City of Rincon, Georgia

Audited Financial Statements

For the Year Ended
December 31, 2013

City of Rincon, Georgia
Audited Financial Statements
For The Year Ended December 31, 2013

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CAINES, HODGES & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Rincon, Georgia

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Rincon, Georgia as of and for the year ended December 31, 2013, 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, 2013, 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 and budgetary comparison information on pages 37 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rincon, Georgia's basic financial statements. The comparative major and nonmajor fund financial statements 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 comparative major and nonmajor fund financial statements 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 individual major and nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2014, 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.

Caines, Hodges & Company, P.C.

Rincon, Georgia
June 30, 2014

City of Rincon, Georgia
Statement of Net Position
December 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 3,765,897	$ 705,338	$ 4,471,235
Restricted cash	333,302	1,926,749	2,260,051
Receivables:			
Accounts	67,573	242,009	309,582
Taxes	1,040,890		1,040,890
Inventory		9,228	9,228
Prepaid items	38,073	16,481	54,554
Capital assets:			
Nondepreciable capital assets	3,058,212	1,985,856	5,044,068
Depreciable capital assets, net	9,713,385	22,685,232	32,398,617
Total assets	18,017,332	27,570,893	45,588,225
Liabilities			
Current liabilities:			
Accounts payable	685,503	111,735	797,238
Accrued interest payable		21,534	21,534
Other accrued expenses		2,000	2,000
Interfund	1,551,596	(1,551,596)	0
Capital leases payable (current portion of long-term)	51,150	16,079	67,229
Notes payable (current portion of long-term)		349,960	349,960
Liabilities payable from restricted assets		387,573	387,573
Long-term liabilities:			
Capital leases payable (net of current portion)		8,729	8,729
Notes payable (net of current portion)		6,416,263	6,416,263
Total liabilities	2,288,249	5,762,277	8,050,526
Net Position			
Net investment in capital assets	12,720,447	17,880,057	30,600,504
Restricted for:			
Public safety	215,424		215,424
Capital projects	1,184,802	1,926,749	3,111,551
Unrestricted	1,608,410	2,001,810	3,610,220
Total net position	$ 15,729,083	$ 21,808,616	$ 37,537,699

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

City of Rincon, Georgia
Statement of Activities
For the Year Ended December 31, 2013

Function/Program	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government							
Governmental activities							
General Government							
City Council	$ 205,306				$ (205,306)		$ (205,306)
General administration	393,113	$ 49,293			(343,820)		(343,820)
Financial administration	110,937				(110,937)		(110,937)
Judicial	50,967				(50,967)		(50,967)
Public Safety - police	1,277,816	328,790		$ 68,905	(880,121)		(880,121)
Public Safety - fire	615,041	117,650	$ 329,246	68,905	(99,240)		(99,240)
Public Works - streets and lanes	506,345			178,517	(327,828)		(327,828)
Public Works - drainage				106,009	106,009		106,009
Public Works - water & sewer				424,034	424,034		424,034
Parks and Recreation	457,925	69,943		74,206	(313,776)		(313,776)
Housing & Development - building & zoning	207,181	115,807			(91,374)		(91,374)
Total governmental activities	3,824,631	681,483	329,246	920,576	(1,893,326)	$ 0	(1,893,326)
Business-type activities:							
Sanitation	533,425	534,642				1,217	1,217
Water	879,283	1,092,230		63,860		276,807	276,807
Sewer	1,587,590	1,101,994		189,162		(296,434)	(296,434)
Golf course	584,604	432,308				(152,296)	(152,296)
Total business-type activities	3,584,902	3,161,174	0	253,022	0	(170,706)	(170,706)
Total - primary government	$ 7,409,533	$ 3,842,657	$ 329,246	$ 1,173,598	(1,893,326)	(170,706)	(2,064,032)
		General revenues					
		Local option sales tax			1,201,216		1,201,216
		Franchise taxes			448,672		448,672
		Business occupation tax			84,814		84,814
		Alcohol taxes			117,145		117,145
		Insurance premium taxes			456,157		456,157
		Real estate transfer and intangibles tax			22,688		22,688
		Hotel/motel tax			3,288		3,288
		Intergovernmental			1,341,578		1,341,578
		Investment earnings			12,440	11,398	23,838
		Miscellaneous			32,347	137,938	170,285
		Total general revenues			3,720,345	149,336	3,869,681
		Transfers			(350,299)	350,299	0
		Total general revenues and transfers			3,370,046	499,635	3,869,681
		Change in net position			1,476,720	328,929	1,805,649
		Net position beginning of year			14,252,363	21,479,687	35,732,050
		Net position end of year			$ 15,729,083	$ 21,808,616	$ 37,537,699

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

City of Rincon, Georgia
Balance Sheet
Governmental Funds
December 31, 2013

	General	Capital Projects Fund SPLOST	Fire Department Fund (Nonmajor)	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 2,574,958	$ 1,190,939		$ 3,765,897
Restricted cash and cash equivalents	34,471		$ 298,831	333,302
Receivables				
Taxes	886,381	154,509		1,040,890
Accounts	30,545		37,028	67,573
Interfund	1,315,232		33,759	1,348,991
Prepaid items	33,926		4,147	38,073
Total assets	$ 4,875,513	$ 1,345,448	$ 373,765	$ 6,594,726
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 524,355	$ 149,711	$ 11,437	$ 685,503
Interfund	2,708,277	10,935	181,375	2,900,587
Total liabilities	3,232,632	160,646	192,812	3,586,090
Deferred inflows of resources	27,665			27,665
Total liabilities and deferred inflows of resources	3,260,297	160,646	192,812	3,613,755
Fund balances				
Nonspendable - prepaid items	33,926		4,147	38,073
Restricted for:				
Public safety	34,471		176,806	211,277
Capital outlays		1,184,802		1,184,802
Unrestricted	1,546,819			1,546,819
Total fund balances	1,615,216	1,184,802	180,953	2,980,971
Total liabilities, deferred inflows of resources and fund balances	$ 4,875,513	$ 1,345,448	$ 373,765	$ 6,594,726

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, 2013

Total governmental fund balances		$ 2,980,971
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	$ 16,746,835	
Less accumulated depreciation	(3,975,238)	12,771,597
The capital lease liability and accrued interest are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease liability		(51,150)
Governmental funds report certain revenues not available for use (received within 60 days of year end) as deferred inflows following liabilities on balance sheet. However, these amounts are recognized as revenue in the statement of activities, thereby increasing net position in the statement of net position.		27,665
Net position of governmental activities		$ 15,729,083

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, 2013

	General	Capital Projects Fund SPLOST	Fire Department Fund (Nonmajor)	Total Governmental Funds
Revenues				
Taxes	$ 2,333,980			$ 2,333,980
Intergovernmental	1,386,421	$ 845,860	$ 329,246	2,561,527
Licenses and permits	165,100			165,100
Fines and forfeitures	328,790			328,790
Charges for services	69,943		117,650	187,593
Investment earnings	12,440	2,208		14,648
Miscellaneous	31,480		867	32,347
Total Revenues	4,328,154	848,068	447,763	5,623,985
Expenditures				
Current:				
General Government - administration				
City Council	205,306			205,306
General administration	650,593			650,593
Financial administration	110,937			110,937
Judicial	50,967			50,967
Public Safety				
Police	1,127,666			1,127,666
Fire			509,448	509,448
Public Works - streets and lanes	402,282			402,282
Housing & Development - building & zoning	204,364			204,364
Parks and Recreation	1,844,281			1,844,281
Capital outlays		604,008		604,008
Debt service:				
Principal retirement		68,200		68,200
Interest and fiscal charges				0
Total expenditures	4,596,396	672,208	509,448	5,778,052
Excess (deficit) of revenues to expenditures	(268,242)	175,860	(61,685)	(154,067)
Other financing uses				
Transfer to utility funds	0	(350,299)	0	(350,299)
Net change in fund balances	(268,242)	(174,439)	(61,685)	(504,366)
Fund balances beginning of year	1,883,458	1,359,241	242,638	3,485,337
Fund balances end of year	$ 1,615,216	$ 1,184,802	$ 180,953	$ 2,980,971

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, 2013

Net changes in fund balances - total governmental funds		$ (504,366)
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	$ (648,240)	
Capitalized capital outlay	2,533,461	1,885,221
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		68,200
Governmental funds report certain revenues not available for use (received within 60 days of year end) as deferred inflows following liabilities on balance sheet. However, these amounts are recognized as revenue in the statement of activities.		27,665
Change in net position of governmental activities		$ 1,476,720

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

City of Rincon, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2013

	Sanitation	Water	Sewer	Golf Course	Total
Assets					
Current assets:					
Cash and cash equivalents					
Unrestricted	$ 188,042	$ 477,016		$ 40,280	$ 705,338
Restricted		1,221,450	$ 705,299		1,926,749
Receivables					
Accounts	43,047	93,027	97,913	8,022	242,009
Interfund	850,999	2,237,494	29,648	105,644	3,223,785
Inventory				9,228	9,228
Prepaid expenses		4,342	9,585	2,554	16,481
Total current assets	1,082,088	4,033,329	842,445	165,728	6,123,590
Noncurrent assets:					
Capital assets:					
Nondepreciable capital assets		514,545	1,026,311	445,000	1,985,856
Depreciable capital assets, net		5,609,774	14,137,962	2,937,496	22,685,232
Total capital assets	0	6,124,319	15,164,273	3,382,496	24,671,088
Total assets	1,082,088	10,157,648	16,006,718	3,548,224	30,794,678
Liabilities					
Current liabilities:					
Accounts payable	45,112	24,965	28,137	13,521	111,735
Accrued interest			21,534		21,534
Other accrued expenses			2,000		2,000
Interfund payable		179,234	365,220	1,127,735	1,672,189
Current portion of long-term liabilities					
Capital leases payable				16,079	16,079
Notes payable			349,960		349,960
Current liabilities payable from restricted assets:					
Customer deposits		387,573			387,573
Total current liabilities	45,112	591,772	766,851	1,157,335	2,561,070
Long-term liabilities:					
Capital leases (net of current portion)				8,729	8,729
Notes payable (net of current portion)			6,416,263		6,416,263
	0	0	6,416,263	8,729	6,424,992
Total liabilities	45,112	591,772	7,183,114	1,166,064	8,986,062
Net position					
Net investment in capital assets		6,124,319	8,398,050	3,357,688	17,880,057
Restricted for capital improvements		1,221,450	705,299		1,926,749
Unrestricted	1,036,976	2,220,107	(279,745)	(975,528)	2,001,810
Total net position	$ 1,036,976	$ 9,565,876	$ 8,823,604	$ 2,382,160	$ 21,808,616

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, 2013

	Sanitation	Water	Sewer	Golf Course	Total
Operating revenues					
Charges for services	$ 534,642	$ 1,092,230	$ 1,101,994	$ 432,308	$ 3,161,174
Other revenues		18,919	116,918		135,837
Total operating revenues	534,642	1,111,149	1,218,912	432,308	3,297,011
Operating expenses					
Salaries		268,607	223,521	236,163	728,291
Payroll taxes and employee benefits		88,076	81,901	57,889	227,866
Utilities and telephone		62,582	125,408	47,423	235,413
Repairs and maintenance		42,813	66,772	12,223	121,808
Office supplies and expenses		19,806	712	9,767	30,285
Computer support		10,583		90	10,673
Operational supplies		46,965	59,042	21,905	127,912
Gas, oil and tires		15,510	7,810	6,229	29,549
Insurance		12,963	29,699	8,291	50,953
Legal and accounting		7,145			7,145
Contractual services	533,425	68,530	119,103	8,561	729,619
Engineering fees		1,170			1,170
Bad debt expense		6,966	7,308		14,274
Advertising/legal ads		756	503	8,290	9,549
Dues and subscriptions		408	280	640	1,328
Travel and training		1,861	2,597	9	4,467
Tournament expenses				4,815	4,815
License and taxes				1,650	1,650
Miscellaneous expense		1,350		1,346	2,696
Bank merchant fees		25,714			25,714
Leased equipment				33,121	33,121
Depreciation		197,478	529,851	123,969	851,298
Total operating expenses	533,425	879,283	1,254,507	582,381	3,249,596
Operating income (loss)	1,217	231,866	(35,595)	(150,073)	47,415
Non-operating revenues (expenses)					
Impact fees		63,860	189,162		253,022
Investment earnings	522	7,130	3,746		11,398
Amortization			(112,235)		(112,235)
Interest expense			(220,848)	(2,223)	(223,071)
Miscellaneous				2,101	2,101
Total non-operating revenues (expenses)	522	70,990	(140,175)	(122)	(68,785)
Income (loss) before interfund transfers	1,739	302,856	(175,770)	(150,195)	(21,370)
Interfund transfers		42,412	307,887		350,299
Change in net position	1,739	345,268	132,117	(150,195)	328,929
Net position beginning of year	1,035,237	9,220,608	8,691,487	2,532,355	21,479,687
Net position end of year	$ 1,036,976	$ 9,565,876	$ 8,823,604	$ 2,382,160	$ 21,808,616

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, 2013

	Sanitation	Water	Sewer	Golf Course	Total
Increase (decrease) in cash and cash equivalents					
Cash flows from operating activities					
Cash received from customers	$ 533,805	$ 1,106,616	$ 1,208,923	$ 427,963	$ 3,277,307
Cash payments to employees for personal services		(362,695)	(310,181)	(299,344)	(972,220)
Cash payments for goods and services	(531,030)	(319,793)	(436,536)	(157,619)	(1,444,978)
Net cash provided by (used for) operating activities	2,775	424,128	462,206	(29,000)	860,109
Cash flows from noncapital financing activities					
Interfund balances	(2,775)	(329,827)	(128,401)	47,018	(413,985)
Net cash provided by (used for) noncapital financing activities	(2,775)	(329,827)	(128,401)	47,018	(413,985)
Cash flows from capital and related financing activities					
Proceeds from long-term debt			173,751		173,751
Principal paid on long-term debt			(290,388)	(15,070)	(305,458)
Interest paid on debt			(223,572)	(2,223)	(225,795)
Payments for capital acquisitions		(177,888)	(838,379)		(1,016,267)
Transfers from SPLOST Capital Projects Fund		42,412	307,887		350,299
Proceeds from impact fees		63,860	189,162		253,022
Net cash used for for capital and related financing activities	0	(71,616)	(681,539)	(17,293)	(770,448)
Cash flows from investing activities					
Investment earnings	522	7,130	3,746	2,101	13,499
Net increase (decrease) in cash and cash equivalents	522	29,815	(343,988)	2,826	(310,825)
Cash and cash equivalents beginning of year	187,520	1,668,651	1,049,287	37,454	2,942,912
Cash and cash equivalents end of year	$ 188,042	$ 1,698,466	$ 705,299	$ 40,280	$ 2,632,087

(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, 2013

(continued)

	Sanitation	Water	Sewer	Golf Course	Total
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	$ 1,217	$ 231,866	$ (35,595)	$ (150,073)	$ 47,415
Adjustments:					
Depreciation		197,478	529,851	123,969	851,298
(Increase) decrease in assets:					
Accounts receivable	(837)	(13,045)	(9,989)	(4,345)	(28,216)
Prepaid expense		(336)	(940)	102	(1,174)
Inventory				6,851	6,851
Increase (decrease) in liabilities:					
Accounts payable	2,395	5,665	(16,362)	(212)	(8,514)
Accrued expenses		(6,012)	(4,759)	(5,292)	(16,063)
Customer deposits		8,512			8,512
Net cash provided by (used for) operating activities	$ 2,775	$ 424,128	$ 462,206	$ (29,000)	$ 860,109

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

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 City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

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 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

The 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.

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

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

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

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

Golf Course Fund – This fund is used to account for the purchase of facilities and operation of activities involved in operating a municipal golf course. The golf course is being utilized as a source to dispose of 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 revenue, and in the presentation of expenses versus expenditures.

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

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 6) 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents, and Investments

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

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

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

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

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Capital Assets

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

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

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

Debt Premiums, Discounts and Issuance Costs
On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against bonds payable. 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.

On the government-wide statement of net position and the proprietary fund type statement of net position, debt issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, debt issuance costs are deferred and amortized over the life of the debt.

At the governmental fund reporting level, debt premiums and discounts are reported as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as an expenditure.

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 (b) legally or contractually required to be maintained intact.

Note 2 - Summary of Significant Accounting Policies (continued)

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 or other governments.

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

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

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

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

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

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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Interfund Activity

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

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

Estimates

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

Comparative Data

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

Note 3 – Stewardship, Compliance and Accountability

Budgetary Information

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

The general, capital projects and debt service 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.

Note 3 – Stewardship, Compliance and Accountability (continued)

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

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

Note 4 - Receivables

Receivables at December 31, 2013, 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 netted with accounts receivable were $11,170 for the year ended December 31, 2013.

Note 5 - Property Taxes

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

Note 6 - 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 consists of the following:

Pro-Shop	$	6,866
Grill		1,005
Maintenance		1,357
	$	9,228

Note 7 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Dispositions	Reclassi-ficaton	Balance 12/31/13
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 1,234,900	$ 365,248			$ 1,600,148
Construction in progress	68,306	1,402,046		$ (12,288)	1,458,064
Total capital assets not being depreciated	1,303,206	1,767,294	$ 0	(12,288)	3,058,212
Depreciable capital assets:					
Buildings	4,480,646	125,368			4,606,014
Equipment	3,160,383	166,694			3,327,077
Vehicles	1,213,974	93,211	(405,244)		901,941
Infrastructure	4,460,409	380,894		12,288	4,853,591
Total depreciable capital assets	13,315,412	766,167	(405,244)	12,288	13,688,623
Total capital assets	14,618,618	2,533,461	(405,244)	0	16,746,835
Accumulated depreciation:					
Buildings	787,630	96,075			883,705
Equipment	1,870,870	337,143			2,208,013
Vehicles	961,441	125,663	(405,244)		681,860
Infrastructure	112,301	89,359			201,660
Total accumulated depreciation	3,732,242	648,240	(405,244)	0	3,975,238
Governmental activities capital assets, net	$ 10,886,376	$ 1,885,221	$ 0	$ 0	$ 12,771,597

Governmental activities depreciation expense:	
General government	$ 28,187
Public safety - police	120,020
Public safety - fire	269,358
Public works - streets and lanes	154,386
Parks and recreation	73,472
Building and zoning	2,817
Total governmental activities depreciation expense	$ 648,240

Note 7 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Deductions	Reclassi-ficaton	Balance 12/31/13
Business-type activities:					
Capital assets not being depreciated:					
Land and rights	$ 819,163				$ 819,163
Construction in progress	552,064	$ 614,629			1,166,693
Total capital assets not being depreciated	1,371,227	614,629	$ 0	$ 0	1,985,856
Depreciable capital assets:					
Buildings	735,830				735,830
Improvements, other than buildings	2,358,106				2,358,106
Water system	7,456,429	46,918			7,503,347
Sewer plant	19,229,724	296,957	(46,807)		19,479,874
Equipment	662,518	35,000			697,518
Vehicles	294,945	22,763			317,708
Office equipment	29,408				29,408
Total depreciable capital assets	30,766,960	401,638	(46,807)	0	31,121,791
Total capital assets	32,138,187	1,016,267	(46,807)	0	33,107,647
Accumulated depreciation:					
Buildings	73,578	24,528			98,106
Improvements, other than buildings	177,268	59,460			236,728
Water system	1,763,297	186,854			1,950,151
Sewer plant	4,929,498	513,060	(46,807)		5,395,751
Equipment	390,969	57,127			448,096
Vehicles	268,050	10,269			278,319
Office equipment	29,408				29,408
Total accumulated depreciation	7,632,068	851,298	(46,807)	0	8,436,559
Business-type activities capital assets, net	$ 24,506,119	$ 164,969	$ 0	$ 0	$ 24,671,088

Note 8 - Interfund Balances and Transfers

Interfund balances at December 31, 2013, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year.

	Payable to:		
Payable from:	General Fund	Fire Department Fund	Sanitation Fund
General Fund			$ 703,386
Fire Department Fund	$ 181,375		
SPLOST Fund	6,122	$ 2,138	
Water Fund		31,621	147,613
Golf fund	1,127,735		
Total	$ 1,315,232	$ 33,759	$ 850,999

	Water Fund	Sewer Fund	Golf Fund	**Total**
General Fund	$ 1,975,243	$ 29,648		$ 2,708,277
Fire Department Fund				181,375
SPLOST Fund	2,675			10,935
Water Fund				179,234
Sewer Fund	259,576		$ 105,644	365,220
Golf fund				1,127,735
Total	$ 2,237,494	$ 29,648	$ 105,644	$ 4,572,776

Interfund transfers for the year ended December 31, 2013 ,were as follows:

- SPLOST fund transfers to the Water fund for water system expansion totaling $42,412.
- SPLOST fund transfers to the Sewer fund for sewer system expansion totaling $307,887.

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Note 9 - Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Through the year ended December 31, 2012, the City reported deferred debt issuance costs in the amount of $112,235 in the government-wide and the proprietary statement of net position. This amount was being amortized over the life of the related debt. For the year ended December 31, 2013, the City adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, under which the City charged off all previously capitalized debt issuance costs which amounted to $112,235.

Note 10- Long-Term Debt

Governmental Activities

Capital Lease – 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.

Capital lease payable in equal monthly payments of approximately $5,683 through September, 2014. This is a non-interest bearing capital lease. Interest, which is not considered material, has not been imputed on this capital lease. The purpose of this lease was to acquire a city building. The original principal amount of the lease was $323,950. The property acquired by the lease is included in governmental activities general capital assets in the amount of $298,745 (cost of $328,456 less accumulated depreciation of $29,711). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2014	$ 51,150	$ 0	$ 51,150

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Note 10 - Long-Term Debt (continued)

Business Type Activities

Capital lease - Capital lease payable in equal monthly payments of $1,441 plus interest at 6.50% through July, 2015. The purpose of this lease was to purchase equipment for the golf course. The original principal amount of the lease was $73,648. The equipment acquired by the lease is included in business type activities capital assets in the amount of $22,093 (cost of $73,648 less accumulated depreciation of $51,555). 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
2014	$ 16,079	$ 1,213	$ 17,292
2015	8,729	162	8,891
Total	$ 24,808	$ 1,375	$ 26,183

Georgia Environmental Facilities Authority – Contract CWSRF 02-014 payable in quarterly installments of $52,038 including interest at 3.0%, beginning November 1, 2006 and ending February 1, 2026. The purpose of the loan in the original principal amount of $3,064,548 was to make improvements to the City's wastewater treatment plant. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2013, follow.

Year	Principal	Interest	Total
2014	$ 145,969	$ 62,185	$ 208,154
2015	150,396	57,756	208,152
2016	154,960	53,194	208,154
2017	159,661	48,492	208,153
2018	164,505	43,648	208,153
2019-2023	900,488	140,279	1,040,767
2024-2026	451,252	17,090	468,342
Total	$ 2,127,231	$ 422,644	$ 2,549,875

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Note 10 - Long-Term Debt (continued)

Georgia Environmental Facilities Authority – Contract CWSRF 05-005 payable in 240 equal monthly installments of $16,613, including interest at 3.0%, beginning May 1, 2009, and ending April 1, 2029. The purpose of the loan in the original principal amount of $2,995,442, was to make improvements to the city's wastewater treatment plant. Annual debt service requirements to amortize the loan outstanding as of December 31, 2013, follow.

Year	Principal	Interest	Total
2014	$ 127,664	$ 71,688	$ 199,352
2015	131,548	67,805	199,353
2016	135,527	63,824	199,351
2017	139,685	59,667	199,352
2018	143,919	55,433	199,352
2019-2023	787,973	208,786	996,759
2024-2026	915,316	81,443	996,759
2029-2033	66,279	415	66,694
Total	$ 2,447,911	$ 609,061	$ 3,056,972

Georgia Environmental Facilities Authority – Contract 2010-L11WQ payable in 240 equal monthly installments of approximately $13,207 including interest at 3.81%, beginning September 1, 2013, and ending August 1, 2033. The purpose of the loan in the original principal amount of $2,215,885, was to make improvements to the City's wastewater reuse system. The project was completed late August, 2013. Annual debt service requirements to amortize the loan outstanding as of December 31, 2013, follow.

Year	Principal	Interest	Total
2014	$ 76,327	$ 82,156	$ 158,483
2015	79,288	79,197	158,485
2016	82,361	76,123	158,484
2017	85,555	72,930	158,485
2018	88,872	69,312	158,184
2019-2023	498,797	293,624	792,421
2024-2026	603,289	189,132	792,421
2029-2033	676,592	63,001	739,593
Total	$ 2,191,081	$ 925,475	$ 3,116,556

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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, 2013.

	Outstanding 12/31/12	Additions	Reductions	Outstanding 12/31/13	Amounts Due in One Year
Governmental Activities					
Capital lease	$ 119,350		$ 68,200	$ 51,150	$ 51,150
Total Governmental Activities	$ 119,350	$ 0	$ 68,200	$ 51,150	$ 51,150
Business-Type Activities					
Capital lease	$ 39,878		$ 15,070	$ 24,808	$ 16,079
Georgia Environmental Facilities Authority					
CWSRF 02-014	2,268,901		141,670	2,127,231	145,969
CWSRF 05-005	2,571,824		123,913	2,447,911	127,664
2010-L11-WQ	2,042,135	$ 173,750	24,804	2,191,081	76,327
	6,882,860	173,750	290,387	6,766,223	349,960
Total Business-Type Activities	$ 6,922,738	$ 173,750	$ 305,457	$ 6,791,031	$ 366,039

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 GEFA loans and capital leases for the water and sewer fund are financed from income derived from the operation of the water and sewer system.

The City did not incur interest expense for 2013 in the government-wide financial statements for governmental activities. Total interest expense incurred for 2013 in the government-wide financial statements for business-type activities amounted to $223,071, all of which was expensed.

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Note 11 - Deferred Inflows of Resources

In addition to liabilities, the governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents additions to assets that apply to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The portion of service delivery receipts that are not available for use (not received within 60 days subsequent to year end) is reported as deferred inflows of resources in the governmental funds balance sheet. This element is not present in the government-wide statement of position.

Note 12 - Pension

The City participates in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer defined benefit pension plan.

Plan Description - The Plan provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia, 30303.

Funding Policy - The Plan members are not required to contribute to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 5.65% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

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Note 12 - Pension (continued)

Annual Pension Cost - The required contribution was determined as part of the July 1, 2013, actuarial valuations for the Plan using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% per year investment rate of return (net of investment expenses) and (b) projected salary increases of 3.5% per year plus age and service based merit increases and 0.0% for cost of living (inflation) adjustments. The actuarial value of net assets is determined by a roll forward of prior year actuarial values combined with contributions, disbursements and expected return on investments, plus 10% of investment gains (losses) during the prior ten years. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1987 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These periods, if applicable, are closed for this plan year.

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a percentage Covered Payroll*
09/01/08	$ 698,083	$ 796,191	87.7%	$ 98,108	$ 872,809	11.24%
10/01/09	688,897	651,206	105.8%	(37,691)	836,929	0.00%
07/01/10	791,091	739,240	107.0%	(51,851)	1,085,464	0.00%
07/01/11	867,837	870,735	99.7%	2,898	1,166,449	0.25%
07/01/12	969,405	986,752	98.2%	17,347	1,407,745	1.23%
07/01/13	1,084,212	1,093,618	99.1%	9,406	1,601,195	0.59%

* Not less than zero

Schedule of Employer Contributions

Year Beginning*	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
9/1/2007	$ 49,152	100%	$ 49,152	100%
9/1/2008	62,658	100%	62,658	100%
10/1/2009	47,377	100%	47,377	100%
1/1/2011	79,288	100%	79,288	100%
1/1/2012	76,411	100%	76,411	100%
1/1/2013	83,924	100%	83,924	100%

* Actuarial calculating and reporting changed

Note 13 - 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, 2013 is as follows:

Investments in capital assets, net of related debt:	Governmental Activities	Business Type Activities
Cost of capital assets	$ 16,746,835	$ 33,107,647
Less accumulated depreciation	3,975,238	8,436,559
Book value	12,771,597	24,671,088
Less capital related debt	51,150	6,791,031
Investments in capital assets, net of related debt	$ 12,720,447	$ 17,880,057

Note 14 - 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, 2013. No provisions have been made in the financial statements for the year ended December 31, 2013, for any estimate of potential unpaid claims.

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

Note 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, 2013. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

Note 16 - Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Georgia Regional Commission (RC) and is required to pay annual dues thereto. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC 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 RDC. Separate financial statements may be obtained from Coastal Georgia Regional Commission, P. O. Box 2917, Brunswick, Georgia 31521.

Note 17 - Potential Impaired Asset

In 2004, the City completed construction of a Miocene and lower Floridan well, with the exception of the pump, at a cost of $400,769. Subsequent to completion of the well, the Georgia Environmental Protection Division (EPD) would not issue a usage permit to the City. This asset may potentially be impaired dependent upon EPD's permitting and alternative uses.

City of Rincon, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 2,319,770	$ 2,333,770	$ 2,333,980	$ 210
Intergovernmental	1,168,508	1,378,508	1,386,421	7,913
Licenses and permits	113,800	113,800	165,100	51,300
Fines and forfeitures	342,700	348,230	328,790	(19,440)
Charges for services	85,000	85,000	69,943	(15,057)
Investment earnings	15,070	15,070	12,440	(2,630)
Miscellaneous	52,750	65,250	31,480	(33,770)
Total revenues	4,097,598	4,339,628	4,328,154	(11,474)
Expenditures				
Current:				
General Government - administration				
City Council	188,413	205,413	205,306	107
General administration	218,564	650,741	650,593	148
Financial administration	91,856	110,956	110,937	19
Judicial	56,069	56,069	50,967	5,102
Public Safety - police	1,233,547	1,234,817	1,127,666	107,151
Public Works - streets and lanes	1,035,512	420,512	402,282	18,230
Housing and Development -				
Building and zoning	204,993	204,993	204,364	629
Parks and Recreation	1,252,734	1,844,587	1,844,281	306
Total expenditures	4,281,688	4,728,088	4,596,396	131,692
Excess (deficit) of revenues over expenditures	$ (184,090)	$ (388,460)	(268,242)	$ 120,218
Fund balances beginning of year			1,883,458	
Fund balances end of year			$ 1,615,216	

See the accompanying notes to the required supplementary information.

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 one budget revision.

All unexpended annual appropriations lapse at year-end.

City of Rincon, Georgia
General Fund
Comparative Balance Sheet
December 31, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	$ 2,574,958	$ 2,763,623
Restricted cash and cash equivalents	34,471	29,657
Receivables		
Taxes	886,381	639,174
Accounts	30,545	
Interfund	1,315,232	1,473,734
Prepaid items	33,926	32,696
Total Assets	$ 4,875,513	$ 4,938,884
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	$ 524,355	$ 364,359
Accrued expenses		29,582
Interfund	2,708,277	2,661,485
Total liabilities	3,232,632	3,055,426
Deferred inflows of resources	27,665	
Total liabilities and deferred inflows of resources	3,260,297	3,055,426
Fund balances		
Nonspendable - prepaid items	33,926	32,696
Restricted for public safety	34,471	29,657
Unrestricted	1,546,819	1,821,105
Total fund balances	1,615,216	1,883,458
Total liabilities, deferred inflows of resources and fund balances	$ 4,875,513	$ 4,938,884

City of Rincon, Georgia
General Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended December 31, 2013 and 2012

	2013	2012
Revenues		
Taxes	$ 2,333,980	$ 2,152,554
Intergovernmental	1,386,421	1,111,418
Licenses and permits	165,100	152,843
Fines and forfeitures	328,790	239,994
Charges for services	69,943	71,313
Investment earnings	12,440	21,289
Miscellaneous	31,480	151,820
Total revenues	4,328,154	3,901,231
Expenditures		
Current:		
General Government		
City Council	205,306	278,839
General administration	650,593	224,050
Financial administration	110,937	87,888
Judicial	50,967	50,817
Public Safety - police	1,127,666	1,069,591
Public Works - streets and lanes	402,282	3,091,565
Housing and Development - building and zoning	204,364	189,747
Parks and Recreation	1,844,281	1,856,332
Total expenditures	4,596,396	6,848,829
Deficit of revenues to expenditures	(268,242)	(2,947,598)
Fund balances beginning of year	1,883,458	4,831,056
Fund balances end of year	$ 1,615,216	$ 1,883,458

City of Rincon, Georgia
SPLOST Fund
Comparative Balance Sheet
December 31, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	$ 1,190,939	$ 1,248,698
Receivables - taxes	154,509	140,526
Total Assets	$ 1,345,448	$ 1,389,224
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 149,711	$ 29,983
Interfund balance	10,935	
Total liabilities	160,646	29,983
Fund balances		
Restricted for capital projects	1,184,802	1,359,241
Total liabilities and fund balances	$ 1,345,448	$ 1,389,224

City of Rincon, Georgia
SPLOST Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Years Ended December 31, 2013 and 2012

	2013	2012
Revenues		
Intergovernmental	$ 845,860	$ 809,904
Investment earnings	2,208	9,451
Total revenues	848,068	819,355
Expenditures		
Capital outlays:		
Public Safety		
Police	140,537	52,111
Fire	30,355	288,520
Public Works streets and lanes	433,116	704,228
Debt service		
Principal - recreation	68,200	51,150
Total expenditures	672,208	1,096,009
Excess (deficit) of revenues over expenditures	175,860	(276,654)
Other financing uses		
Transfer to water and sewer funds	(350,299)	(236,510)
Net change in fund balance	(174,439)	(513,164)
Fund balances beginning of year	1,359,241	1,872,405
Fund balances end of year	$ 1,184,802	$ 1,359,241

City of Rincon, Georgia
Fire Department Fund
Balance Sheet
December 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents:		
Restricted	$ 298,831	$ 417,663
Receivables:		
Accounts	37,028	36,957
Interfund	33,759	135,742
Prepaid expenses	4,147	4,029
Total current assets	$ 373,765	$ 594,391
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 11,437	$ 261,283
Accrued expenses		4,868
Interfund	181,375	85,602
Total current liabilities	192,812	351,753
Fund balances		
Nonspendable	4,147	4,029
Restricted for public safety	176,806	238,609
Total fund balances	180,953	242,638
Total liabilities and fund balances	$ 373,765	$ 594,391

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, 2013
(With Comparative Actual Amounts For the Year Ended December 31, 2012)

	2013				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2012
Revenues					
Intergovernmental	$ 329,246	$ 329,246	$ 329,246	$ 0	$ 348,886
Charges for service	158,000	158,000	117,650	(40,350)	110,374
Investment earnings	1,900	1,900		(1,900)	
Miscellaneous			867	867	800
Total revenues	489,146	489,146	447,763	(41,383)	460,060
Expenditures					
Public safety	490,702	509,702	509,448	254	1,026,538
Excess (deficit) of revenues to expenditures	$ (1,556)	$ (20,556)	(61,685)	$ (41,129)	$ (566,478)
Fund balances					
Beginning of year			242,638		809,116
End of year			$ 180,953		$ 242,638

City of Rincon, Georgia
Sanitation Fund
Comparative Statement of Net Position
December 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 188,042	$ 187,520
Receivables		
Accounts	43,047	42,210
Interfund	850,999	848,224
Total current assets	1,082,088	1,077,954
Liabilities		
Current liabilities:		
Accounts payable	45,112	42,717
Net Position		
Unrestricted	$ 1,036,976	$ 1,035,237

City of Rincon, Georgia
Sanitation Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenues		
Charges for services	$ 534,642	$ 448,205
Operating expenses		
Contractual services	533,425	442,518
Operating income	1,217	5,687
Non-operating revenues		
Investment earnings	522	1,198
Change in net position	1,739	6,885
Net position		
Beginning of year	1,035,237	1,028,352
End of year	$ 1,036,976	$ 1,035,237

City of Rincon, Georgia
Water Fund
Comparative Statement of Net Position
December 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	$ 477,016	$ 450,146
Restricted	1,221,450	1,218,505
Receivables:		
Accounts	93,027	79,982
Interfund	2,237,494	2,169,205
Prepaid expenses	4,342	4,006
Total current assets	4,033,329	3,921,844
Noncurrent assets:		
Capital assets:		
Nondepreciable capital asset	514,545	423,838
Depreciable capital assets, net	5,609,774	5,720,071
Total capital assets	6,124,319	6,143,909
Total assets	10,157,648	10,065,753
Liabilities		
Current liabilities:		
Accounts payable	24,965	19,300
Other accrued expenses		6,012
Interfund payable	179,234	440,772
Current liabilities payable from restricted assets		
Customer deposits	387,573	379,061
Total current liabilities	591,772	845,145
Net Position		
Net investment in capital assets	6,124,319	6,143,909
Restricted for capital system improvements	1,221,450	1,218,505
Unrestricted	2,220,107	1,858,194
Total net position	$ 9,565,876	$ 9,220,608

City of Rincon, Georgia
Water Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenues		
Charges for services	$ 1,092,230	$ 1,225,303
Other revenues	18,919	15,722
Total operating revenues	1,111,149	1,241,025
Operating expenses		
Salaries	268,607	244,212
Payroll taxes and employee benefits	88,076	77,128
Utilities and telephone	62,582	62,706
Repairs and maintenance	42,813	67,651
Office supplies and expenses	19,806	19,488
Computer support	10,583	5,914
Operating supplies	46,965	73,164
Gas, oil and tires	15,510	16,560
Insurance	12,963	12,019
Legal and accounting	7,145	12,041
Contractual services	68,530	32,488
Engineering fees	1,170	870
Advertising/legal ads	756	717
Dues and subscriptions	408	405
Travel and training	1,861	2,040
Bad debts expense	6,966	
Bank merchant fees	25,714	16,252
Other	1,350	
Depreciation	197,478	202,750
Total operating expenses	879,283	846,405
Operating income	231,866	394,620
Non-operating revenues		
Impact fees	63,860	110,454
Investment earnings	7,130	36,034
Total non-operating revenues	70,990	146,488
Income before interfund transfers	302,856	541,108
Interfund transfers	42,412	24,232
Change in net position	345,268	565,340
Net position		
Beginning of year	9,220,608	8,655,268
End of year	$ 9,565,876	$ 9,220,608

City of Rincon, Georgia
Sewer Fund
Comparative Statement of Net Position
December 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted		$ 24
Restricted	$ 705,299	1,049,263
Receivables:		
Accounts	97,913	87,924
Interfund	29,648	
Prepaid expenses	9,585	8,645
Total current assets	842,445	1,145,856
Noncurrent assets:		
Capital assets:		
Nondepreciable capital asset	1,026,311	502,389
Depreciable capital assets, net	14,137,962	14,353,356
Total capital assets	15,164,273	14,855,745
Other - deferred debt issuance costs		112,235
Total noncurrent assets	15,164,273	14,967,980
Total assets	16,006,718	16,113,836
Liabilities		
Current liabilities:		
Accounts payable	28,137	44,499
Accrued interest	21,534	24,258
Other accrued expenses	2,000	6,759
Interfund	365,220	463,973
Notes payable	349,960	290,387
Total current liabilities	766,851	829,876
Long-term liabilities:		
Notes payable (net of current portion)	6,416,263	6,592,473
Total liabilities	7,183,114	7,422,349
Net Position		
Net investment in capital assets	8,398,050	7,972,885
Restricted for capital improvements	705,299	1,049,263
Unrestricted	(279,745)	(330,661)
Total net position	$ 8,823,604	$ 8,691,487

City of Rincon, Georgia
Sewer Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenues		
Charges for services	$ 1,101,994	$ 1,097,164
Other revenues	116,918	16,169
Total operating revenues	1,218,912	1,113,333
Operating expenses		
Salaries	223,521	219,319
Payroll taxes and employee benefits	81,901	79,725
Utilities and telephone	125,408	129,392
Repairs and maintenance	66,772	108,847
Office supplies and expenses	712	639
Operational supplies	59,042	61,302
Gas, oil and tires	7,810	12,627
Insurance	29,699	23,066
Contractual services	119,103	100,084
Advertising/legal ads	503	764
Dues and subscriptions	280	277
Travel and training	2,597	1,133
Bad debts expense	7,308	
Depreciation	529,851	444,913
Total operating expenses	1,254,507	1,182,088
Operating loss	(35,595)	(68,755)
Non-operating revenues (expenses)		
Impact fees	189,162	408,528
Investment earnings	3,746	6,112
Amortization	(112,235)	(5,966)
Interest expense	(220,848)	(175,603)
Total non-operating revenues (expenses)	(140,175)	233,071
Income (loss) before transfers	(175,770)	164,316
Transfers in	307,887	212,278
Change in net position	132,117	376,594
Net position		
Beginning of year	8,691,487	8,314,893
End of year	$ 8,823,604	$ 8,691,487

City of Rincon, Georgia
Golf Course Fund
Comparative Statement of Net Position
December 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 40,280	$ 37,454
Receivables		
Accounts (net of allowance of $11,170 in 2013 and 2012)	8,022	3,677
Interfund	105,644	105,644
Inventory	9,228	16,079
Prepaid expense	2,554	2,656
Total current assets	165,728	165,510
Noncurrent assets:		
Capital assets:		
Nondepreciable capital asset	445,000	445,000
Depreciable capital assets, net	2,937,496	3,061,465
Total capital assets	3,382,496	3,506,465
Total assets	3,548,224	3,671,975
Liabilities		
Current liabilities:		
Accounts payables	13,521	13,733
Accrued expenses		5,292
Interfund	1,127,735	1,080,717
Capital lease payable	16,079	15,069
Total current liabilities	1,157,335	1,114,811
Long-term liabilities:		
Capital lease payable (net of current portion)	8,729	24,809
Total liabilities	1,166,064	1,139,620
Net Position		
Net investment in capital assets	3,357,688	3,466,587
Unrestricted	(975,528)	(934,232)
Total net position	$ 2,382,160	$ 2,532,355

City of Rincon, Georgia
Golf Course Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenues		
Course fees	$ 394,539	$ 399,851
Golf course sales (net of cost of goods sold)	1,260	5,192
Grill sales (net of cost of goods sold)	36,509	32,475
Total operating revenues	432,308	437,518
Operating expenses		
Salaries	236,163	274,541
Payroll taxes and employee benefits	57,889	55,748
Utilities and telephone	47,423	53,455
Repairs and maintenance	12,223	17,112
Office supplies and expenses	9,767	9,526
Computer support	90	743
Operating supplies	21,905	38,311
Gas and oil	6,229	11,124
Insurance	8,291	5,326
Contractual services	8,561	4,980
Advertising	8,290	9,159
Dues and subscriptions	640	1,284
Travel and training	9	856
Tournament expenses	4,815	10,331
License and taxes	1,650	2,150
Miscellaneous expense	1,346	2,462
Leased equipment	33,121	33,240
Depreciation	123,969	117,231
Total operating expenses	582,381	647,579
Operating loss	(150,073)	(210,061)
Non-operating revenues (expenses)		
Miscellaneous	2,101	3,677
Interest expense	(2,223)	(3,168)
Total non-operating revenues (expenses)	(122)	509
Change in net position	(150,195)	(209,552)
Net position		
Beginning of year	2,532,355	2,741,907
End of year	$ 2,382,160	$ 2,532,355

City of Rincon, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2013

	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percent Complete
2006 Effingham County SPLOST						
Public buildings	$ 300,000					
Public safety	750,000	$ 971,634	$ 800,742	$ 170,892	$ 971,634	100.00%
Roads, streets, and bridges	3,500,000	1,231,911	1,231,911		1,231,911	100.00%
Drainage	500,000	68,585		68,585	68,585	100.00%
Recreation	780,000	431,169	309,688	68,200	377,888	87.64%
Water and sewerage		2,224,346	1,384,889	350,299	1,735,188	78.01%
Total	$ 5,830,000	$ 4,927,645	$ 3,727,230	$ 657,976	$ 4,385,206	
Funds remaining at December 31, 2013					$ 553,416	
2011 Effingham County SPLOST						
Public buildings	$ 38,867	$ 38,867				
Public safety	155,467	155,467	$ 67,449		$ 67,449	43.38%
Roads, streets, and bridges	777,333	777,333	46,507	$ 364,531	411,038	52.88%
Drainage	15,547	15,547				0.00%
Recreation	1,554,667	1,554,667				0.00%
Water and sewerage	3,754,520	3,754,520				0.00%
Total	$ 6,296,401	$ 6,296,401	$ 113,956	$ 364,531	$ 478,487	
Funds remaining at December 31, 2013					$ 631,386	

CAINES, HODGES & COMPANY, P.C.
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Council
City of Rincon, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of City of Rincon, Georgia, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Rincon, Georgia's basic financial statements and have issued our report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in 2013-01 and 2013-02 in the accompanying schedule of findings and responses that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Rincon, Georgia's Response to Findings

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

Purpose of this Report

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

Caines, Hodges & Company, P.C.

Rincon, Georgia
June 30, 2014

City of Rincon, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Noncompliance

None

Internal control

2013-01 Revenues and receivables not properly reconciled.

Condition: Utility fund receivables and revenues were materially misstated.

Context: Reconciliations of revenues to billings and of receivables to the aged accounts receivable report should be periodically reviewed for accuracy to ensure fair presentation.

Effect: Receivables and revenues were misstated.

Cause: Errors were made in the reconciliation process resulting in the inclusion of revenues from one extra month in revenues and other erroneous entries

Recommendation: Establish additional review procedures over the reconciliation process to detect and correct any errors in the reconciliations of revenues to billings and of receivables to the aged accounts receivable

Management response: Management agrees with finding and will establish procedures to ensure regular, proper reconciliation of receivables to the aged receivables report and revenues to billings.

2013-02 Improperly recorded purchases

Condition: Several purchases made in 2013 were not recorded in the 2013 accounting records.

Context: Adequate review procedures should be in place to ensure that a proper cut-off is made to report expenses in the proper period. During audit procedures several disbursements were noted for capital assets and other items ordered in 2013, received in 2013, but recorded as 2014 expenditures.

Effect: Failure to record expenses in the proper period will result in misstated financial statements.

Cause: The condition was caused by failure to accrue all expenditures in the period in which the City incurred liability for the items purchased.

Recommendation: Establish procedures to ensure that expenditures are recorded when the liability is incurred. In most cases this will occur when the product is shipped or received, depending on shipping terms.

Management response: Management agrees with finding. The City has procedures in place to review accounts payable for proper cutoff. However, the procedures were not sufficiently performed to determine that all material accounts payable was recorded.