Hodges & Company, P.C.".

July 12, 2021

City of Rincon, Georgia
Management's Discussion and Analysis

As management of the City of Rincon (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Rincon, Georgia for the fiscal year ended December 31, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The City's total net position on a government-wide basis, at the close of fiscal year 2020 was \$56,247,347 (net position). Of this amount, \$12,309,984 (unrestricted net position) is available to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,805,400 from the prior year. The governmental net position increased by \$2,171,029 and business-type net position increased by \$2,634,371.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,911,897, which is an increase of \$2,073,947 from the prior year. The general fund, fire department fund and SPLOST fund all reported increases in fund balances of \$1,554,378, \$265,184 and \$250,829, respectively. The increase in the general and fire funds fund balance is attributed to City Council's policy to increase a depleted fund balance in the funds, receipt of CARES Act funding, and increased fire fees. Management made a conscious effort to come under budgets established by Council. The SPLOST fund collected more during the year than expended on projects approved by the voters of Effingham County. This trend will change in future years as the City expends funds on eligible SPLOST projects.
- The General Fund reported a total fund balance of \$3,906,575, an increase from 2019 of \$1,554,378. The unassigned fund balance for the general fund was \$3,857,318 or 104% of the total general fund operating expenditures. The City has \$49,257 in restricted fund balance for public safety purposes.

Overview of the Financial Statements

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

Government-wide Statements

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

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

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

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

City of Rincon, Georgia
Management’s Discussion and Analysis

Fund Financial Statements

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

The City has two kinds of funds:

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

Financial Overview

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Rincon, Georgia, assets exceeded liabilities by \$56.2 million at the close of the most recent fiscal period. Governmental activities comprise \$25.2 million, and business-type activities make up \$31.0 million of the total net position. In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 10,699,197	\$ 8,392,817	\$ 10,581,779	\$ 9,261,712	\$ 21,280,976	\$ 17,654,529
Capital assets, net	15,524,476	15,445,669	28,792,597	28,057,557	44,317,073	43,503,226
Total assets	<u>26,223,673</u>	<u>23,838,486</u>	<u>39,374,376</u>	<u>37,319,269</u>	<u>65,598,049</u>	<u>61,157,755</u>
Deferred outflows of resources - pensions	281,746	88,761	118,187	27,204	399,933	115,965
Current liabilities	796,262	579,046	1,330,568	1,476,309	2,126,830	2,055,355
Noncurrent liabilities	378,880	161,030	7,096,752	7,442,527	7,475,632	7,603,557
Total liabilities	<u>1,175,142</u>	<u>740,076</u>	<u>8,427,320</u>	<u>8,918,836</u>	<u>9,602,462</u>	<u>9,658,912</u>
Deferred inflows of resources - pensions	104,386	132,309	43,787	40,552	148,173	172,861
Net position:						
Net investment in capital assets	15,515,514	15,410,135	21,360,734	20,137,674	36,876,248	35,547,809
Restricted for:						
Public safety	972,062	689,771	-	-	972,062	689,771
Housing & development	4,012	-	-	-	4,012	-
Capital projects	5,078,505	4,827,676	1,006,536	638,042	6,085,041	5,465,718
Unrestricted	3,655,798	2,127,280	8,654,186	7,611,369	12,309,984	9,738,649
Total net position	<u>\$ 25,225,891</u>	<u>\$ 23,054,862</u>	<u>\$ 31,021,456</u>	<u>\$ 28,387,085</u>	<u>\$ 56,247,347</u>	<u>\$ 51,441,947</u>

The largest portion of the City’s net position (66%) represents its investment in capital assets such as land, buildings, infrastructure, and equipment, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be

City of Rincon, Georgia
Management's Discussion and Analysis

noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City has an unrestricted net position totaling \$12.3 million or 21.9% of total net position, which may be used to meet the City's ongoing obligations to citizens and creditors.

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

The total net position increased by \$4,805,400 from the prior year. Governmental activities net position increased \$2,171,029, while business-type activities net position increased by \$2,634,371.

Changes in Net Position

The following table shows the changes in net position for 2020:

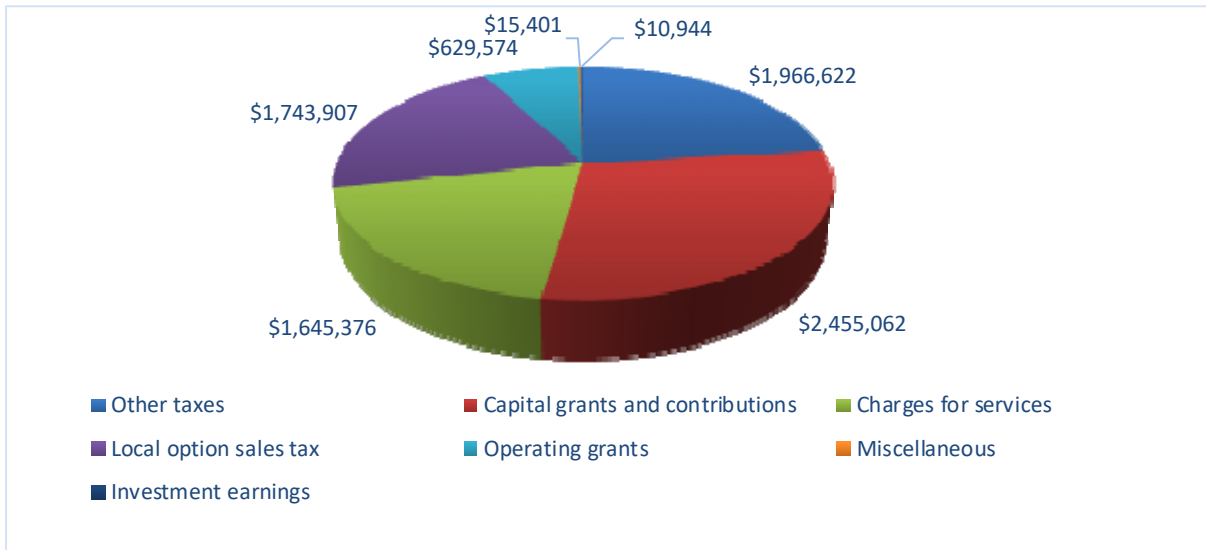
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,645,376	\$ 1,524,544	\$ 4,841,838	\$ 4,646,115	\$ 6,487,214	\$ 6,170,659
Operating grants and contributions	629,574	580,384	-	-	629,574	580,384
Capital grants and contributions	2,455,062	1,752,533	1,961,498	917,168	4,416,560	2,669,701
General revenues:						
Sales taxes	1,743,907	1,527,964	-	-	1,743,907	1,527,964
Other taxes	1,966,622	1,948,273	-	-	1,966,622	1,948,273
Unrestricted investment earnings	10,944	46,013	15,961	55,495	26,905	101,508
Miscellaneous	15,401	201,258	125,371	80,365	140,772	281,623
Transfers	(477,278)	(430,856)	477,278	430,856	-	-
Total revenues	7,989,608	7,150,113	7,421,946	6,129,999	15,411,554	13,280,112
Expenses:						
General government	801,328	717,790	-	-	801,328	717,790
Judiciary	66,307	143,144	-	-	66,307	143,144
Public safety	3,578,259	2,747,392	-	-	3,578,259	2,747,392
Public works	397,865	629,013	-	-	397,865	629,013
Culture and recreation	743,583	700,301	-	-	743,583	700,301
Housing and development	230,631	273,027	-	-	230,631	273,027
Interest on long-term debt	606	1,734	118,418	171,722	119,024	173,456
Sanitation	-	-	669,543	582,636	669,543	582,636
Water and sewer	-	-	3,219,807	2,993,826	3,219,807	2,993,826
Golf course	-	-	779,807	710,631	779,807	710,631
Total expenses	5,818,579	5,212,401	4,787,575	4,458,815	10,606,154	9,671,216
Change in net position	2,171,029	1,937,712	2,634,371	1,671,184	4,805,400	3,608,896
Net position-beginning	23,054,862	21,117,150	28,387,085	26,715,901	51,441,947	47,833,051
Net position-ending	\$ 25,225,891	\$ 23,054,862	\$ 31,021,456	\$ 28,387,085	\$ 56,247,347	\$ 51,441,947

City of Rincon, Georgia
Management's Discussion and Analysis

Governmental Activities

Revenues for governmental activities totaled \$8.5 million in 2020, which represents an increase of 11.7% over 2019. The largest source of revenue for the City, capital grants and contributions, accounted for \$2.45 million or 29% of total revenue, a reported increase of \$702,529 from 2019. Other taxes account for \$1.97 million or 23% of the total revenue. Local option sales tax accounted for \$1.74 million or 21% of the total revenue, a reported increase of \$215,943 from 2019. Charges for services generated \$1.65 million or 19% of total revenue. Operating grants and contributions, miscellaneous and investment earnings accounted for 8% of the City's total revenue for 2020.

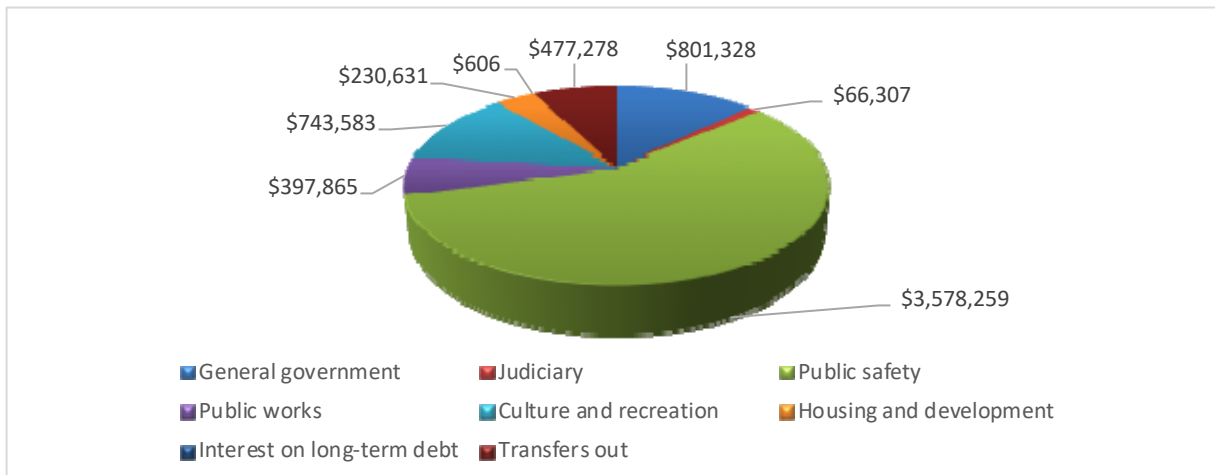
Revenues by Source – Governmental Activities – Year Ended December 31, 2020



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

The City's expenses for governmental activities cover a wide range of services, with 57% or \$3.58 million related to public safety, 13% or \$0.8 million for general government services (includes interest for long-term debt), 6% or \$0.4 million for public works, 12% or \$0.7 million for culture and recreation and 4% or \$0.2 million for housing and development. Overall expenses for governmental activities totaled \$6.3 million, which represents an increase of \$652,600 compared to 2019. The increase in governmental activities is mainly attributed to an increase in public safety - fire due to the purchase of a new fire truck and a concerted effort to keep spending levels below budget targets in 2020.

Expenses by Function – Governmental Activities – Year Ended December 31, 2020

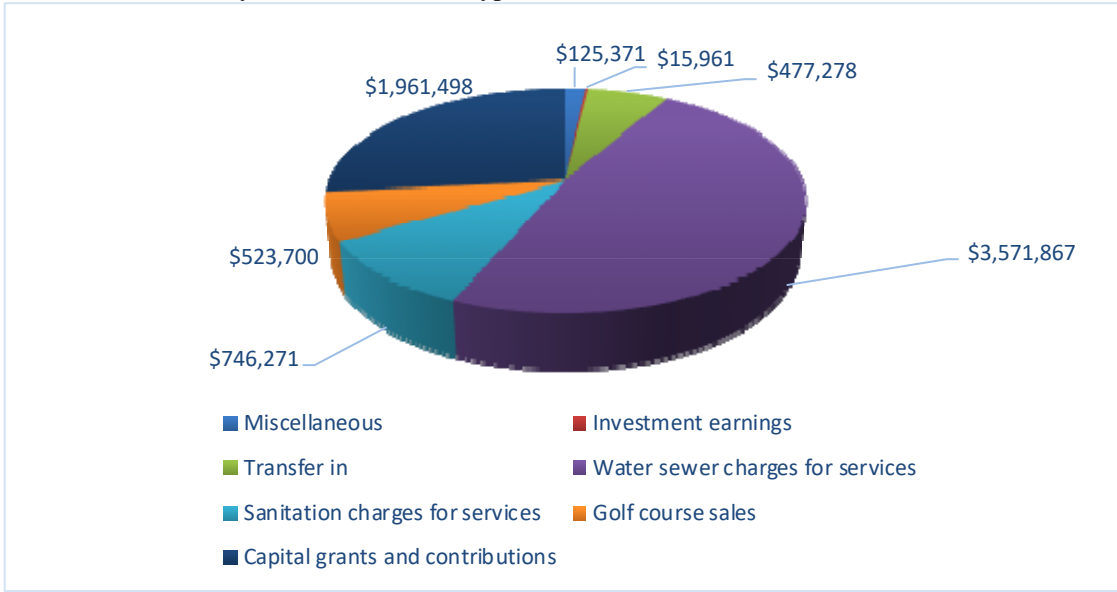


City of Rincon, Georgia
Management's Discussion and Analysis

Business-type Activities

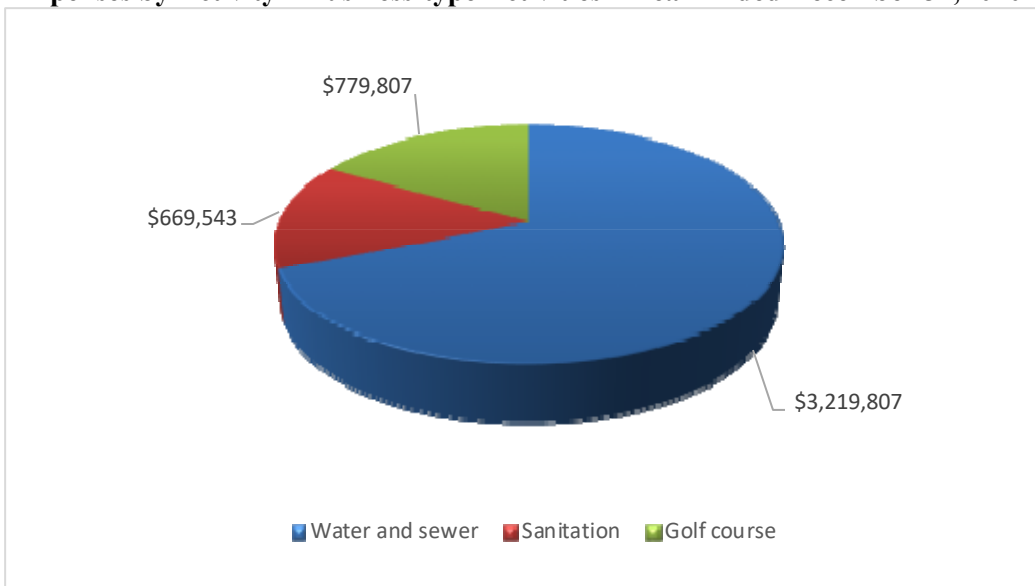
The City has three business-type activities: water and sewer operations, sanitation collection services, and the City golf course. For fiscal year 2020, total revenues for business-type activities were \$7.4 million, which represents an increase of 21% when compared to 2019. The increase in revenue is partially due to a capital contribution for the Omnitrax project and a transfer from the SPLOST capital projects fund for water and sewer projects funded during the year.

Revenues by Source – Business-type Activities – Year Ended December 31, 2020



Total expenses (excluding interest) for fiscal year 2020 were \$4.67 million, which represents an increase of 5% from the prior year. The net increase in expenses is attributable to increases in salaries and employee benefits, repairs and maintenance, and contractual services and a decrease in miscellaneous expenses.

Expenses by Activity – Business-type Activities – Year Ended December 31, 2020



City of Rincon, Georgia
Management's Discussion and Analysis

Financial Analysis of City Funds

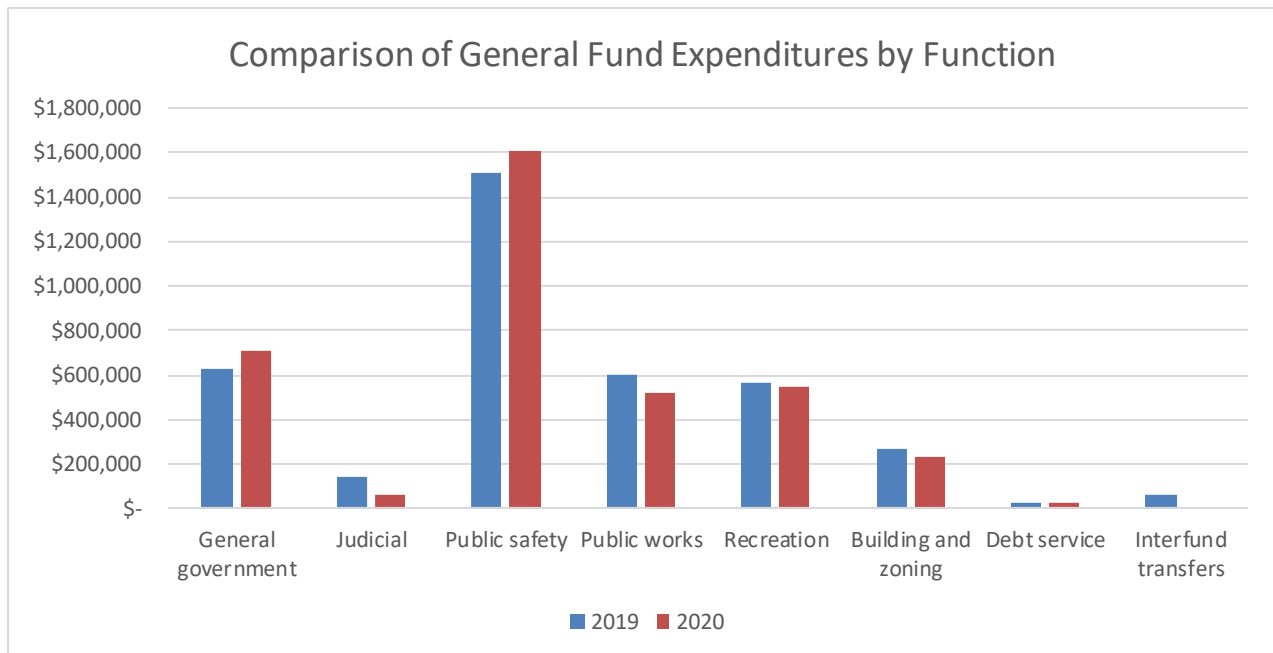
General Fund

The general fund is the chief operating fund of the City. At year-end, the total fund balance in the general fund was \$3,906,575. The total amount of unassigned fund balance for the general fund was \$3,857,318.

One measure of the general fund's liquidity is to compare its unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance and total fund balance represents 104% and 105% percent of total general fund expenditures respectively.

The fund balance of the general fund increased \$1,554,378 during fiscal year 2020. The increase is mainly attributed to a concerted effort to keep spending levels below budget targets in 2020 and the receipt of CARES Act funding. A majority of departments had reductions in expenditures from 2019 levels.

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



Capital Projects Fund

The SPLOST Capital Projects Fund balance at December 31, 2020 was \$5,078,505. This was an increase of \$250,829. Revenues received exceeded expenditures on the various projects and capital purchases.

Proprietary Funds

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

City of Rincon, Georgia
Management's Discussion and Analysis

Capital Assets

Statement of net position presents capital assets in two groups: those assets subject to depreciation, such as equipment or operational facilities and those assets not subject to depreciation such as land and construction in progress. At year-end, the City's net capital assets for both governmental activities and business-type activities totaled \$44.3 million. Capital assets include assets purchased, constructed or donated.

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

Debt Administration

The long-term liabilities at December 31, 2020 totaled \$8,037,302 (includes loans, installment purchase agreements, capital leases, and the pension liability). Of this amount, \$387,842 relates to governmental type activities and \$7,649,460 relates to business-type activities.

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

General Fund Budgetary Highlights

The budgetary comparison schedule of the General Fund and Fire Fund is provided as required supplementary information other than MD&A and can be found beginning on page 47. Additional budgetary comparison schedules for the hotel/motel tax fund can be found within other supplementary information beginning on page 54. Budget columns are provided for both the original budget adopted for fiscal year 2020 as well as the final budget. A column for actual revenues, expenditures, and a column for any variance between final budget and actual are also provided.

Current Economic Conditions, Next Year's Budget

In preparing the fiscal year 2021 budget, the City considered outside factors that affect funding decisions such as state and local economic conditions, federal and state mandates, political and social environment, citizen concerns, and outside agency considerations. Based on these factors, the following assumptions were made to guide the development of the budget for 2021.

- Local Option Sales Tax (L.O.S.T), the major source of General Fund revenue continues to increase due to an increase in economic activity in the City.
- Transportation Special Purpose Local Option Sales Tax (TSPLOST), approved by the citizens, will fund streets and roads projects and compliment the streets and roads budget funded by the General Fund.
- The City will continue to make efforts to hold expenditures down in order to meet Council's goal of protecting fund balance reserves and establish fire reserves with the implementation of a 15% increase in commercial fire fees.
- Water and sewer rates will increase by \$1 to fund capital projects and a new stormwater fee be adopted.

City of Rincon, Georgia
Management's Discussion and Analysis

Requests for Information

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

City of Rincon, Georgia
Statement of Net Position
December 31, 2020

		Primary Government		
		Governmental Activities	Business-type Activities	Total
Assets				
Current assets:				
Cash and cash equivalents		\$ 8,661,912	\$ 8,566,045	\$ 17,227,957
Restricted cash		875,826	1,006,536	1,882,362
Receivables:				
Taxes		702,110		702,110
Intergovernmental		327,565		327,565
Accounts		131,784	944,593	1,076,377
Inventory			2,003	2,003
Prepaid items			62,602	62,602
Capital assets:				
Nondepreciable capital assets		2,277,858	1,504,751	3,782,609
Depreciable capital assets, net		<u>13,246,618</u>	<u>27,287,846</u>	<u>40,534,464</u>
Total assets		<u>26,223,673</u>	<u>39,374,376</u>	<u>65,598,049</u>
Deferred Outflows of Resources				
Pension:				
Contributions after measurement date		64,445	27,034	91,479
Changes in assumptions		50,985	21,388	72,373
Net difference between projected and actual earnings on pension plan investments		<u>166,316</u>	<u>69,765</u>	<u>236,081</u>
Total deferred outflows of resources		<u>281,746</u>	<u>118,187</u>	<u>399,933</u>
Liabilities				
Current liabilities:				
Accounts payable		830,888	105,029	935,917
Accrued interest payable			13,627	13,627
Other accrued expenses		62,680	29,669	92,349
Customer deposits			523,267	523,267
Interfund		(106,268)	106,268	0
Capital leases payable (current portion of long-term)		8,962	17,350	26,312
Bonds payable (current portion of long-term)			467,055	467,055
Notes payable (current portion of long-term)			68,303	68,303
Long-term liabilities:				
Net pension liability		378,880	158,934	537,814
Capital leases payable (net of current portion)			41,313	41,313
Notes payable (net of current portion)			3,588,416	3,588,416
Bonds payable (net of current portion)			<u>3,308,089</u>	<u>3,308,089</u>
Total liabilities		<u>1,175,142</u>	<u>8,427,320</u>	<u>9,602,462</u>
Deferred Inflows of Resources				
Pension - Difference between expected and actual experience		<u>104,386</u>	<u>43,787</u>	<u>148,173</u>
Net Position				
Net investment in capital assets		15,515,514	21,360,734	36,876,248
Restricted for:				
Public safety		972,062		972,062
Housing and development		4,012		4,012
Capital projects		5,078,505	1,006,536	6,085,041
Unrestricted		<u>3,655,798</u>	<u>8,654,186</u>	<u>12,309,984</u>
Total net position		<u>\$ 25,225,891</u>	<u>\$ 31,021,456</u>	<u>\$ 56,247,347</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, 2020

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General Government							
City Council	\$ 300,722				\$ (300,722)		\$ (300,722)
General administration	337,086	\$ 82,666			(254,420)		(254,420)
Financial administration	163,520				(163,520)		(163,520)
Judicial	66,307				(66,307)		(66,307)
Public Safety - police	1,768,126	563,735		\$ 471,972	(732,419)		(732,419)
Public Safety - disaster response	47,464				(47,464)		(47,464)
Public Safety - fire	1,762,669	786,593	\$ 625,000	360,020	8,944		8,944
Public Works - streets and lanes	355,200		4,574	353,209	2,583		2,583
Public Works - drainage	42,665			222,783	180,118		180,118
Public Works - water & sewer				891,130	891,130		891,130
Parks and Recreation	743,583	111,988		155,948	(475,647)		(475,647)
Housing & Development - building & zoning	230,631	100,394			(130,237)		(130,237)
Interest expense	606				(606)		(606)
Total governmental activities	<u>5,818,579</u>	<u>1,645,376</u>	<u>629,574</u>	<u>2,455,062</u>	<u>(1,088,567)</u>	<u>\$ 0</u>	<u>(1,088,567)</u>
Business-type activities:							
Sanitation	669,543	746,271				76,728	76,728
Water and sewer	3,268,492	3,613,658		1,961,498		2,306,664	2,306,664
Golf course	783,062	523,700				(259,362)	(259,362)
Total business-type activities	<u>4,721,097</u>	<u>4,883,629</u>	<u>0</u>	<u>1,961,498</u>	<u>0</u>	<u>2,124,030</u>	<u>2,124,030</u>
Total - primary government	<u>\$ 10,539,676</u>	<u>\$ 6,529,005</u>	<u>\$ 629,574</u>	<u>\$ 4,416,560</u>	<u>(1,088,567)</u>	<u>2,124,030</u>	<u>1,035,463</u>
General revenues							
Local option sales tax					1,743,907		1,743,907
Title ad valorem tax					191,955		191,955
Energy excise tax					47,701		47,701
Franchise taxes					596,979		596,979
Business occupation tax					151,139		151,139
Alcohol taxes					237,249		237,249
Insurance premium taxes					716,200		716,200
Real estate transfer and intangibles tax					21,843		21,843
Hotel/motel tax					3,556		3,556
Loss on disposition of assets						(66,478)	(66,478)
Investment earnings					10,944	83,580	94,524
Miscellaneous					15,401	15,961	31,362
Total general revenues					<u>3,736,874</u>	<u>33,063</u>	<u>3,769,937</u>
Transfers					(477,278)	477,278	0
Total general revenues and transfers					<u>3,259,596</u>	<u>510,341</u>	<u>3,769,937</u>
Change in net position					<u>2,171,029</u>	<u>2,634,371</u>	<u>4,805,400</u>
Net position beginning of year					<u>23,054,862</u>	<u>28,387,085</u>	<u>51,441,947</u>
Net position end of year					<u>\$ 25,225,891</u>	<u>\$ 31,021,456</u>	<u>\$ 56,247,347</u>

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

City of Rincon, Georgia
Balance Sheet
Governmental Funds
December 31, 2020

	General	Fire Department Fund	SPLOST Capital Projects Fund	Hotel/Motel Tax Fund (non-major)	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,472,665		\$ 5,189,247		\$ 8,661,912
Restricted cash and cash equivalents	49,257	\$ 823,037		\$ 3,532	875,826
Receivables					
Taxes	701,630			480	702,110
Intergovernmental			327,565		327,565
Accounts		131,784			131,784
Interfund balances	106,268				106,268
Total assets	\$ 4,329,820	\$ 954,821	\$ 5,516,812	\$ 4,012	\$ 10,805,465
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 377,893	\$ 14,688	\$ 438,307		\$ 830,888
Accrued expenses	45,352	17,328			62,680
Total liabilities	423,245	32,016	438,307	\$ 0	893,568
Fund balances					
Restricted for:					
Public safety	49,257	922,805			972,062
Housing and development				4,012	4,012
Capital outlays			5,078,505		5,078,505
Unassigned	3,857,318				3,857,318
Total fund balances	3,906,575	922,805	5,078,505	4,012	9,911,897
Total liabilities and fund balances	\$ 4,329,820	\$ 954,821	\$ 5,516,812	\$ 4,012	\$ 10,805,465

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, 2020

Total governmental fund balances		\$ 9,911,897
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	\$ 23,590,159	
Less accumulated depreciation	<u>(8,065,683)</u>	<u>15,524,476</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, 2020, are:		
Deferred outflows		281,746
Deferred inflows		(104,386)
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		(8,962)
Net pension liability		<u>(378,880)</u>
Net position of governmental activities		\$ <u><u>25,225,891</u></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, 2020

	<u>General</u>	<u>Fire Department Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>Hotel/Motel Tax Fund (non-major)</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 3,706,973			\$ 3,556	\$ 3,710,529
Licenses and permits	183,060				183,060
Intergovernmental	677,374	\$ 625,000	\$ 1,770,711		3,073,085
Charges for services	111,988	786,593			898,581
Fines and forfeitures	563,735				563,735
Investment earnings	8,940	2,004	11,551		22,495
Miscellaneous	14,301	1,100			15,401
Total Revenues	<u>5,266,371</u>	<u>1,414,697</u>	<u>1,782,262</u>	<u>3,556</u>	<u>8,466,886</u>
Expenditures					
Current:					
General Government - administration					
City Council	301,967				301,967
General administration	245,551				245,551
Financial administration	163,391				163,391
Judicial	66,588				66,588
Public Safety					
Police	1,556,630				1,556,630
Fire		1,149,513			1,149,513
Disaster response	47,464				47,464
Public Works - streets and lanes	524,322				524,322
Parks and Recreation	544,892				544,892
Housing & Development - building & zoning	234,010				234,010
Capital outlays			1,054,155		1,054,155
Debt service:					
Principal	26,573				26,573
Interest and fiscal charges	605				605
Total expenditures	<u>3,711,993</u>	<u>1,149,513</u>	<u>1,054,155</u>	<u>0</u>	<u>5,915,661</u>
Excess of revenues to expenditures	1,554,378	265,184	728,107	3,556	2,551,225
Other financing uses					
Interfund transfers			(477,278)		(477,278)
Net change in fund balances	1,554,378	265,184	250,829	3,556	2,073,947
Fund balances beginning of year	<u>2,352,197</u>	<u>657,621</u>	<u>4,827,676</u>	<u>456</u>	<u>7,837,950</u>
Fund balances end of year	<u>\$ 3,906,575</u>	<u>\$ 922,805</u>	<u>\$ 5,078,505</u>	<u>\$ 4,012</u>	<u>\$ 9,911,897</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, 2020

Net changes in fund balances - total governmental funds \$ 2,073,947

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	\$ (884,455)	
Capitalized capital outlay	<u>963,262</u>	78,807

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.		26,572
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Net pension liability and pension-related deferred inflows and outflows of resources reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.

Net pension liability		
Balance at 12/31/20	(378,880)	
Balance at 12/31/19	<u>149,675</u>	(229,205)
Deferred inflows/outflows of resources from pensions		
Balance at 12/31/20	177,360	
Balance at 12/31/19	<u>43,548</u>	<u>220,908</u>

Change in net position of governmental activities \$ 2,171,029

City of Rincon, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2020

	Sanitation	Water and Sewer	Golf Course	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 449,995	\$ 8,115,200	\$ 850	\$ 8,566,045
Restricted cash		1,006,536		1,006,536
Accounts receivable	126,424	818,004	165	944,593
Interfund balances		40,085		40,085
Inventory			2,003	2,003
Prepaid expenses		62,602		62,602
Total current assets	576,419	10,042,427	3,018	10,621,864
Noncurrent assets:				
Capital assets:				
Nondepreciable capital assets		1,059,751	445,000	1,504,751
Depreciable capital assets, net		25,011,530	2,276,316	27,287,846
Total capital assets	0	26,071,281	2,721,316	28,792,597
Total assets	576,419	36,113,708	2,724,334	39,414,461
Deferred outflows of resources				
Pension:				
Contributions after measurement date		24,283	2,751	27,034
Changes in assumptions		19,211	2,177	21,388
Net difference between projected and actual earnings on pension plan investments		62,666	7,099	69,765
Total deferred outflows of resources	0	106,160	12,027	118,187
Liabilities				
Current liabilities:				
Accounts payable	53,951	45,202	5,876	105,029
Accrued interest payable		13,627		13,627
Other accrued expenses		22,520	7,149	29,669
Customer deposits		523,267		523,267
Interfund balances			146,353	146,353
Current portion of capital leases payable			17,350	17,350
Current portion of bonds payable		467,055		467,055
Current portion of notes payable		68,303		68,303
Total current liabilities	53,951	1,139,974	176,728	1,370,653
Long-term liabilities:				
Net pension liability		142,756	16,178	158,934
Capital leases payable (net of current portion)			41,313	41,313
Bonds payable (net of current portion)		3,588,416		3,588,416
Notes payable (net of current portion)		3,308,089		3,308,089
Total long-term liabilities	0	7,039,261	57,491	7,096,752
Total liabilities	53,951	8,179,235	234,219	8,467,405
Deferred inflows of resources				
Pension - Difference between expected and actual experience	0	39,332	4,455	43,787
Net position				
Net investment in capital assets		18,639,418	2,721,316	21,360,734
Restricted for capital system improvements		1,006,536		1,006,536
Unrestricted	522,468	8,355,347	(223,629)	8,654,186
Total net position	\$ 522,468	\$ 28,001,301	\$ 2,497,687	\$ 31,021,456

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, 2020

	<u>Sanitation</u>	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 746,271	\$ 3,571,867	\$ 523,700	\$ 4,841,838
Other revenues		41,791		41,791
Total operating revenues	<u>746,271</u>	<u>3,613,658</u>	<u>523,700</u>	<u>4,883,629</u>
Operating expenses				
Depreciation		1,057,917	101,540	1,159,457
Salaries	20,259	762,907	332,013	1,115,179
Contractual services	638,164	213,151	26,419	877,734
Repairs and maintenance		382,740	57,946	440,686
Payroll taxes and employee benefits	9,612	277,600	43,628	330,840
Utilities and telephone		204,037	62,475	266,512
Operational supplies		143,496	54,948	198,444
Bank merchant fees		35,850	1,394	37,244
Leased equipment			32,140	32,140
Office supplies	1,508	26,541	2,960	31,009
Insurance		14,297	14,125	28,422
Miscellaneous			22,074	22,074
Gas, oil and tires		15,916	5,068	20,984
Golf course grounds maintenance			14,166	14,166
Computer support		11,698	1,167	12,865
Travel and training		3,806		3,806
Advertising/legal ads		1,172	2,473	3,645
License and taxes			3,398	3,398
Dues and subscriptions		2,035	265	2,300
Tournament expenses			1,608	1,608
Engineering fees		166		166
Total operating expenses	<u>669,543</u>	<u>3,153,329</u>	<u>779,807</u>	<u>4,602,679</u>
Operating income (loss)	<u>76,728</u>	<u>460,329</u>	<u>(256,107)</u>	<u>280,950</u>
Non-operating revenues (expenses)				
Capital contributions		950,000		950,000
Grant revenue		534,614		534,614
Impact fees		306,781		306,781
Capital cost recovery fee		170,103		170,103
Tower rental		83,580		83,580
Investment earnings	565	15,281	115	15,961
Interest expense		(115,163)	(3,255)	(118,418)
Loss on disposition of assets		(66,478)		(66,478)
Total non-operating revenues	<u>565</u>	<u>1,878,718</u>	<u>(3,140)</u>	<u>1,876,143</u>
Income (loss) before interfund transfers	<u>77,293</u>	<u>2,339,047</u>	<u>(259,247)</u>	<u>2,157,093</u>
Interfund transfers				
From SPLOST Capital Projects Fund		477,278		477,278
From Water and Sewer Fund			56,894	56,894
To Golf Course Fund		(56,894)		(56,894)
Total interfund transfers	<u>0</u>	<u>420,384</u>	<u>56,894</u>	<u>477,278</u>
Change in net position	<u>77,293</u>	<u>2,759,431</u>	<u>(202,353)</u>	<u>2,634,371</u>
Net position beginning of year	<u>445,175</u>	<u>25,241,870</u>	<u>2,700,040</u>	<u>28,387,085</u>
Net position end of year	<u>\$ 522,468</u>	<u>\$ 28,001,301</u>	<u>\$ 2,497,687</u>	<u>\$ 31,021,456</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, 2020

	<u>Sanitation</u>	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Increase (decrease) in cash and cash equivalents				
Cash flows from operating activities				
Cash received from customers	\$ 737,620	\$ 3,470,560	\$ 524,043	\$ 4,732,223
Cash payments to employees for personal services	(30,502)	(1,009,319)	(380,896)	(1,420,717)
Cash payments for goods and services	<u>(680,509)</u>	<u>(1,047,693)</u>	<u>(299,867)</u>	<u>(2,028,069)</u>
Net cash provided by (used for) operating activities	<u>26,609</u>	<u>1,413,548</u>	<u>(156,720)</u>	<u>1,283,437</u>
Cash flows from noncapital financing activities				
Interfund balances			103,245	103,245
Tower rental		83,580		83,580
Interfund transfers		<u>(56,894)</u>	<u>56,894</u>	<u>0</u>
Net cash provided by noncapital financing activities	<u>0</u>	<u>26,686</u>	<u>160,139</u>	<u>186,825</u>
Cash flows from capital and related financing activities				
Capital contribution		950,000		950,000
Grant proceeds		534,614		534,614
Transfers from SPLOST Capital Projects Fund		477,278		477,278
Proceeds from impact fees		476,884		476,884
Proceeds from long-term debt			68,097	68,097
Payments for capital acquisitions		(2,183,072)	(69,274)	(2,252,346)
Principal paid on long-term debt		(488,018)	(9,434)	(497,452)
Interest paid on debt		<u>(115,679)</u>	<u>(3,255)</u>	<u>(118,934)</u>
Net cash used for capital and related financing activities	<u>0</u>	<u>(347,993)</u>	<u>(13,866)</u>	<u>(361,859)</u>
Cash flows from investing activities				
Investment earnings	<u>565</u>	<u>15,281</u>	<u>115</u>	<u>15,961</u>
Net increase (decrease) in cash and cash equivalents	27,174	1,107,522	(10,332)	1,124,364
Cash and cash equivalents beginning of year	<u>422,821</u>	<u>8,014,214</u>	<u>11,182</u>	<u>8,448,217</u>
Cash and cash equivalents end of year	<u>\$ 449,995</u>	<u>\$ 9,121,736</u>	<u>\$ 850</u>	<u>\$ 9,572,581</u>
Cash and cash equivalents				
Unrestricted	\$ 449,995	\$ 8,115,200	\$ 850	\$ 8,566,045
Restricted		1,006,536		1,006,536
	<u>\$ 449,995</u>	<u>\$ 9,121,736</u>	<u>\$ 850</u>	<u>\$ 9,572,581</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, 2020

	(continued)			
	<u>Sanitation</u>	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 76,728	\$ 460,329	\$ (256,107)	\$ 280,950
Adjustments:				
Depreciation		1,057,917	101,540	1,159,457
(Increase) decrease in assets:				
Accounts receivable	(8,651)	(193,400)	343	(201,708)
Inventory			6,004	6,004
Increase (decrease) in liabilities:				
Accounts payable	(40,837)	7,212	(3,245)	(36,870)
Accrued expenses	(631)	1,826	(1,202)	(7)
Customer deposits		50,302		50,302
Net pension liability		29,362	(4,053)	25,309
Net cash provided by (used for) operating activities	<u>\$ 26,609</u>	<u>\$ 1,413,548</u>	<u>\$ (156,720)</u>	<u>\$ 1,283,437</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, 2020

Note 1 - Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

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

Basis of Presentation

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

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

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

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

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

Measurement Focus

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

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

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

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.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Receivables

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

Interfund Balances

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

Prepaid Items

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

Capital Assets

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

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value. The City maintains a capitalization threshold of 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.

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

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

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

Compensated Absences

Unless approved otherwise by management on a case-by-case basis, unused vacation benefits expire at year end. No accrual for unused vacation benefits has been made as the liability cannot be reasonably determined. Additionally, the liability, if any, is not anticipated to be significant.

Accrued Liabilities and Long-term Obligations

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

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

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Debt Premiums, Discounts and Issuance Costs

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

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

Fund Equity

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

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

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (1) not in spendable form (i.e., items that are not expected to be converted to cash) or (2) legally or contractually required to be maintained intact.

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

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

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority.

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

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

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Deferred Outflows/Inflows of Resources

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

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

Operating Revenues and Expenses

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

Contributions of Capital

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

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

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.

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, 2020, the City was not exposed to custodial credit risk.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 5 - Receivables

Receivables at December 31, 2020, 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 \$423,078 for the year ended December 31, 2020.

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, 2020, was \$2,003.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 8 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2020, was as follows:

	Balance 12/31/19	Additions	Dispositions	Reclassi- fication	Balance 12/31/20
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ <u>1,526,957</u>	\$ <u>750,901</u>			\$ <u>2,277,858</u>
Depreciable capital assets:					
Land improvements	4,415,863				4,415,863
Buildings	3,147,260				3,147,260
Equipment	4,905,355	69,118	\$ (334,513)		4,639,960
Vehicles	1,433,735	129,043	(227,719)		1,335,059
Infrastructure	<u>7,759,959</u>	<u>14,200</u>			<u>7,774,159</u>
Total depreciable capital assets	<u>21,662,172</u>	<u>212,361</u>	<u>(562,232)</u>	\$ <u>0</u>	<u>21,312,301</u>
Total capital assets	<u>23,189,129</u>	<u>963,262</u>	<u>(562,232)</u>	<u>0</u>	<u>23,590,159</u>
Accumulated depreciation:					
Land improvements	632,350	89,524			721,874
Buildings	1,124,118	68,986			1,193,104
Equipment	3,826,705	416,665	(334,513)		3,908,857
Vehicles	1,218,082	146,093	(227,719)		1,136,456
Infrastructure	<u>942,205</u>	<u>163,187</u>			<u>1,105,392</u>
Total accumulated depreciation	<u>7,743,460</u>	<u>884,455</u>	<u>(562,232)</u>	<u>0</u>	<u>8,065,683</u>
Governmental activities capital assets, net	\$ <u>15,445,669</u>	\$ <u>78,807</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>15,524,476</u>
Governmental activities depreciation expense:					
General government			\$ 85,305		
Public safety - police			197,125		
Public safety - fire			221,463		
Public works - streets and lanes			213,666		
Parks and recreation			164,374		
Building and zoning			<u>2,522</u>		
Total governmental activities depreciation expense			<u>\$ 884,455</u>		

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 8 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2020, was as follows:

	<u>Balance</u> 12/31/19	<u>Additions</u>	<u>Dispositions</u>	<u>Reclassi- ficaton</u>	<u>Balance</u> 12/31/20
Business-type activities:					
Capital assets not being depreciated:					
Land and rights	\$ 819,163				\$ 819,163
Construction in progress	<u>3,093,911</u>	<u>\$ 1,720,849</u>		<u>\$ (4,129,172)</u>	<u>685,588</u>
Total capital assets not being depreciated	<u>3,913,074</u>	<u>1,720,849</u>	<u>\$ 0</u>	<u>(4,129,172)</u>	<u>1,504,751</u>
Depreciable capital assets:					
Buildings	775,684				775,684
Improvements, other than buildings	2,358,106				2,358,106
Water system	9,697,012		(255,467)	2,632,758	12,074,303
Sewer plant	24,035,258			1,496,414	25,531,672
Equipment	930,936	168,662	(211,707)		887,891
Vehicles	<u>439,338</u>	<u>71,464</u>	<u>(109,878)</u>		<u>400,924</u>
Total depreciable capital assets	<u>38,236,334</u>	<u>240,126</u>	<u>(577,052)</u>	<u>4,129,172</u>	<u>42,028,580</u>
Total capital assets	<u>42,149,408</u>	<u>1,960,975</u>	<u>(577,052)</u>	<u>0</u>	<u>43,533,331</u>
	<u>Balance</u> 12/31/19	<u>Additions</u>	<u>Dispositions</u>	<u>Reclassi- ficaton</u>	<u>Balance</u> 12/31/20
Accumulated depreciation:					
Buildings	249,912	25,888			275,800
Improvements, other than buildings	591,702	58,880			650,582
Water system	3,253,815	316,507	(188,989)		3,381,333
Sewer plant	8,770,600	670,798			9,441,398
Equipment	836,447	50,719	(211,707)		675,459
Vehicles	<u>389,375</u>	<u>36,665</u>	<u>(109,878)</u>		<u>316,162</u>
Total accumulated depreciation	<u>14,091,851</u>	<u>1,159,457</u>	<u>(510,574)</u>	<u>0</u>	<u>14,740,734</u>
Business-type activities capital assets, net	<u>\$ 28,057,557</u>	<u>\$ 801,518</u>	<u>\$ (66,478)</u>	<u>\$ 0</u>	<u>\$ 28,792,597</u>

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 9 - Interfund Balances and Transfers

Interfund balances at December 31, 2020, consisted of the following amounts and represent charges for services or reimbursable expenses:

The Golf Course Fund owed \$103,268 to the General Fund and \$40,085 to the Water and Sewer Fund.

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

Interfund transfers for the year ended December 31, 2020, were as follows:

- SPLOST fund transferred \$477,278 to the Water and Sewer fund for water and sewer system additions.
- Water fund transferred \$56,894 to Golf Course fund to supplement its finances.

Note 10 - Long-Term Debt

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

Governmental Activities

Capital lease - Capital lease payable in equal monthly payments of \$2,265 including interest at 3.26% through May, 2021. The purpose of this lease was to purchase equipment for streets and lanes. The original principal amount of the lease was \$125,000. The equipment acquired by the lease is included in governmental activities capital assets in the amount of \$8,333 (cost of \$125,000 less accumulated depreciation of \$116,667). 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, 2020, follow.

Year	Principal	Interest	Total
2021	\$ 8,962	\$ 92	\$ 9,054

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 10 - Long-Term Debt (continued)

Business Type Activities

Refunding Revenue Bonds - Water and Sewer refunding revenue bonds, series 2015, in the amount of \$6,150,000. The interest rate for the bonds is 2.5%. The bonds mature on June 1, 2028. The bonds were issued in order pay off GEFA debt, which was incurred constructing a wastewater treatment plant. The bonds are secured by a charge or lien on the revenues derived from the ownership and operation of the water and sewer system. Annual debt service requirements to amortize the bonds as of December 31, 2020, follow.

Year	Principal	Interest	Total
2021	\$ 467,055	\$ 89,055	\$ 556,110
2022	478,863	77,247	556,110
2023	490,972	65,138	556,110
2024	503,388	52,722	556,110
2025	516,118	39,992	556,110
2026-2028	1,318,748	42,153	1,360,901
Total	<u>\$ 3,775,144</u>	<u>\$ 366,307</u>	<u>\$ 4,141,451</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 \$2,069,769. There were no advances in 2019 or 2020. The loan will be converted from construction status to fixed amortization upon completion of the project in 2021 with payments to be amortized over 20 years at 1.89% interest.

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

Year	Principal	Interest	Total
2021	\$ 68,303	\$ 29,404	\$ 97,707
2022	69,605	28,102	97,707
2023	70,932	26,775	97,707
2024	72,285	25,422	97,707
2025	73,663	24,044	97,707
2026-2030	389,921	98,612	488,533
2031-2035	428,534	59,999	488,533
2036-2040	413,707	17,833	431,540
Total	<u>\$ 1,586,950</u>	<u>\$ 310,191</u>	<u>\$ 1,897,141</u>

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 10 - Long-Term Debt (continued)

Capital lease #1 - Capital lease payable in equal monthly payments of \$828 plus interest at 7.53% through May 2024. The purpose of this lease was to purchase equipment for the golf course. The original principal amount of the lease was \$26,875. The equipment acquired by the lease is included in business-type activities capital assets in the amount of \$23,036 (cost of \$26,875 less accumulated depreciation of \$3,839). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2021	\$ 8,464	\$ 1,473	\$ 9,937
2022	8,580	1,357	9,937
2023	8,744	1,193	9,937
2024	4,063	77	4,140
Total	<u>\$ 29,851</u>	<u>\$ 4,100</u>	<u>\$ 33,951</u>

Capital lease #2 - Capital lease payable in equal monthly payments of \$651 plus interest at 7.61% through April 2024. The purpose of this lease was to purchase equipment for the golf course. The original principal amount of the lease was \$34,218. The equipment acquired by the lease is included in business-type activities capital assets in the amount of \$29,330 (cost of \$34,218 less accumulated depreciation of \$4,888). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2021	\$ 6,645	\$ 1,159	\$ 7,804
2022	6,758	1,046	7,804
2023	6,911	893	7,804
2024	2,570	42	2,612
Total	<u>\$ 22,884</u>	<u>\$ 3,140</u>	<u>\$ 26,024</u>

Capital lease #3 - Capital lease payable in equal monthly payments of \$255 plus interest at 18.39% through May 2023. The purpose of this lease was to purchase equipment for the golf course. The original principal amount of the lease was \$7,004. The equipment acquired by the lease is included in business-type activities capital assets in the amount of \$6,544 (cost of \$7,004 less accumulated depreciation of \$1,636). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2021	\$ 2,241	\$ 816	\$ 3,057
2022	2,570	487	3,057
2023	1,117	156	1,273
Total	<u>\$ 5,928</u>	<u>\$ 1,459</u>	<u>\$ 7,387</u>

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 10 - Long-Term Debt (continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2020.

	Outstanding 12/31/19	Additions	Reductions	Outstanding 12/31/20	Amounts Due in One Year
Governmental Activities					
Capital lease	\$ 35,535		\$ 26,573	\$ 8,962	\$ 8,962
Net pension liability	<u>149,675</u>	<u>\$ 229,205</u>		<u>378,880</u>	
Total governmental activities	<u>\$ 185,210</u>	<u>\$ 229,205</u>	<u>\$ 26,573</u>	<u>\$ 387,842</u>	<u>\$ 8,962</u>
	Outstanding 12/31/19	Additions	Reductions	Outstanding 12/31/20	Amounts Due in One Year
Business-Type Activities					
Series 2015 bonds	\$ 4,229,493		\$ 454,349	\$ 3,775,144	\$ 467,055
GEFA loan- Water Fund	2,069,769			2,069,769	
GEFA loan- Sewer Fund	1,620,621		33,671	1,586,950	68,303
Capital lease #1- Golf Fund		\$ 34,218	4,367	29,851	8,464
Capital lease #2- Golf Fund		26,875	3,991	22,884	6,645
Capital lease #3- Golf Fund		7,004	1,076	5,928	2,241
Net pension liability	<u>45,877</u>	<u>113,057</u>		<u>158,934</u>	
Total Business-Type Activities	<u>\$ 7,965,760</u>	<u>\$ 181,154</u>	<u>\$ 497,454</u>	<u>\$ 7,649,460</u>	<u>\$ 552,708</u>

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

Total interest incurred (all of which was charged to operations) in the government-wide financial statements amounted to \$606 for governmental activities and \$118,418 for business-type activities.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 11 - Defined Benefit Pension Plan

General Information About the Pension Plan

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

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

Employees Covered - At July 1, 2020, the following employees were covered by the benefit terms for the plan:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	51
Active employees	66
Total	134

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 \$121,972 for the year ended December 31, 2020.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 11 - Defined Benefit Pension Plan (continued)

Net Pension Liability

The City's net pension liability (NPL) for the plan is measured as the total pension liability (TPL), less the pension plan's fiduciary net position (FNP). The net pension liability of the plan is measured as of March 31, 2020, using an annual actuarial valuation as of July 1, 2020. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation date	July 1, 2020
Measurement date	March 31, 2020
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	7.375%
Inflation rate	2.25%
Net investment rate of return	7.375%
Projected salary increase	2.25% plus service based merit increases
Cost of living adjustments	Not applicable
Postretirement benefit increase	Not applicable

The underlying mortality assumptions and all other actuarial assumptions used in the July 1, 2020, 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 7.375%. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 11 - Defined Benefit Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2020, (see the discussion of the pension plan's investment policy) are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.41%
International equity	20%	6.96%
Real estate	10%	4.76%
Global fixed income	5%	3.06%
Domestic fixed income	20%	1.96%
Cash	0%	
Total	<u>100%</u>	

Changes in Net Pension Liability

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

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/ Asset
Balances as of March 31, 2019	\$ <u>2,205,458</u>	\$ <u>2,009,906</u>	\$ <u>195,552</u>
Changes for the year:			
Service cost	119,238		119,238
Interest	171,775		171,775
Differences between expected and actual experience	(66,928)		(66,928)
Contributions - employer		117,342	(117,342)
Net investment income		(142,765)	142,765
Benefit payments	(68,704)	(68,704)	0
Administrative expense		(11,695)	11,695
Changes in assumptions			0
Other	81,059		81,059
Net changes	<u>236,440</u>	<u>(105,822)</u>	<u>342,262</u>
Balances as of March 31, 2020	\$ <u>2,441,898</u>	\$ <u>1,904,084</u>	\$ <u>537,814</u>

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 11 - Defined Benefit Pension Plan (continued)

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 932,873	\$ 537,814	\$ 218,041

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

For the year ended December 31, 2020, the City recognized a pension expense of \$155,583. At December 31, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ (148,173)
Pension contributions subsequent to measurement date	91,479	
Changes in assumptions	72,373	
Net difference between projected and actual earnings on plan investments	<u>236,081</u>	
Total	<u>\$ 399,933</u>	<u>\$ (148,173)</u>

\$91,479 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, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a component of pension expense as follows:

<u>Year ended December 31:</u>	
2021	(9,784)
2022	33,743
2023	77,341
2024	<u>58,981</u>
	<u>\$ 160,281</u>

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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, 2020, is as follows:

	Governmental Activities	Business- Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 23,590,159	\$ 43,533,331
Less accumulated depreciation	8,065,683	14,740,734
Book value	15,524,476	28,792,597
Less capital related debt	8,962	7,431,863
Investments in capital assets, net of related debt	\$ 15,515,514	\$ 21,360,734

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, 2020. No provisions have been made in the financial statements for the year ended December 31, 2020, 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.

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City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 14 - Commitments

The City had contractual commitments at December 31, 2020, of approximately \$228,390 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	\$ 28,640
Proprietary funds	
Water and sewer projects	\$ 199,750

Operating leases - The following is a schedule by years of future minimum rental payments under an operating lease which has cancelable lease terms as of December 31, 2020.

<u>For the year ended December 31,</u>	
2021	\$ 29,070
2022	29,070
2023	29,070
2024	2,423
	<u>\$ 89,633</u>

Lease expense relating to operating leases was \$28,660 for 2020.

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, 2020. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

Note 16 - Hotel/Motel Tax

The City levies a 5% tax on hotel/motel lodging and disburses collected funds for the purpose of promoting tourism in accordance with O.C.G.A. 48-13-51. Revenues and expenditures for the year ended December 31, 2020, were \$3,556, and \$0, respectively.

City of Rincon, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 17 - Joint Ventures

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

Note 18 - Subsequent Events

Subsequent events have been evaluated by management through July 12, 2021, which is the date the financial statements were available to be issued.

In March 2020, there was a global outbreak of a new strain of coronavirus, COVID-19, which the World Health Organization declared to be a global pandemic. To date, COVID-19 has resulted in government-imposed quarantines, certain travel restrictions and other public health safety measures. The impact of the COVID-19 outbreak on the City's financial condition and results of operations will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions that could impact the City. The impact of the COVID-19 outbreak and associated effects on the City and the overall economy are uncertain and cannot be predicted.

City of Rincon, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 3,058,420	\$ 3,103,420	\$ 3,706,973	\$ 603,553
Licenses and permits	116,403	116,403	183,060	66,657
Intergovernmental	143,500	168,500	677,374	508,874
Charges for services	191,000	80,000	111,988	31,988
Fines and forfeitures	598,315	467,365	563,735	96,370
Investment earnings	25,050	10,050	8,940	(1,110)
Miscellaneous	22,100	22,100	14,301	(7,799)
Total revenues	<u>4,154,788</u>	<u>3,967,838</u>	<u>5,266,371</u>	<u>1,298,533</u>
Expenditures				
Current:				
General Government				
City Council	239,053	301,967	301,967	0
General administration	386,684	245,551	245,551	0
Financial administration	135,186	183,198	163,391	19,807
Judicial	76,033	66,588	66,588	0
Public Safety				
Police	1,725,940	1,579,081	1,556,630	22,451
Emergency management	0	47,464	47,464	0
Public Works - streets and lanes	653,198	596,790	524,322	72,468
Parks and Recreation	592,033	544,892	544,892	0
Housing and Development -				
Building and zoning	278,954	238,105	234,010	4,095
Debt service:				
Principal		26,572	26,572	0
Interest and fiscal charges		606	606	0
Total expenditures	<u>4,087,081</u>	<u>3,830,814</u>	<u>3,711,993</u>	<u>118,821</u>
Excess of revenues to expenditures	67,707	137,024	1,554,378	1,417,354
Other financing sources (uses)				
Interfund transfer - golf fund	<u>28,100</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>\$ 95,807</u>	<u>\$ 137,024</u>	1,554,378	<u>\$ 1,417,354</u>
Fund balances beginning of year			<u>2,352,197</u>	
Fund balances end of year			<u>\$ 3,906,575</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, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental	\$ 625,000	\$ 625,000	\$ 625,000	\$ 0
Charges for service	622,626	622,626	786,593	163,967
Investment earnings	350	350	2,004	1,654
Miscellaneous	<u>7,281</u>	<u>7,281</u>	<u>1,100</u>	<u>(6,181)</u>
Total revenues	<u>1,255,257</u>	<u>1,255,257</u>	<u>1,414,697</u>	<u>159,440</u>
Expenditures				
Public safety	<u>1,095,787</u>	<u>1,149,513</u>	<u>1,149,513</u>	<u>0</u>
Excess of revenues to expenditures	<u>\$ 159,470</u>	<u>\$ 105,744</u>	265,184	<u>\$ 159,440</u>
Fund balances				
Beginning of year			<u>657,621</u>	
End of year			<u>\$ 922,805</u>	

See the accompanying notes to the required supplementary information.

City of Rincon, Georgia
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Note 1 - Budgetary Information

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

All budgets are adopted on a basis consistent with GAAP.

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

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

All unexpended annual appropriations lapse at year-end.

City of Rincon, Georgia
Schedule of Changes in the Net Pension Liability and Related Ratios
Defined Benefit Pension Plan
For the Year Ended December 31, 2020

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 119,238	\$ 101,862	\$ 136,661	\$ 108,123	\$ 97,483	\$ 88,655
Interest	171,775	163,752	140,700	141,487	130,270	116,317
Difference between expected and actual experience	(66,928)	(113,151)	(1,960)	(204,573)	(25,955)	43,628
Changes in assumptions	81,058		46,319			(15,768)
Benefit payments, including refunds of employee contributions	(68,704)	(57,002)	(54,411)	(55,969)	(58,166)	(47,411)
Net change in total pension liability	236,439	95,461	267,309	(10,932)	143,632	185,421
Total pension liability - beginning	2,205,458	2,109,997	1,842,688	1,853,620	1,709,988	1,524,567
Total pension liability - ending	<u>\$ 2,441,897</u>	<u>\$ 2,205,458</u>	<u>\$ 2,109,997</u>	<u>\$ 1,842,688</u>	<u>\$ 1,853,620</u>	<u>\$ 1,709,988</u>
Plan fiduciary net position						
Contributions - employer	\$ 117,342	\$ 121,640	\$ 129,365	\$ 125,260	\$ 111,719	\$ 95,936
Net investment income	(142,765)	69,390	204,461	177,863	4,954	115,339
Benefit payments, including refunds of employee contributions	(68,704)	(57,002)	(54,411)	(55,969)	(58,166)	(47,411)
Administrative expense	(11,695)	(11,198)	(10,657)	(10,441)	(6,914)	(6,018)
Net change in fiduciary net position	(105,822)	122,830	268,758	236,713	51,593	157,846
Plan fiduciary net position - beginning	2,009,906	1,887,076	1,618,318	1,381,605	1,330,012	1,172,166
Plan fiduciary net position - ending	<u>\$ 1,904,084</u>	<u>\$ 2,009,906</u>	<u>\$ 1,887,076</u>	<u>\$ 1,618,318</u>	<u>\$ 1,381,605</u>	<u>\$ 1,330,012</u>
Net pension liability - ending	<u>537,813</u>	<u>195,552</u>	<u>222,921</u>	<u>224,370</u>	<u>472,015</u>	<u>379,976</u>
Plan fiduciary net position as a percentage of total pension liability	77.98%	91.13%	89.44%	87.82%	74.54%	77.78%
Covered employee payroll	2,571,392	2,459,722	2,010,635	2,495,005	2,058,549	1,810,133
Net position liability as a percentage of covered-employee payroll	20.92%	7.95%	11.09%	8.99%	22.93%	20.99%

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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, 2020

Changes in assumptions

Amounts reported for the fiscal year ending in 2020 reflect the following assumption changes based on the actuarial study conducted in September 2017:

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

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

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

Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.

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

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

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

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

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

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, 2020

Changes in assumptions, (continued)

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

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

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

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

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

Benefit changes

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

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

City of Rincon, Georgia
Schedule of Contributions
Defined Benefit Pension Plan
For the Year Ended December 31, 2020

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	*	115,799	\$ 123,587	\$ 131,291	\$ 123,249	\$ 107,875
Contributions in relation to actuarially determined contribution	*	115,799 **	123,587 **	131,291 **	123,249 **	107,875 **
Contribution deficiency (excess)	*	0	0	0	0	0
Covered-employee payroll	*	2,459,722 ***	2,010,635 ***	2,495,005 ***	2,058,549 ***	1,810,196 ***
Contributions as a percentage of covered-employee payroll	*	4.71%	6.15%	5.26%	5.99%	5.96%

Notes to Schedule of Contributions

- * 2020 information will be determined after fiscal year end and will be included in the 2021 valuation report.
- ** Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of noncompliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.
- *** Covered payroll is based on data collected as of March 1, of each of the respective years for the actuarial valuations for the respective years.

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

Valuation Date The actuarially determined contribution rate was determined as of July 1, 2020, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2021.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of twelve years.
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Inflation	2.25%
Salary increases	2.25%, plus service based merit increases
Investment rate of return	7.38%
Retirement age	Retirement rates are adjusted to closely reflect actual experience
Mortality rates	
Healthy	Pri-2012 head-count weighted Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Disabled	Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25
Plan termination basis (all lives)	1994 Group Annuity Reserving Unisex Table

City of Rincon, Georgia
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes	\$ 6,500	\$ 6,500	\$ 3,556	\$ (2,944)
Expenditures				
Tourism promotion	<u>6,500</u>	<u>6,500</u>	<u>0</u>	<u>6,500</u>
Net change in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	3,556	<u>\$ 3,556</u>
Fund balances beginning of year			<u>456</u>	
Fund balances end of year			<u>\$ 4,012</u>	

City of Rincon, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2020

	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percent Complete
2011 Effingham County SPLOST						
Public buildings	\$ 38,867	\$ 49,586	\$ 49,586		\$ 49,586	100.00%
Public safety	155,467	324,250	324,250		324,250	100.00%
Roads, streets, and bridges	777,333	850,519	850,519		850,519	100.00%
Drainage	15,547					
Recreation	1,554,667	702,907	590,610	\$ 25,855	616,465	87.70%
Water and sewerage	3,754,520	1,961,383	1,110,489	373,241	1,483,730	75.65%
Total	<u>\$ 6,296,401</u>	<u>\$ 3,888,645</u>	<u>\$ 2,925,454</u>	<u>\$ 399,096</u>	<u>\$ 3,324,550</u>	
2016 Effingham County SPLOST (Passed November, 2016; Began July 1, 2017)						
Public buildings	\$ 1,183,000	\$ 773,203		\$ 13,028	\$ 13,028	1.68%
Police	961,838	628,877		134,263	134,263	21.35%
Fire	961,837	628,878		377,080	377,080	59.96%
Streets and drainage	2,959,500	1,935,007		443,342	443,342	22.91%
Recreation	1,035,825	677,253		60,587	60,587	8.95%
Water and sewerage	4,735,200	3,096,012		104,037	104,037	3.36%
Total	<u>\$ 11,837,200</u>	<u>\$ 7,739,230</u>	<u>\$ 0</u>	<u>\$ 1,132,337</u>	<u>\$ 1,132,337</u>	
Remaining fund balance at December 31, 2019:						
2011 Effingham County SPLOST			\$ 564,095			
2016 Effingham County SPLOST			<u>4,514,410</u>			
			<u>\$ 5,078,505</u>			

City of Rincon, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development				
Community Development Blog Grants/Entitlement Grants	14.218	Georgia Department of Community Affairs	16p-x-051-2-5956	\$ 534,614
Department of the Treasury Coronavirus Relief Fund	21.019	Not applicable	Not applicable	<u>542,374</u>
Total expenditure of federal awards				<u>\$ 1,076,988</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.

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

To the Mayor and City Council
City of Rincon, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rincon, Georgia, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Rincon, Georgia's basic financial statements, and have issued our report thereon dated July 12, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Cairns, Hodges & Company, P.C.".

July 12, 2021

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**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, 2020. 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, 2020.

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.



July 12, 2021

City of Rincon, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

Section 1 - Summary of Auditor's Reports

Financial Statements

Type of auditors' report issued Unmodified
 Internal control over financial reporting:
 Material weakness(as) identified? _____ yes X 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
21.019	Department of the Treasury Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II - Financial Statement Findings

Internal Control

None reported

Section III - Federal Award Findings and Questioned Costs

Compliance and Other Matters

None reported

Internal Control

None reported

City of Rincon, Georgia
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2020

Auditor Reference Number	Disposition of prior audit findings
2019-01	This condition was corrected during 2020.
2019-02	This condition was corrected during 2020.
2019-03	This condition was corrected during 2020.