CAINES HODGES
CERTIFIED PUBLIC ACCOUNTANTS

Donald T. Caines, CPA
Carlton H. Hodges, CPA

Caines, Hodges & Company, P.C.
200 E. Saint Julian Street • Suite 603
Savannah, GA 31401
Tel: (912) 233-6383
www.caineshodges.com

Member American Institute of Certified Public Accountants
And Georgia Society of Certified Public Accountants

September 19, 2017

To the Mayor and City Council
City of Rincon, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Rincon, Georgia (the City) for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 5, 2017. Professional standards also require that we communicate to you the following information related to our audit.

*Qualitative Aspects of Accounting Practices*
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2016. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. We are not aware of any significant transactions which have not been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimate of the useful lives of all classes of property and equipment, including infrastructure, which is based on historical evidence and an analysis of each asset's present condition; net pension liabilities; and collectibility of receivables. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were for capital assets in Note 8 to the financial statements, long-term debt in Note 10 to the financial statements, and defined the benefit pension plan in Note 11 to the financial statements.

*Difficulties Encountered in Performing the Audit*
We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has reviewed and agreed with all adjustments and has corrected such misstatements.

*Disagreements with Management*
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*
We have requested certain representations from management that are included in the management letter dated September 19, 2017.

*Management Consultations with Other Independent Accountants*
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Internal Control Findings*
Four significant deficiencies, which are also considered to be material weaknesses, are included in the Schedule of Findings and Responses. These findings related to the proper recording of accounts receivable, accounts payable and other accrued revenues and expenses.

*Other Audit Findings or Issues*
The City has significant interfund balances (receivables/payables between funds). Generally these interfund balances will be paid off within one year. The balance that the golf fund owes the general fund is intended to be repaid, however, not within one year. Management has represented that the City has a plan to repay the balance due over several years.

We generally discuss a variety of matters, including application of accounting principles and auditing standards with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Mayor and City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Cairns Hodgson & Company, P.C.

*City of Rincon, Georgia*

*Audited Financial Statements*

*For the Year Ended*
*December 31, 2016*

**City of Rincon, Georgia**
***Audited Financial Statements***
***For The Year Ended December 31, 2016***

## TABLE OF CONTENTS


| | Page |
|---|---|
| **Financial Section** | |
| **Independent Auditors' Report** | 3 |
| **Basic Financial Statements** | |
| **Government-wide Financial Statements:** | |
| Statement of Net Position | 6 |
| Statement of Activities | 7 |
| **Fund Financial Statements:** | |
| **Governmental Funds:** | |
| Balance Sheet | 8 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 9 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 10 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 11 |
| **Proprietary Funds:** | |
| Statement of Net Position | 12 |
| Statement of Revenues, Expenses and Changes in Fund Net Position | 13 |
| Statement of Cash Flows | 14 |
| **Notes to the Basic Financial Statements** | 16 |
| **Required Supplementary Information** | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund | 38 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Fire Department Fund | 39 |
| Notes to the Required Supplementary Information | 40 |
| Defined Benefit Plan - | |
| Schedule of Changes in the Net Pension Liability and Related Ratios | 41 |
| Schedule of Contributions | 42 |
| **Other Supplementary Information** | |
| **Individual Fund Statements and Schedules:** | |
| **Governmental Funds** | |
| **General Fund:** | |
| Comparative Balance Sheet | 43 |
| Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances | 44 |

| | Page |
|---|---|
| **Fire Department Fund** | |
| Comparative Balance Sheet | 45 |
| Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances | 46 |
| **SPLOST Capital Projects Fund:** | |
| Comparative Balance Sheet | 47 |
| Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances | 48 |
| **Special Projects Capital Projects Fund** | |
| Project Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 49 |
| **Nonmajor Governmental Funds** | |
| *Hotel/Motel Tax Fund* | |
| Balance Sheet | 50 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 51 |
| **Proprietary Funds** | |
| **Enterprise Funds (major)** | |
| *Sanitation Fund* | |
| Comparative Statement of Net Position | 52 |
| Comparative Statement of Revenues, Expenses and Changes in Fund Net Position | 53 |
| *Water Fund* | |
| Comparative Statement of Net Position | 54 |
| Comparative Statement of Revenues, Expenses and Changes in Fund Net Position | 55 |
| *Sewer Fund* | |
| Comparative Statement of Net Position | 56 |
| Comparative Statement of Revenues, Expenses and Changes in Fund Net Position | 57 |
| *Golf Course Fund* | |
| Comparative Statement of Net Position | 58 |
| Comparative Statement of Revenues, Expenses and Changes in Fund Net Position | 59 |
| **Special Purposes Local Option Sales Tax:** | |
| Schedule of Hotel/Motel Tax | 60 |
| Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds | 61 |
| **Government Auditing Standards and Single Audit Reporting Section** | |
| 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* | 62 |
| Schedule of Findings and Responses | 64 |

CAINES HODGES
CERTIFIED PUBLIC ACCOUNTANTS

Donald T. Caines, CPA
Carlton H. Hodges, CPA

Caines, Hodges & Company, P.C.
200 E. Saint Julian Street • Suite 603
Savannah, GA 31401
Tel: (912) 233-6383
www.caineshodges.com

Member American Institute of Certified Public Accountants
And Georgia Society of Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Rincon, Georgia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Rincon, Georgia, as of and for the year ended December 31, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information on pages 38 through 40, and the schedule of changes in net pension liability and related ratios, schedule of contributions and schedule of funding progress information on pages 41through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rincon, Georgia's basic financial statements. The individual fund financial statements, the Schedule of Hotel/Motel Tax, and the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2017, 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.

September 19, 2017

**City of Rincon, Georgia**
***Statement of Net Position***
***December 31, 2016***

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | $ 3,700,872 | $ 4,189,083 | $ 7,889,955 |
| Restricted cash | 361,822 | 393,913 | 755,735 |
| Receivables: | | | |
| Taxes | 837,713 | | 837,713 |
| Intergovermental | 383,159 | 4,847 | 388,006 |
| Accounts | 57,670 | 393,939 | 451,609 |
| Other | 36,505 | | 36,505 |
| Inventory | | 9,313 | 9,313 |
| Prepaid items | 67,482 | 45,251 | 112,733 |
| **Capital assets:** | | | |
| Nondepreciable capital assets | 1,356,379 | 1,188,051 | 2,544,430 |
| Depreciable capital assets, net | 13,418,241 | 23,582,717 | 37,000,958 |
| **Total assets** | 20,219,843 | 29,807,114 | 50,026,957 |
| **Deferred Outflows of Resources** | | | |
| Pension: | | | |
| Difference between expected and actual experience | 19,747 | 6,431 | 26,178 |
| Net difference between projected and actual earnings on investments | 49,960 | 16,274 | 66,234 |
| Contributions after measurement date | 69,727 | 22,711 | 92,438 |
| **Total deferred outflows of resources** | 139,434 | 45,416 | 184,850 |
| **Liabilities** | | | |
| **Current liabilities:** | | | |
| Accounts payable | 1,013,180 | 193,092 | 1,206,272 |
| Accrued interest payable | | 11,513 | 11,513 |
| Other accrued expenses | 24,169 | 11,352 | 35,521 |
| Interfund | 822,093 | (822,093) | 0 |
| Capital leases payable (current portion of long-term) | 21,926 | 14,935 | 36,861 |
| Bonds payable (current portion of long-term) | | 418,234 | 418,234 |
| Liabilities payable from restricted assets | | 396,908 | 396,908 |
| **Long-term liabilities:** | | | |
| Net pension liability | 356,047 | 115,968 | 472,015 |
| Capital leases payable (net of current portion) | 87,749 | | 87,749 |
| Bonds payable (net of current portion) | | 5,108,123 | 5,108,123 |
| **Total liabilities** | 2,325,164 | 5,448,032 | 7,773,196 |
| **Deferred Inflows of Resources** | | | |
| Pension: | | | |
| Difference between expected and actual experience | 15,662 | 5,102 | 20,764 |
| Changes of assumptions | 7,137 | 2,325 | 9,462 |
| **Total deferred inflows of resources** | 22,799 | 7,427 | 30,226 |
| **Net Position** | | | |
| Net investment in capital assets | 14,664,945 | 19,229,476 | 33,894,421 |
| Restricted for: | | | |
| Public safety | 621,033 | | 621,033 |
| Capital projects | 1,577,082 | 393,913 | 1,970,995 |
| Unrestricted | 1,148,254 | 4,773,682 | 5,921,936 |
| **Total net position** | $ 18,011,314 | $ 24,397,071 | $ 42,408,385 |

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

**City of Rincon, Georgia**
***Statement of Activities***
***For the Year Ended December 31, 2016***

| 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 | $ 444,525 | | | | $ (444,525) | | $ (444,525) |
| General administration | 279,591 | $ 32,553 | $ 2,361 | | (244,677) | | (244,677) |
| Financial administration | 127,451 | | | | (127,451) | | (127,451) |
| Judicial | 55,459 | | | | (55,459) | | (55,459) |
| Public Safety - police | 1,429,928 | 466,015 | 2,361 | $ 57,398 | (904,154) | | (904,154) |
| Public Safety - fire | 776,389 | 282,414 | 507,325 | 57,398 | 70,748 | | 70,748 |
| Public Works - streets and lanes | 2,961,581 | | 54,475 | 2,575,545 | (331,561) | | (331,561) |
| Public Works - drainage | | | | 88,306 | 88,306 | | 88,306 |
| Public Works - water & sewer | | | | 353,224 | 353,224 | | 353,224 |
| Parks and Recreation | 665,010 | 119,489 | | 61,814 | (483,707) | | (483,707) |
| Housing & Development - building & zoning | 283,420 | 74,992 | | | (208,428) | | (208,428) |
| Interest expense | 2,793 | | | | (2,793) | | (2,793) |
| **Total governmental activities** | 7,026,147 | 975,463 | 566,522 | 3,193,685 | (2,290,477) | $ 0 | (2,290,477) |
| **Business-type activities:** | | | | | | | |
| Sanitation | 543,533 | 600,432 | | | | 56,899 | 56,899 |
| Water | 816,907 | 1,286,110 | 3,231 | 55,863 | | 528,297 | 528,297 |
| Sewer | 1,556,732 | 1,298,245 | 1,616 | 155,116 | | (101,755) | (101,755) |
| Golf course | 659,086 | 386,681 | | | | (272,405) | (272,405) |
| **Total business-type activities** | 3,576,258 | 3,571,468 | 4,847 | 210,979 | 0 | 211,036 | 211,036 |
| **Total - primary government** | $ 10,602,405 | $ 4,546,931 | $ 571,369 | $ 3,404,664 | (2,290,477) | 211,036 | (2,079,441) |
| | | **General revenues** | | | | | |
| | | Local option sales tax | | | 1,237,210 | | 1,237,210 |
| | | Title ad valorem tax | | | 198,865 | | 198,865 |
| | | Franchise taxes | | | 483,110 | | 483,110 |
| | | Business occupation tax | | | 89,350 | | 89,350 |
| | | Alcohol taxes | | | 160,156 | | 160,156 |
| | | Insurance premium taxes | | | 553,988 | | 553,988 |
| | | Real estate transfer and intangibles tax | | | 13,534 | | 13,534 |
| | | Hotel/motel tax | | | 7,165 | | 7,165 |
| | | Intergovernmental - service delivery | | | 258,980 | | 258,980 |
| | | Gain on sales of assets | | | 9,900 | | 9,900 |
| | | Investment earnings | | | 8,365 | 8,211 | 16,576 |
| | | Miscellaneous | | | 35,798 | 70,476 | 106,274 |
| | | **Total general revenues** | | | 3,056,421 | 78,687 | 3,135,108 |
| | | Transfers | | | (275,060) | 275,060 | 0 |
| | | **Total general revenues and transfers** | | | 2,781,361 | 353,747 | 3,135,108 |
| | | **Change in net position** | | | 490,884 | 564,783 | 1,055,667 |
| | | **Net position beginning of year** | | | 17,520,430 | 23,832,288 | 41,352,718 |
| | | **Net position end of year** | | | $ 18,011,314 | $ 24,397,071 | $ 42,408,385 |

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

**City of Rincon, Georgia**
***Balance Sheet***
***Governmental Funds***
***December 31, 2016***

| | General | Fire Department Fund | SPLOST Capital Projects Fund | Special Projects Capital Projects Fund | Hotel/Motel Tax Fund (non-major) | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | $ 1,746,792 | | $ 1,609,433 | $ 344,647 | | $ 3,700,872 |
| Restricted cash and cash equivalents | 38,559 | $ 323,263 | | | | 361,822 |
| Receivables | | | | | | |
| Taxes | 640,731 | | 196,982 | | | 837,713 |
| Intergovernmental | 318,177 | 48,268 | | 16,144 | $ 570 | 383,159 |
| Accounts | | 57,670 | | | | 57,670 |
| Other | 36,505 | | | | | 36,505 |
| Interfund balances | 1,765,950 | 204,560 | | 147,147 | | 2,117,657 |
| Prepaid items | 61,114 | 6,368 | | | | 67,482 |
| **Total assets** | $ 4,607,828 | $ 640,129 | $ 1,806,415 | $ 507,938 | $ 570 | $ 7,562,880 |
| **Liabilities and Fund Balances** | | | | | | |
| **Liabilities** | | | | | | |
| Accounts payable | $ 569,419 | $ 31,590 | $ 40,594 | $ 371,577 | | $ 1,013,180 |
| Accrued expenses | 20,780 | 3,389 | | | | 24,169 |
| Interfund balances | 2,591,404 | 159,037 | 188,739 | | $ 570 | 2,939,750 |
| **Total liabilities** | 3,181,603 | 194,016 | 229,333 | 371,577 | 570 | 3,977,099 |
| **Deferred inflows of resources** | | | | | | |
| Intergovernmental revenues | 258,980 | | | | | 258,980 |
| **Fund balances** | | | | | | |
| Nonspendable - prepaid items | 61,114 | 6,368 | | | | 67,482 |
| Restricted for: | | | | | | |
| Public safety | 38,559 | 439,745 | | | | 478,304 |
| Capital outlays | | | 1,577,082 | 136,361 | | 1,713,443 |
| Unassigned | 1,067,572 | | | | | 1,067,572 |
| **Total fund balances** | 1,167,245 | 446,113 | 1,577,082 | 136,361 | 0 | 3,326,801 |
| **Total liabilities and fund balances** | $ 4,607,828 | $ 640,129 | $ 1,806,415 | $ 507,938 | $ 570 | $ 7,562,880 |

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, 2016***

| | | |
|---|---|---|
| **Total governmental fund balances** | | $ 3,326,801 |
| **Amounts reported for governmental activities in the statement of net position are different because:** | | |
| Intergovernmental revenues from service delivery agreements are deferred in the governmental funds because they are not available but they are reported as revenue in the statement of activities. | | 258,980 |
| 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 | $ 20,425,865 | |
| Less accumulated depreciation | (5,651,245) | 14,774,620 |
| The deferred outflows of resources below are not current assets or financial resources and the deferred inflows of resources are not due and payable in the current period and therefore are not reported in the governmental funds. Balances at December 31, 2016, are: | | |
| Deferred outflows | | 139,434 |
| Deferred inflows | | (22,799) |
| Liabilities, including capital leases and net pension liability are not due and payable in the current period and therefore are not reported at the fund financial reporting level, however, these liabilities are reported at the government-wide reporting level: | | |
| Capital lease payable | | (109,675) |
| Net pension liability | | (356,047) |
| **Net position of governmental activities** | | $ 18,011,314 |

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, 2016*

| | General | Fire Department Fund | SPLOST Capital Projects Fund | Special Projects Capital Projects Fund | Hotel/ Motel Tax Fund (non-major) | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Taxes | $ 2,736,213 | | | | $ 7,165 | $ 2,743,378 |
| Licenses and permits | 107,545 | | | | | 107,545 |
| Intergovernmental | 139,186 | $ 507,325 | $ 705,937 | $ 465,250 | | 1,817,698 |
| Charges for services | 119,489 | 282,414 | | | | 401,903 |
| Fines and forfeitures | 466,015 | | | | | 466,015 |
| Investment earnings | 5,178 | | 509 | 3,187 | | 8,874 |
| Contributions | | | | 1,942,000 | | 1,942,000 |
| Miscellaneous | 28,752 | 7,046 | | | | 35,798 |
| **Total Revenues** | 3,602,378 | 796,785 | 706,446 | 2,410,437 | 7,165 | 7,523,211 |
| **Expenditures** | | | | | | |
| **Current:** | | | | | | |
| General Government - administration | | | | | | |
| City Council | 435,732 | | | | 7,165 | 442,897 |
| General administration | 240,683 | | | | | 240,683 |
| Financial administration | 126,636 | | | | | 126,636 |
| Judicial | 54,445 | | | | | 54,445 |
| Public Safety | | | | | | |
| Police | 1,351,805 | | | | | 1,351,805 |
| Fire | | 710,202 | | | | 710,202 |
| Public Works - streets and lanes | 1,414,966 | | | 2,274,076 | | 3,689,042 |
| Parks and Recreation | 567,295 | | | | | 567,295 |
| Housing & Development - building & zoning | 304,045 | | | | | 304,045 |
| **Capital outlays** | | | 463,647 | | | 463,647 |
| **Debt service:** | | | | | | |
| Principal | 15,325 | | | | | 15,325 |
| Interest and fiscal charges | 2,793 | | | | | 2,793 |
| **Total expenditures** | 4,513,725 | 710,202 | 463,647 | 2,274,076 | 7,165 | 7,968,815 |
| **Excess (deficit) of revenues to expenditures** | (911,347) | 86,583 | 242,799 | 136,361 | 0 | (445,604) |
| **Other financing sources (uses)** | | | | | | |
| Proceeds from capital lease | 125,000 | | | | | 125,000 |
| Sale of assets | 9,900 | | | | | 9,900 |
| Interfund transfers | | | | | | |
| To water and sewer funds | | | (275,060) | | | (275,060) |
| From Water Fund | 1,353,065 | | | | | 1,353,065 |
| To Golf Fund | (1,353,065) | | | | | (1,353,065) |
| **Total other financing sources (uses)** | 134,900 | 0 | (275,060) | 0 | 0 | (140,160) |
| **Net change in fund balances** | (776,447) | 86,583 | (32,261) | 136,361 | 0 | (585,764) |
| **Fund balances beginning of year** | 1,943,692 | 359,530 | 1,609,343 | | 0 | 3,912,565 |
| **Fund balances end of year** | $ 1,167,245 | $ 446,113 | $ 1,577,082 | $ 136,361 | $ 0 | $ 3,326,801 |

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, 2016***

| | | |
|---|---|---|
| **Net changes in fund balances - total governmental funds** | | $ (585,764) |
| **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 | $ (629,838) | |
| Capitalized capital outlay | 1,611,228 | 981,390 |
| Intergovernmental revenues from service delivery agreements that do not provide current financial resources are not reported as revenues in the funds. | | |
| Deferred at 12/31/16 | 258,980 | |
| Deferred at 12/31/15 | 0 | 258,980 |
| The issuance of long-term debt (e.g.,capital leases) provides current financial resources to the governmental funds, but the receipt of proceeds from long-term debt increases long-term liabilities in the statement of net position. | | (125,000) |
| 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. | | 15,325 |
| Net pension liability reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Net pension liability | | |
| Balance at 12/31/16 | (356,047) | |
| Balance at 12/31/15 | 249,022 | (107,025) |
| Deferred inflows/outflows of resources from pensions | | |
| Balance at 12/31/16 | 116,635 | |
| Balance at 12/31/15 | (63,657) | 52,978 |
| **Change in net position of governmental activities** | | $ 490,884 |

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

**City of Rincon, Georgia**
***Statement of Net Position***
***Proprietary Funds***
***December 31, 2016***

| | Sanitation | Water | Sewer | Golf Course | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets:** | | | | | |
| Cash and cash equivalents | | | | | |
| Unrestricted | $ 190,553 | $ 3,227,471 | $ 673,041 | $ 98,018 | $ 4,189,083 |
| Restricted | | 392,913 | 1,000 | | 393,913 |
| Receivables | | | | | |
| Intergovernmental | | 3,231 | 1,616 | | 4,847 |
| Accounts | 69,932 | 186,084 | 137,923 | | 393,939 |
| Interfund balances | 1,349,211 | 2,444,257 | 228,832 | | 4,022,300 |
| Inventory | | | | 9,313 | 9,313 |
| Prepaid expenses | | 15,018 | 24,777 | 5,456 | 45,251 |
| **Total current assets** | 1,609,696 | 6,268,974 | 1,067,189 | 112,787 | 9,058,646 |
| **Noncurrent assets:** | | | | | |
| **Capital assets:** | | | | | |
| Nondepreciable capital assets | | 316,621 | 426,430 | 445,000 | 1,188,051 |
| Depreciable capital assets, net | | 6,288,073 | 14,644,545 | 2,650,099 | 23,582,717 |
| **Total capital assets** | 0 | 6,604,694 | 15,070,975 | 3,095,099 | 24,770,768 |
| **Total assets** | 1,609,696 | 12,873,668 | 16,138,164 | 3,207,886 | 33,829,414 |
| **Deferred outflows of resources** | | | | | |
| Pension: | | | | | |
| Difference between expected and actual experience | | 2,243 | 2,702 | 1,486 | 6,431 |
| Net difference between projected and actual earnings on pension plan investments | | 5,676 | 6,838 | 3,760 | 16,274 |
| Contributions after measurement date | | 7,921 | 9,542 | 5,248 | 22,711 |
| **Total deferred outflows of resources** | 0 | 15,840 | 19,082 | 10,494 | 45,416 |
| **Liabilities** | | | | | |
| **Current liabilities:** | | | | | |
| Accounts payable | 45,995 | 60,705 | 70,045 | 16,347 | 193,092 |
| Accrued interest payable | | | 11,513 | | 11,513 |
| Other accrued expenses | | 2,396 | 5,646 | 3,310 | 11,352 |
| Interfund balances | 408,654 | 1,782,603 | 1,008,950 | | 3,200,207 |
| Current portion of long-term liabilities | | | | | |
| Capital leases payable | | | | 14,935 | 14,935 |
| Notes payable | | | 418,234 | | 418,234 |
| **Current liabilities payable from restricted assets:** | | | | | |
| Customer deposits | | 396,908 | | | 396,908 |
| **Total current liabilities** | 454,649 | 2,242,612 | 1,514,388 | 34,592 | 4,246,241 |
| **Long-term liabilities:** | | | | | |
| Net pension liability | | 40,447 | 48,726 | 26,795 | 115,968 |
| Notes payable (net of current portion) | | | 5,108,123 | | 5,108,123 |
| | 0 | 40,447 | 5,156,849 | 26,795 | 5,224,091 |
| **Total liabilities** | 454,649 | 2,283,059 | 6,671,237 | 61,387 | 9,470,332 |
| **Deferred inflows of resources** | | | | | |
| Pension: | | | | | |
| Difference between expected and actual experience | | 1,779 | 2,144 | 1,179 | 5,102 |
| Changes in assumptions | | 811 | 976 | 538 | 2,325 |
| **Total deferred inflows of resources** | 0 | 2,590 | 3,120 | 1,717 | 7,427 |
| **Net position** | | | | | |
| Net investment in capital assets | | 6,604,694 | 9,544,618 | 3,080,164 | 19,229,476 |
| Restricted for capital improvements | | 392,913 | 1,000 | | 393,913 |
| Unrestricted | 1,155,047 | 3,606,252 | (62,729) | 75,112 | 4,773,682 |
| **Total net position** | $ 1,155,047 | $ 10,603,859 | $ 9,482,889 | $ 3,155,276 | $ 24,397,071 |

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, 2016***

| | Sanitation | Water | Sewer | Golf Course | Total |
|---|---|---|---|---|---|
| **Operating revenues** | | | | | |
| Charges for services | $ 600,432 | $ 1,263,349 | $ 1,270,682 | $ 386,681 | $ 3,521,144 |
| Other revenues | | 22,761 | 27,563 | | 50,324 |
| **Total operating revenues** | 600,432 | 1,286,110 | 1,298,245 | 386,681 | 3,571,468 |
| **Operating expenses** | | | | | |
| Salaries | | 174,132 | 262,476 | 281,336 | 717,944 |
| Payroll taxes and employee benefits | | 80,127 | 55,127 | 55,857 | 191,111 |
| Utilities and telephone | | 66,461 | 140,153 | 45,998 | 252,612 |
| Repairs and maintenance | | 54,943 | 104,417 | 24,338 | 183,698 |
| Office supplies and expenses | | 27,755 | | 1,326 | 29,081 |
| Computer support | | 14,901 | | 1,121 | 16,022 |
| Operational supplies | | 59,382 | 127,037 | 60,514 | 246,933 |
| Gas, oil and tires | | 9,893 | 9,634 | 9,574 | 29,101 |
| Insurance | | 14,964 | 21,180 | 9,994 | 46,138 |
| Contractual services | 543,533 | 43,856 | 104,314 | 2,046 | 693,749 |
| Advertising/legal ads | | 894 | 599 | 2,113 | 3,606 |
| Dues and subscriptions | | 1,102 | 663 | 638 | 2,403 |
| Travel and training | | 2,468 | 2,810 | 494 | 5,772 |
| Tournament expenses | | | | 1,323 | 1,323 |
| License and taxes | | | | 6,794 | 6,794 |
| Miscellaneous expense | | 1,001 | | 9,877 | 10,878 |
| Bad debt expense | | | | 18,169 | 18,169 |
| Bank merchant fees | | 26,825 | | | 26,825 |
| Leased equipment | | | | 2,040 | 2,040 |
| Depreciation | | 238,203 | 587,185 | 123,911 | 949,299 |
| **Total operating expenses** | 543,533 | 816,907 | 1,415,595 | 657,463 | 3,433,498 |
| **Operating income (loss)** | 56,899 | 469,203 | (117,350) | (270,782) | 137,970 |
| **Non-operating revenues (expenses)** | | | | | |
| Impact fees | | 55,863 | 155,116 | | 210,979 |
| Investment earnings | 428 | 5,883 | 1,900 | | 8,211 |
| Tower rental | | 66,342 | | | 66,342 |
| Interest expense | | | (141,137) | (1,623) | (142,760) |
| Miscellaneous | | | | 4,134 | 4,134 |
| **Total non-operating revenues** | 428 | 128,088 | 15,879 | 2,511 | 146,906 |
| **Income (loss) before grant proceeds and interfund transfers** | 57,327 | 597,291 | (101,471) | (268,271) | 284,876 |
| **Grant proceeds** | | 3,231 | 1,616 | | 4,847 |
| **Interfund transfers** | | (1,133,679) | 55,674 | 1,353,065 | 275,060 |
| **Change in net position** | 57,327 | (533,157) | (44,181) | 1,084,794 | 564,783 |
| **Net position beginning of year** | 1,097,720 | 11,137,016 | 9,527,070 | 2,070,482 | 23,832,288 |
| **Net position end of year** | $ 1,155,047 | $ 10,603,859 | $ 9,482,889 | $ 3,155,276 | $ 24,397,071 |

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, 2016***

| | Sanitation | Water | Sewer | Golf Course | Total |
|---|---|---|---|---|---|
| **Increase (decrease) in cash and cash equivalents** | | | | | |
| **Cash flows from operating activities** | | | | | |
| Cash received from customers | $ 587,929 | $ 1,267,785 | $ 1,273,718 | $ 400,538 | $ 3,529,970 |
| Cash payments to employees for personal services | | (245,722) | (343,667) | (329,816) | (919,205) |
| Cash payments for goods and services | (542,430) | (280,629) | (482,101) | (187,982) | (1,493,142) |
| **Net cash provided by (used for) operating activities** | 45,499 | 741,434 | 447,950 | (117,260) | 1,117,623 |
| **Cash flows from noncapital financing activities** | | | | | |
| Interfund balances | (44,500) | 943,315 | 97,602 | (1,198,728) | (202,311) |
| Interfund transfers | | (1,353,065) | | 1,353,065 | |
| Tower rental | | 66,342 | | | 66,342 |
| **Net cash provided by (used for) noncapital financing activities** | (44,500) | (343,408) | 97,602 | 154,337 | (135,969) |
| **Cash flows from capital and related financing activities** | | | | | |
| Proceeds from impact fees | | 55,863 | 155,116 | | 210,979 |
| Principal paid on long-term debt | | | (379,041) | (24,470) | (403,511) |
| Interest paid on debt | | | (129,624) | (1,623) | (131,247) |
| Payments for capital acquisitions | | (507,409) | (246,028) | (24,210) | (777,647) |
| Transfers from SPLOST Capital Projects Fund | | 219,386 | 55,674 | | 275,060 |
| **Net cash used for capital and related financing activities** | 0 | (232,160) | (543,903) | (50,303) | (826,366) |
| **Cash flows from investing activities** | | | | | |
| Investment earnings | 428 | 5,883 | 1,900 | 4,134 | 12,345 |
| **Net change in cash and cash equivalents** | 1,427 | 171,749 | 3,549 | (9,092) | 167,633 |
| **Cash and cash equivalents beginning of year** | 189,126 | 3,448,635 | 670,492 | 107,110 | 4,415,363 |
| **Cash and cash equivalents end of year** | $ 190,553 | $ 3,620,384 | $ 674,041 | $ 98,018 | $ 4,582,996 |

(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, 2016***

(continued)

| | Sanitation | Water | Sewer | Golf Course | Total |
|---|---|---|---|---|---|
| **Reconciliation of operating income to net cash provided by operating activities** | | | | | |
| **Operating income (loss)** | $ 56,899 | $ 469,203 | $ (117,350) | $ (270,782) | $ 137,970 |
| **Adjustments:** | | | | | |
| Depreciation | | 238,203 | 587,185 | 123,911 | 949,299 |
| **(Increase) decrease in assets:** | | | | | |
| Accounts receivable | (12,503) | (17,955) | (24,527) | 13,857 | (41,128) |
| Prepaid expenses | | (9,243) | (10,662) | (1,490) | (21,395) |
| Inventory | | | | 363 | 363 |
| **Increase (decrease) in liabilities:** | | | | | |
| Accounts payable | 1,103 | 53,059 | 39,368 | 9,504 | 103,034 |
| Accrued expenses | | 2,396 | 3,646 | 3,310 | 9,352 |
| Customer deposits | | (370) | | | (370) |
| Net pension liability | | 6,141 | (29,710) | 4,067 | (19,502) |
| **Net cash provided by (used for) operating activities** | $ 45,499 | $ 741,434 | $ 447,950 | $ (117,260) | $ 1,117,623 |

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

***Basis of Presentation***

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

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

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

*The remainder of this page is intentionally left blank.*

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

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

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

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

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

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

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

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

***Measurement Focus***

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

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

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

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

***Basis of Accounting***

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

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

*The remainder of this page is intentionally left blank.*

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

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

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

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

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

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

***Assets, Liabilities and Fund Equity***

***Cash, Cash Equivalents, and Investments***

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

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

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

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

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

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

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

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

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

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

*The remainder of this page is intentionally left blank.*

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

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

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

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

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

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

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

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

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

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

*Fund Equity*

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

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

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

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

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

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

***Deferred Outflows/Inflows of Resources***
In addition to assets, the financial statements of the City will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources in the form of expenditures until that time. The differences between expected and actual experience related to pensions and the contributions made to the pension plan after the measurement date are the only items the City has that qualifies for reporting in this category.

In addition to liabilities, the financial statements of the City will sometimes report a separate section for deferred inflows of resources. This separate element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources in the form of revenue until that time. The portion of intergovernmental revenues that are not available for use (not received within 60 days subsequent to year end) are reported as deferred inflows of resources in the governmental funds balance sheet. This element is not present in the government-wide statement of net position. The changes in assumptions, the net difference between projected and actual earning on investments and the difference between expected and actual experience related to pensions are the only items the City has that qualify for reporting in this category in the government-wide statement of net position for governmental activities.

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

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

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

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

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

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

## *Note 3 – Stewardship, Compliance and Accountability*

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

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

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

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

### *Note 4 - Deposits and Investments*

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2016, the City was not exposed to custodial credit risk.

### *Note 5 - Receivables*

Receivables at December 31, 2016, consisted of taxes, interest, and accounts (billings for user charges).

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. With council approval, trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded as revenue when received. Allowances for uncollectible accounts, which was netted with accounts receivable were $28,657 for the year ended December 31, 2016.

### *Note 6 - Property Taxes*

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

### *Note 7 - Inventory*

Inventory is stated at the lower of cost or market, and valued using the first in, first out method. Inventory in the Proprietary Fund consists of clothing and golf-related items sold to customers and expendable supplies held for future consumption. The cost is recorded as an expense as items are sold or consumed. Inventory consists of the following:

| | | |
|---|---|---|
| Pro-Shop | $ | 6,989 |
| Grill | | 1,017 |
| Maintenance | | 1,307 |
| | $ | 9,313 |

*The remainder of this page is intentionally left blank.*

***Note 8 - Capital Assets***

Capital asset activity for governmental activities for the year ended December 31, 2016, was as follows:

| | Balance 12/31/15 | Additions | Dispositions | Reclassi-ficaton | Balance 12/31/16 |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | $ 1,356,379 | | | | $ 1,356,379 |
| Construction in progress | 39,555 | $ 218,475 | | $ (258,030) | 0 |
| Total capital assets not being depreciated | 1,395,934 | 218,475 | $ 0 | (258,030) | 1,356,379 |
| Depreciable capital assets: | | | | | |
| Land improvements | | 41,985 | | 4,631,908 | 4,673,893 |
| Buildings | 7,482,495 | 38,643 | | (4,373,878) | 3,147,260 |
| Equipment | 3,540,991 | 423,670 | (135,932) | | 3,828,729 |
| Vehicles | 1,040,700 | 135,136 | | | 1,175,836 |
| Infrastructure | 5,490,449 | 753,319 | | | 6,243,768 |
| Total depreciable capital assets | 17,554,635 | 1,392,753 | (135,932) | 258,030 | 19,069,486 |
| Total capital assets | 18,950,569 | 1,611,228 | (135,932) | 0 | 20,425,865 |
| Accumulated depreciation: | | | | | |
| Land improvements | | 88,917 | | 274,861 | 363,778 |
| Buildings | 1,123,446 | 68,575 | | (274,861) | 917,160 |
| Equipment | 2,818,205 | 282,222 | (135,932) | | 2,964,495 |
| Vehicles | 811,599 | 81,613 | | | 893,212 |
| Infrastructure | 404,089 | 108,511 | | | 512,600 |
| Total accumulated depreciation | 5,157,339 | 629,838 | (135,932) | 0 | 5,651,245 |
| Governmental activities capital assets, net | $ 13,793,230 | $ 981,390 | $ 0 | $ 0 | $ 14,774,620 |

| Governmental activities depreciation expense: | |
|---|---|
| General government | $ 35,061 |
| Public safety - police | 101,425 |
| Public safety - fire | 196,445 |
| Public works - streets and lanes | 161,656 |
| Parks and recreation | 135,018 |
| Building and zoning | 233 |
| Total governmental activities depreciation expense | $ 629,838 |

*Note 8 - Capital Assets (continued)*

Capital asset activity for business-type activities for the year ended December 31, 2016, was as follows:

| | Balance 12/31/15 | Additions | Dispositions | Reclassi-ficaton | Balance 12/31/16 |
|---|---|---|---|---|---|
| Business-type activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and rights | $ 819,163 | | | | $ 819,163 |
| Construction in progress | 56,653 | $ 312,235 | | $ | 368,888 |
| Total capital assets not being depreciated | 875,816 | 312,235 | $ 0 | 0 | 1,188,051 |
| Depreciable capital assets: | | | | | |
| Buildings | 751,474 | 24,210 | | | 775,684 |
| Improvements, other than buildings | 2,358,106 | | | | 2,358,106 |
| Water system | 8,486,803 | 291,646 | | (13,417) | 8,765,032 |
| Sewer plant | 21,443,639 | 66,899 | | 13,417 | 21,523,955 |
| Equipment | 834,279 | 82,657 | | | 916,936 |
| Vehicles | 348,796 | | | | 348,796 |
| Office equipment | 29,408 | | | | 29,408 |
| Total depreciable capital assets | 34,252,505 | 465,412 | 0 | 0 | 34,717,917 |
| Total capital assets | 35,128,321 | 777,647 | 0 | 0 | 35,905,968 |
| Accumulated depreciation: | | | | | |
| Buildings | 147,423 | 25,085 | | | 172,508 |
| Improvements, other than buildings | 355,648 | 59,414 | | | 415,062 |
| Water system | 2,344,709 | 216,662 | | (13,417) | 2,547,954 |
| Sewer plant | 6,424,806 | 560,745 | | 13,417 | 6,998,968 |
| Equipment | 582,393 | 73,895 | | | 656,288 |
| Vehicles | 301,514 | 13,498 | | | 315,012 |
| Office equipment | 29,408 | | | | 29,408 |
| Total accumulated depreciation | 10,185,901 | 949,299 | 0 | 0 | 11,135,200 |
| Business-type activities capital assets, net | $ 24,942,420 | $ (171,652) | $ 0 | $ 0 | $ 24,770,768 |

### *Note 9 - Interfund Balances and Transfers*

Interfund balances at December 31, 2016, 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 | Special Projects fund | Sanitation Fund |
| General Fund | | | $ 147,147 | |
| Fire Department Fund | $ 159,037 | | | |
| SPLOST Fund | 188,739 | | | |
| Hotel/Motel Tax Fund | 570 | | | |
| Sanitation Fund | 408,654 | | | |
| Water Fund | | $ 204,560 | | $ 1,349,211 |
| Sewer Fund | 1,008,950 | | | |
| Total | $ 1,765,950 | $ 204,560 | $ 147,147 | $ 1,349,211 |

| | Water Fund | Sewer Fund | Golf Fund | **Total** |
|---|---|---|---|---|
| General Fund | $ 2,444,257 | | | $ 2,591,404 |
| Fire Department Fund | | | | 159,037 |
| SPLOST Fund | | | | 188,739 |
| Hotel/Motel Tax Fund | | | | 570 |
| Sanitation Fund | | | | 408,654 |
| Water Fund | | 228,832 | | 1,782,603 |
| Sewer Fund | | | | 1,008,950 |
| Total | $ 2,444,257 | $ 228,832 | $ 0 | $ 6,139,957 |

Interfund transfers for the year ended December 31, 2016 ,were as follows:

- SPLOST fund transfers to the Water fund for vehicle equipment totaling $219,386.
- SPLOST fund transfers to the Sewer fund for sewer system expansion totaling $55,674.
- Water fund transfers to the General fund to provide funds to write off Golf fund interfund balance totaling $1,353,065
- General fund transfers to the Golf fund to write off uncollectible interfund balance totaling $1,353,065.

### *Note 10 - Long-Term Debt*

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

***Governmental Activities***

***Capital lease*** - Capital lease payable in equal monthly payments of $2,265 including interest at 3.26% through May, 2021. The purpose of this lease was to purchase equipment for streets and lanes. The original principal amount of the lease was $125,000. The equipment acquired by the lease is included in governmental activities capital assets in the amount of $108,333 (cost of $125,000 less accumulated depreciation of $16,667). The outstanding balance of the corresponding liabilities is included in the governmental activities long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2016, follow:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 21,926 | $ 2,985 | $ 24,911 |
| 2018 | 24,679 | 2,497 | 27,176 |
| 2019 | 25,496 | 1,680 | 27,176 |
| 2020 | 26,341 | 835 | 27,176 |
| 2021 | 11,233 | 92 | 11,325 |
| Total | $ 109,675 | $ 8,089 | $ 117,764 |

***Business Type Activities***

***Capital lease*** - Capital lease payable in equal monthly payments of $2,174 including interest at 5.74% through August, 2017. The purpose of this lease was to purchase equipment for the golf course. The original principal amount of the lease was $72,103. The equipment acquired by the lease is included in business type activities capital assets in the amount of $52,875 (cost of $72,103 less accumulated depreciation of $19,228). The outstanding balance of the corresponding liabilities is included in the business type activities long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2016, follow:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 14,935 | $ 287 | $ 15,222 |

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

**Refunding Revenue Bonds** - Water and Sewer refunding revenue bonds, series 2015, in the amount of $6,150,000. The interest rate for the bonds is 2.5%. The bonds mature on June 1, 2028. The bonds were issued in order pay off GEFA debt, which was incurred constructing a wastewater treatment plant. Annual debt service requirements to amortize the bonds as of December 31, 2016, follow.

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 418,234 | $ 135,400 | $ 553,634 |
| 2018 | 430,845 | 122,789 | 553,634 |
| 2019 | 441,740 | 111,894 | 553,634 |
| 2020 | 452,911 | 100,722 | 553,633 |
| 2021 | 464,365 | 89,269 | 553,634 |
| 2022-2026 | 2,504,023 | 264,145 | 2,768,168 |
| 2027-2028 | 814,239 | 16,211 | 830,450 |
| Total | $ 5,526,357 | $ 840,430 | $ 6,366,787 |

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2016.

| | Outstanding 12/31/15 | Additions | Reductions | Outstanding 12/31/16 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Capital lease | $ 0 | $ 125,000 | $ 15,325 | $ 109,675 | $ 21,926 |
| Net pension liability | 249,022 | 107,025 | | 356,047 | |
| Total governmental activities | $ 249,022 | $ 232,025 | $ 15,325 | $ 465,722 | $ 21,926 |
| Business-Type Activities | | | | | |
| Capital lease | $ 39,405 | | $ 24,470 | $ 14,935 | $ 14,935 |
| Series 2015 bonds | 5,905,398 | | 379,041 | 5,526,357 | 418,234 |
| Net pension liability | 130,954 | | 14,986 | 115,968 | |
| Total Business-Type Activities | $ 6,075,757 | $ 0 | $ 418,497 | $ 5,657,260 | $ 433,169 |

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

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

Total interest incurred (all of which was charged to operations) in the government-wide financial statements amounted to $2,793 for governmental activities and $142,760 for business type activities.

***Note 11 - Defined Benefit Pension Plan***

***General Information About the Pension Plan***

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

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

***Employees Covered*** - At July 1, 2016, the following employees were covered by the benefit terms for the plan:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 18 |
| Inactive employees entitled to but not yet receiving benefits | 27 |
| Active employees | 62 |
| Total | 107 |

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

The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly).

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

***Net Pension Liability***

The City's net pension liability (NPL) for the plan is measured as the total pension liability (TPL), less the pension plan's fiduciary net position (FNP). The net pension liability of the plan is measured as of March 31, 2016, using an annual actuarial valuation as of July 1, 2016. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

| | |
|---|---|
| Valuation date | July 1, 2016 |
| Measurement date | March 31, 2015 |
| Actuarial cost method | Entry age normal |
| Amortization method | Closed level dollar for remaining unfunded liability |
| Remaining amortization period | Remaining amortization period varies for the bases, with a net effective amortization period of twelve years. |
| Asset valuation method | Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Discount rate | 7.75% |
| Inflation rate | 3.25% |
| Net investment rate of return | 7.75% |
| Projected salary increase | 3.25% plus service based merit increases |
| Cost of living adjustments | Not applicable |
| Postretirement benefit increase | Not applicable |

The underlying mortality assumptions and all other actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through June 30, 2014. Further details of the experience study can be obtained by contacting the Georgia Municipal Association.

***Discount Rate*** - The discount rate used to measure the total pension liability was 7.75%. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016, (see the discussion of the pension plan's investment policy) are summarized in the following table.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 45% | 6.75% |
| International equity | 20% | 7.45% |
| Real estate | 10% | 4.55% |
| Global fixed income | 5% | 3.30% |
| Domestic fixed income | 20% | 1.75% |
| Cash | 0% | |
| Total | 100% | |

***Changes in Net Pension Liability***

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

| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability/ Asset |
|---|---|---|---|
| Balances as of March 31, 2015 | $ 1,709,988 | $ 1,330,012 | $ 379,976 |
| Changes for the year: | | | |
| Service cost | 97,483 | | 97,483 |
| Interest | 130,270 | | 130,270 |
| Differences between expected and actual experience | (25,955) | | (25,955) |
| Contributions - employer | | 111,719 | (111,719) |
| Net investment income | | 4,954 | (4,954) |
| Benefit payments | (58,166) | (58,166) | 0 |
| Administrative expense | | (6,914) | 6,914 |
| Net changes | 143,632 | 51,593 | 92,039 |
| Balances as of March 31, 2016 | $ 1,853,620 | $ 1,381,605 | $ 472,015 |

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

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

| 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|
| $ 748,525 | $ 472,015 | $ 245,790 |

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

For the year ended December 31, 2016, the City recognized a pension expense of $157,793. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 26,178 | (20,764) |
| Pension contributions subsequent to measurement date | 92,438 | |
| Net difference between projected and actual earnings on pension plan investments | 66,234 | |
| Changes of assumptions | | $ (9,462) |
| Total | $ 184,850 | $ (30,226) |

$92,438 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year ended December 31: | |
|---|---|
| 2016 | $ 15,797 |
| 2017 | 15,797 |
| 2018 | 15,797 |
| 2019 | 14,795 |
| | $ 62,186 |

### *Note 12 - Net Investment in Capital Assets*

The "net investment in capital assets" amount as reported on the government-wide statement of net position as of December 31, 2016, is as follows:

| Investments in capital assets, net of related debt: | Governmental Activities | Business Type Activities |
|---|---|---|
| Cost of capital assets | $ 20,425,865 | $ 35,905,968 |
| Less accumulated depreciation | 5,651,245 | 11,135,200 |
| Book value | 14,774,620 | 24,770,768 |
| Less capital related debt | 109,675 | 5,541,292 |
| Investments in capital assets, net of related debt | $ 14,664,945 | $ 19,229,476 |

### *Note 13 - Risk Management*

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the city in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2016. No provisions have been made in the financial statements for the year ended December 31, 2016, for any estimate of potential unpaid claims.

The City purchased commercial insurance for workers compensation benefits with a $1,000,000 per occurrence and per employee limit, subject to no deductible. Additionally the policy limit is $1,000,000. Settled claims have not exceeded commercial insurance coverage. Changes in the claims liability for workers compensation benefits for the year ended December 31, 2016, is as follows:

| | |
|---|---|
| Beginning liability | $ 12,100 |
| Current year claims | 225,636 |
| Claims payments | (124,261) |
| Ending liability | $ 113,475 |

### *Note 14 - Commitments*

The City had contractual commitments at December 31, 2016, of approximately $5,930,000 for various construction contracts. Future appropriations will fund these commitments as work is performed. Following is a schedule of these commitments.

| | |
|---|---|
| General fund | |
| Public works - drainage | $ 170,000 |
| Public works - streets and lanes | 770,000 |
| Culture and recreation | 25,000 |
| Utility funds | |
| Water and sewer projects | 4,965,000 |

### *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, 2016. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

### *Note 16 - Joint Ventures*

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

**City of Rincon, Georgia**
***General Fund***
***Schedule of Revenues, Expenditures and***
***Changes in Fund Balance - Budget and Actual***
***For the Year Ended December 31, 2016***

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 3,150,150 | $ 3,143,750 | $ 2,736,213 | $ (407,537) |
| Licenses and permits | 115,000 | 115,000 | 107,545 | (7,455) |
| Intergovernmental | 80,000 | 80,000 | 139,186 | 59,186 |
| Charges for services | 102,500 | 102,500 | 119,489 | 16,989 |
| Fines and forfeitures | 547,250 | 547,250 | 466,015 | (81,235) |
| Investment earnings | 3,600 | 3,600 | 5,178 | 1,578 |
| Miscellaneous | 61,300 | 61,300 | 28,752 | (32,548) |
| **Total revenues** | 4,059,800 | 4,053,400 | 3,602,378 | (451,022) |
| **Expenditures** | | | | |
| **Current:** | | | | |
| General Government | | | | |
| City Council | 646,840 | 562,440 | 435,732 | 126,708 |
| General administration | 211,050 | 241,050 | 240,683 | 367 |
| Financial administration | 100,048 | 127,048 | 126,636 | 412 |
| Judicial | 87,730 | 87,730 | 54,445 | 33,285 |
| Public Safety - police | 1,741,373 | 1,587,073 | 1,351,805 | 235,268 |
| Public Works - streets and lanes | 1,470,745 | 1,486,020 | 1,433,084 | 52,936 |
| Parks and Recreation | 556,465 | 567,465 | 567,295 | 170 |
| Housing and Development - | | | | |
| Building and zoning | 287,938 | 304,938 | 304,045 | 893 |
| **Total expenditures** | 5,102,189 | 4,963,764 | 4,513,725 | 450,039 |
| **Excess (deficit) of revenues to expenditures** | (1,042,389) | (910,364) | (911,347) | (983) |
| **Other financing sources** | | | | |
| Proceeds from capital lease | | | 125,000 | 125,000 |
| Sale of assets | 100,000 | 100,000 | 9,900 | (90,100) |
| Interfund transfers | 28,100 | 28,100 | | |
| **Total other financing sources** | 128,100 | 128,100 | 134,900 | 34,900 |
| **Net change in fund balance** | $ (914,289) | $ (782,264) | (776,447) | $ 33,917 |
| **Fund balances beginning of year** | | | 1,943,692 | |
| **Fund balances end of year** | | | $ 1,167,245 | |

See the accompanying notes to the required supplementary information.

**City of Rincon, Georgia**
***Fire Department Fund***
***Schedule of Revenues, Expenditures and***
***Changes in Fund Balances - Budget and Actual***
***For the Year Ended December 31, 2016***

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Intergovernmental | $ 550,000 | $ 550,000 | $ 507,325 | $ (42,675) |
| Charges for service | 310,000 | 310,000 | 282,414 | (27,586) |
| Miscellaneous | 2,500 | 2,500 | 7,046 | 4,546 |
| **Total revenues** | 862,500 | 862,500 | 796,785 | (65,715) |
| **Expenditures** | | | | |
| Public safety | 828,923 | 828,923 | 710,202 | 118,721 |
| **Excess of revenues to expenditures** | $ 33,577 | $ 33,577 | 86,583 | $ 53,006 |
| **Fund balances** | | | | |
| **Beginning of year** | | | 359,530 | |
| **End of year** | | | $ 446,113 | |

***Note 1 - Budgetary Information***

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

All budgets are adopted on a basis consistent with GAAP.

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

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

All unexpended annual appropriations lapse at year-end.

On the budgetary basis, debt service expenditures (i.e. $18,118) are budgeted within the functions but are reported as separate character classifications on the GAAP basis. The reconciliation to the Schedule of Revenue, Expenditures and Changes in Fund Balance is as follows:

| | Financial Statement | Budgetary Adjustment | Budget |
|---|---|---|---|
| Public works - streets and lanes | $ 1,414,966 | $ 18,118 | $ 1,433,084 |
| Debt service | | | |
| Principal | 15,325 | (15,325) | 0 |
| Interest and fiscal charges | 2,793 | (2,793) | 0 |
| | $ 1,433,084 | $ 0 | $ 1,433,084 |

**City of Rincon, Georgia**

***Schedule of Changes in the Net Pension Liability and Related Ratios***

***Defined Benefit Pension Plan***

***For the Year Ended December 31, 2016***

| | 2016 | 2015 |
|---|---|---|
| **Total Pension Liability** | | |
| Service cost | $ 97,483 | $ 88,655 |
| Interest | 130,270 | 116,317 |
| Difference between expected and actual experience | (25,955) | 43,628 |
| Change in assumptions | | (15,768) |
| Benefit payments, including refunds of employee contributions | (58,166) | (47,411) |
| Net change in total pension liability | 143,632 | 185,421 |
| Total pension liability - beginning | 1,709,988 | 1,524,567 |
| Total pension liability - ending | $ 1,853,620 | $ 1,709,988 |
| **Plan fiduciary net position** | | |
| Contributions - employer | $ 111,719 | $ 95,936 |
| Net investment income | 4,954 | 115,339 |
| Benefit payments, including refunds of employee contributions | (58,166) | (47,411) |
| Administrative expense | (6,914) | (6,018) |
| Net change in fiduciary net position | 51,593 | 157,846 |
| Plan fiduciary net position - beginning | 1,330,012 | 1,172,166 |
| Plan fiduciary net position - ending | $ 1,381,605 | $ 1,330,012 |
| **Net pension liability - ending** | 472,015 | 379,976 |
| Plan fiduciary net position as a percentage of total pension liability | 74.54% | 77.78% |
| Covered employee payroll | 2,058,549 | 1,810,133 |
| Net position liability as a percentage of covered-employee payroll | 22.93% | 20.99% |

**Changes in assumptions**

As a result of the plan change to provide immediate participation for employees, for the fiscal year ended in 2016, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's net pension liability is minimal and has been included in the differences between expected and actuarial experience.

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments made based on actuarial experience study covering the period January 1, 2010 to June 30, 2014. The City implemented GASB 68 for the fiscal year ended December 31, 2015. In time this section will present the required ten years of data.

**Benefit changes**

Effective January 1, 2015, the Plan was amended to provide immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

**City of Rincon, Georgia**
**Schedule of Contributions**
**Defined Benefit Pension Plan**
**For the Year Ended December 31, 2016**

| | 2016 | 2015 |
|---|---|---|
| Actuarially determined contribution | * | $ 107,875 |
| Contributions in relation to actuarially determined contribution | * | 107,875 |
| Contribution deficiency (excess) | * | 0 |
| Covered-employee payroll | * | 1,810,196 |
| Contributions as a percentage of covered-employee payroll | * | 5.96% |

**Notes to Schedule of Contributions**

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

| | |
|---|---|
| Valuation Date | The actuarially determined contribution rate was determined as of July 1, 2015, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2016. |

*Methods and Assumptions Used to Determine Contribution Rates*

| | |
|---|---|
| Actuarial cost method | Entry Age normal |
| Amortization method | Closed level dollar for remaining unfunded liability |
| Remaining amortization period | Remaining amortization period varies for the bases, with a net effective amortization period of twelve years. |
| Asset valuation method | Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Inflation | 3.25% |
| Salary increases | 3.25%, plus service based merit increases |
| Investment rate of return | 7.75% |
| Retirement age | Retirement rates are adjusted to closely reflect actual experience |
| Mortality rates | |
| Healthy | RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females |
| Disabled | RP-2000 Disabled Retire Mortality Table with sex-distinct rates |
| Plan termination basis (all lives) | 1994 Group Annuity Reserving Unisex Table |

**City of Rincon, Georgia**
***General Fund***
***Comparative Balance Sheet***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,746,792 | $ 2,113,640 |
| Restricted cash and cash equivalents | 38,559 | 38,362 |
| Receivables | | |
| Taxes | 640,731 | 895,725 |
| Intergovernmnetal | 318,177 | |
| Other | 36,505 | |
| Interfund balances | 1,765,950 | 1,323,951 |
| Prepaid items | 61,114 | 12,425 |
| **Total Assets** | $ 4,607,828 | $ 4,384,103 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | |
| **Liabilities** | | |
| Accounts payable | $ 569,419 | $ 550,689 |
| Accrued expenses | 20,780 | |
| Unearned revenue | | 12,132 |
| Interfund | 2,591,404 | 1,877,590 |
| **Total liabilities** | 3,181,603 | 2,440,411 |
| **Deferred inflows of resources** - intergovernmental revenues | 258,980 | 0 |
| **Fund balances** | | |
| Nonspendable - prepaid items | 61,114 | 12,425 |
| Restricted for public safety | 38,559 | 38,362 |
| Unrestricted | 1,067,572 | 1,892,905 |
| **Total fund balances** | 1,167,245 | 1,943,692 |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 4,607,828 | $ 4,384,103 |

**City of Rincon, Georgia**
***General Fund***
***Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Revenues** | | |
| Taxes | $ 2,736,213 | $ 2,840,201 |
| Licenses and permits | 107,545 | 186,485 |
| Intergovernmental | 139,186 | 339,366 |
| Charges for services | 119,489 | 102,549 |
| Fines and forfeitures | 466,015 | 546,570 |
| Investment earnings | 5,178 | 4,158 |
| Miscellaneous | 28,752 | 67,602 |
| **Total revenues** | 3,602,378 | 4,086,931 |
| **Expenditures** | | |
| **Current:** | | |
| General Government | | |
| City Council | 435,732 | 421,250 |
| General administration | 240,683 | 187,761 |
| Financial administration | 126,636 | 94,660 |
| Judicial | 54,445 | 61,213 |
| Public Safety - police | 1,351,805 | 1,296,317 |
| Public Works - streets and lanes | 1,414,966 | 824,453 |
| Parks and Recreation | 567,295 | 1,015,434 |
| Housing and Development - building and zoning | 304,045 | 243,157 |
| **Debt service:** | | |
| Principal | 15,325 | |
| Interest and fiscal charges | 2,793 | |
| **Total expenditures** | 4,513,725 | 4,144,245 |
| **Deficit of revenues to expenditures** | (911,347) | (57,314) |
| **Other financing sources** | | |
| Proceeds from capital lease | 125,000 | |
| Sale of assets | 9,900 | 402,068 |
| Interfund transfers | | |
| From Water fund | 1,353,065 | |
| To Golf Course fund | (1,353,065) | |
| | 134,900 | 402,068 |
| **Net change in fund balances** | (776,447) | 344,754 |
| **Fund balances beginning of year** | 1,943,692 | 1,598,938 |
| **Fund balances end of year** | $ 1,167,245 | $ 1,943,692 |

*City of Rincon, Georgia*
*Fire Department Fund*
*Balance Sheet*
*December 31, 2016 and 2015*

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents: | | |
| Restricted | $ 323,263 | $ 213,606 |
| Receivables: | | |
| Intergovernmental | 48,268 | 45,905 |
| Accounts | 57,670 | 47,810 |
| Interfund balances | 204,560 | 59,080 |
| Prepaid expenses | 6,368 | 4,235 |
| **Total current assets** | $ 640,129 | $ 370,636 |
| **Liabilities and Fund Balances** | | |
| **Liabilities** | | |
| Accounts payable | $ 31,590 | $ 11,106 |
| Accrued expenses | 3,389 | |
| Interfund | 159,037 | |
| **Total current liabilities** | 194,016 | 11,106 |
| **Fund balances** | | |
| Nonspendable - prepaid items | 6,368 | 4,235 |
| Restricted for public safety | 439,745 | 355,295 |
| **Total fund balances** | 446,113 | 359,530 |
| **Total liabilities and fund balances** | $ 640,129 | $ 370,636 |

**City of Rincon, Georgia**
***Fire Department Fund***
***Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Revenues** | | |
| Intergovernmental | $ 507,325 | $ 515,091 |
| Charges for service | 282,414 | 283,579 |
| Miscellaneous | 7,046 | 5,326 |
| **Total revenues** | 796,785 | 803,996 |
| **Expenditures** | | |
| Public safety | 710,202 | 611,524 |
| **Net change in fund balance** | 86,583 | 192,472 |
| **Fund balances** | | |
| **Beginning of year** | 359,530 | 167,058 |
| **End of year** | $ 446,113 | $ 359,530 |

**City of Rincon, Georgia**
***SPLOST Capital Projects Fund***
***Comparative Balance Sheet***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,609,433 | $ 1,614,133 |
| Receivables - taxes | 196,982 | 127,039 |
| **Total Assets** | $ 1,806,415 | $ 1,741,172 |
| **Liabilities and Fund Balances** | | |
| **Liabilities** | | |
| Accounts payable | $ 40,594 | $ 7,215 |
| Interfund balance | 188,739 | 124,614 |
| **Total liabilities** | 229,333 | 131,829 |
| **Fund balances** | | |
| Restricted for capital projects | 1,577,082 | 1,609,343 |
| **Total liabilities and fund balances** | $ 1,806,415 | $ 1,741,172 |

**City of Rincon, Georgia**
***SPLOST Capital Projects Fund***
***Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Revenues** | | |
| Intergovernmental | $ 705,937 | $ 742,932 |
| Investment earnings | 509 | 309 |
| **Total revenues** | 706,446 | 743,241 |
| **Expenditures** | | |
| **Capital outlays:** | | |
| Public Safety | | |
| Police | 123,717 | 116,351 |
| Fire | | 24,315 |
| Public Works streets and lanes | 26,983 | 3,904 |
| Parks and Recreation | 312,947 | 225,172 |
| **Total expenditures** | 463,647 | 369,742 |
| **Excess of revenues over expenditures** | 242,799 | 373,499 |
| **Other financing uses** | | |
| Transfer to water and sewer funds | (275,060) | (337,386) |
| **Net change in fund balance** | (32,261) | 36,113 |
| **Fund balances beginning of year** | 1,609,343 | 1,573,230 |
| **Fund balances end of year** | $ 1,577,082 | $ 1,609,343 |

**City of Rincon, Georgia**
***Special Projects Fund (Capital Projects Fund)***
***Project Schedule of Revenues, Expenditures and***
***Changes in Fund Balance - Budget and Actual***
***From Inception and for the Year Ended December 31, 2016***

| | Project Length Budget (Original) | Project Length Budget (Revised) | Prior Years | Current Year | Total | Variance with budget |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Intergovernmental | $ 500,000 | $ 500,000 | | $ 465,250 | $ 465,250 | $ (34,750) |
| Contributions | 1,942,000 | 1,942,000 | | 1,942,000 | 1,942,000 | 0 |
| Investment earnings | | | | 3,187 | 3,187 | 3,187 |
| Total revenues | 2,442,000 | 2,442,000 | $ 0 | 2,410,437 | 2,410,437 | (31,563) |
| **Expenditures** | | | | | | |
| Current | | | | | | |
| Public works - streets and lanes | 2,442,000 | 2,442,000 | | 2,274,076 | 2,274,076 | 167,924 |
| **Excess of revenues to expenditures** | $ 0 | $ 0 | $ 0 | 136,361 | $ 136,361 | $ 136,361 |
| **Fund balance beginning of year** | | | | 0 | | |
| **Fund balance end of year** | | | | $ 136,361 | | |

**City of Rincon, Georgia**
***Hotel/Motel Tax Fund***
***Balance Sheet***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Receivables - taxes | $ 570 | $ 609 |
| **Liabilities and Fund Balances** | | |
| **Liabilities** | | |
| Interfund | $ 570 | $ 609 |
| **Fund balances** | 0 | 0 |
| **Total liabilities and fund balances** | $ 570 | $ 609 |

*City of Rincon, Georgia*
*Hotel/Motel Tax Fund*
*Schedule of Revenues, Expenditures and*
*Changes in Fund Balances - Budget to Actual*
*For the Years Ended December 31, 2016 and 2015*

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | 2015 Actual |
| **Revenues** | | $ 7,200 | $ 7,165 | $ (35) | $ 6,453 |
| Taxes | | | | | |
| **Expenditures** | | | | | |
| Tourism promotion | | 7,200 | 7,165 | 35 | 6,453 |
| **Net change in fund balance** | $ 0 | $ 0 | 0 | $ 0 | $ 0 |
| **Fund balances beginning of year** | | | 0 | | |
| **Fund balances end of year** | | | $ 0 | | |

**City of Rincon, Georgia**
***Sanitation Fund***
***Comparative Statement of Net Position***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 190,553 | $ 189,126 |
| Receivables - accounts | 69,932 | 57,429 |
| Interfund balances | 1,349,211 | 896,057 |
| **Total current assets** | 1,609,696 | 1,142,612 |
| **Liabilities** | | |
| **Current liabilities:** | | |
| Accounts payable | 45,995 | 44,892 |
| Interfund balances | 408,654 | |
| **Total current liabilities** | 454,649 | 44,892 |
| **Net Position** | | |
| Unrestricted | $ 1,155,047 | $ 1,097,720 |

**City of Rincon, Georgia**
***Sanitation Fund***
***Comparative Statement of Revenues,***
***Expenses and Changes in Fund Net Position***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Operating revenues** | | |
| Charges for services | $ 600,432 | $ 603,466 |
| **Operating expenses** | | |
| Contractual services | 543,533 | 548,830 |
| **Operating income** | 56,899 | 54,636 |
| **Non-operating revenues** | | |
| Investment earnings | 428 | 259 |
| **Change in net position** | 57,327 | 54,895 |
| **Net position** | | |
| **Beginning of year** | 1,097,720 | 1,042,825 |
| **End of year** | $ 1,155,047 | $ 1,097,720 |

**City of Rincon, Georgia**
***Water Fund***
***Comparative Statement of Net Position***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents: | | |
| Unrestricted | $ 3,227,471 | $ 2,220,317 |
| Restricted | 392,913 | 1,228,318 |
| Receivables | | |
| Intergovernmental - grants | 3,231 | |
| Accounts | 186,084 | 168,129 |
| Interfund | 2,444,257 | 2,501,026 |
| Prepaid expenses | 15,018 | 5,775 |
| **Total current assets** | 6,268,974 | 6,123,565 |
| **Noncurrent assets:** | | |
| **Capital assets:** | | |
| Nondepreciable capital assets | 316,621 | 127,842 |
| Depreciable capital assets, net | 6,288,073 | 6,207,646 |
| **Total capital assets** | 6,604,694 | 6,335,488 |
| **Total assets** | 12,873,668 | 12,459,053 |
| **Deferred outflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 2,243 | 2,598 |
| Net difference between projected and actual earnings on pension plan investments | 5,676 | |
| Contributions after measurement date | 7,921 | 6,933 |
| **Total deferred outflows of resources** | 15,840 | 9,531 |
| **Liabilities** | | |
| **Current liabilities:** | | |
| Accounts payable | 60,705 | 7,646 |
| Accrued expenes | 2,396 | |
| Interfund balances | 1,782,603 | 896,057 |
| Current liabilities payable from restricted assets | | |
| Customer deposits | 396,908 | 397,278 |
| **Total current liabilities** | 2,242,612 | 1,300,981 |
| **Long-term liability:** | | |
| Net pension liability | 40,447 | 28,287 |
| **Total liabilities** | 2,283,059 | 1,329,268 |
| **Deferred inflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 1,779 | |
| Net difference between projected and actual earnings on pension plan investments | | 939 |
| Changes in assumptions | 811 | 1,361 |
| **Total deferred inflows of resources** | 2,590 | 2,300 |
| **Net Position** | | |
| Net investment in capital assets | 6,604,694 | 6,335,488 |
| Restricted for capital system improvements | 392,913 | 1,228,318 |
| Unrestricted | 3,606,252 | 3,573,210 |
| **Total net position** | $ 10,603,859 | $ 11,137,016 |

**City of Rincon, Georgia**
***Water Fund***
***Comparative Statement of Revenues,***
***Expenses and Changes in Fund Net Position***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Operating revenues** | | |
| Charges for services | $ 1,263,349 | $ 1,324,955 |
| Other revenues | 22,761 | 86,445 |
| **Total operating revenues** | 1,286,110 | 1,411,400 |
| **Operating expenses** | | |
| Salaries | 174,132 | 229,360 |
| Payroll taxes and employee benefits | 80,127 | 75,175 |
| Utilities and telephone | 66,461 | 66,756 |
| Repairs and maintenance | 54,943 | 66,657 |
| Office supplies and expenses | 27,755 | 32,977 |
| Computer support | 14,901 | 15,647 |
| Operating supplies | 59,382 | 51,768 |
| Gas, oil and tires | 9,893 | 11,064 |
| Insurance | 14,964 | 12,480 |
| Legal and accounting | | 1,210 |
| Contractual services | 43,856 | 67,026 |
| Engineering fees | | 3,443 |
| Advertising/legal ads | 894 | 1,363 |
| Dues and subscriptions | 1,102 | 572 |
| Travel and training | 2,468 | 1,859 |
| Bank merchant fees | 26,825 | 33,267 |
| Other | 1,001 | 1,000 |
| Depreciation | 238,203 | 218,777 |
| **Total operating expenses** | 816,907 | 890,401 |
| **Operating income** | 469,203 | 520,999 |
| **Non-operating revenues** | | |
| Impact fees | 55,863 | 195,554 |
| Tower rental | 66,342 | 63,020 |
| Investment earnings | 5,883 | 3,829 |
| **Total non-operating revenues** | 128,088 | 262,403 |
| **Income before grant proceeds and interfund transfers** | 597,291 | 783,402 |
| **Grant proceeds** | 3,231 | 79,550 |
| **Interfund transfers** | | |
| From SPLOST Capital Projects Fund | 219,386 | 8,055 |
| To General Fund | (1,353,065) | |
| Total interfund transfers | (1,133,679) | 8,055 |
| **Change in net position** | (533,157) | 871,007 |
| **Net position beginning of year** | 11,137,016 | 10,266,009 |
| **Net position end of year** | $ 10,603,859 | $ 11,137,016 |

**City of Rincon, Georgia**
*Sewer Fund*
*Comparative Statement of Net Position*
*December 31, 2016 and 2015*

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents: | | |
| Unrestricted | $ 673,041 | |
| Restricted | 1,000 | $ 670,492 |
| Receivables | | |
| Intergovernmental - grants | 1,616 | |
| Accounts | 137,923 | 113,396 |
| Interfund balances | 228,832 | 1,051 |
| Prepaid expenses | 24,777 | 14,115 |
| **Total current assets** | 1,067,189 | 799,054 |
| **Noncurrent assets:** | | |
| **Capital assets:** | | |
| Nondepreciable capital assets | 426,430 | 302,974 |
| Depreciable capital assets, net | 14,644,545 | 15,109,158 |
| **Total capital assets** | 15,070,975 | 15,412,132 |
| **Total assets** | 16,138,164 | 16,211,186 |
| **Deferred outflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 2,702 | 7,709 |
| Net difference between projected and actual earnings on pension plan investments | 6,838 | |
| Contributions after measurement date | 9,542 | 20,568 |
| **Total deferred outflows of resources** | 19,082 | 28,277 |
| **Liabilities** | | |
| **Current liabilities:** | | |
| Accounts payable | 70,045 | 30,677 |
| Accrued interest | 11,513 | |
| Other accrued expenses | 5,646 | 2,000 |
| Interfund balances | 1,008,950 | 683,567 |
| Notes payable | 418,234 | 377,057 |
| **Total current liabilities** | 1,514,388 | 1,093,301 |
| **Long-term liabilities:** | | |
| Net pension liability | 48,726 | 83,926 |
| Notes payable (net of current portion) | 5,108,123 | 5,528,341 |
| **Total long-term liabilities** | 5,156,849 | 5,612,267 |
| **Total liabilities** | 6,671,237 | 6,705,568 |
| **Deferred inflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 2,144 | |
| Difference between projected and actual earnings on investments | | 2,787 |
| Changes in assumptions | 976 | 4,038 |
| **Total deferred inflows of resources** | 3,120 | 6,825 |
| **Net Position** | | |
| Net investment in capital assets | 9,544,618 | 9,506,734 |
| Restricted for capital improvements | 1,000 | 670,492 |
| Unrestricted | (62,729) | (650,156) |
| **Total net position** | $ 9,482,889 | $ 9,527,070 |

**City of Rincon, Georgia**
***Sewer Fund***
***Comparative Statement of Revenues,***
***Expenses and Changes in Fund Net Position***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Operating revenues** | | |
| Charges for services | $ 1,270,682 | $ 1,241,501 |
| Other revenues | 27,563 | 25,045 |
| **Total operating revenues** | 1,298,245 | 1,266,546 |
| **Operating expenses** | | |
| Salaries | 262,476 | 237,696 |
| Payroll taxes and employee benefits | 55,127 | 71,161 |
| Utilities and telephone | 140,153 | 139,676 |
| Repairs and maintenance | 104,417 | 85,395 |
| Operational supplies | 127,037 | 99,127 |
| Gas, oil and tires | 9,634 | 6,627 |
| Insurance | 21,180 | 28,764 |
| Legal and accounting | | 330 |
| Contractual services | 104,314 | 83,791 |
| Advertising/legal ads | 599 | 381 |
| Dues and subscriptions | 663 | 175 |
| Travel and training | 2,810 | 2,646 |
| Other expenses | | 4,620 |
| Depreciation | 587,185 | 543,839 |
| **Total operating expenses** | 1,415,595 | 1,304,228 |
| **Operating loss** | (117,350) | (37,682) |
| **Non-operating revenues (expenses)** | | |
| Impact fees | 155,116 | 634,643 |
| Investment earnings | 1,900 | 1,700 |
| Bond issue costs | | (61,500) |
| Interest expense | (141,137) | (181,920) |
| **Total non-operating revenues (expenses)** | 15,879 | 392,923 |
| **Income (loss) before grant proceeds and interfund transfers** | (101,471) | 355,241 |
| **Grant proceeds** | 1,616 | |
| **Interfund transfers** - from SPLOST Capital Projects Fund | 55,674 | 329,331 |
| **Change in net position** | (44,181) | 684,572 |
| **Net position beginning of year** | 9,527,070 | 8,842,498 |
| **Net position end of year** | $ 9,482,889 | $ 9,527,070 |

**City of Rincon, Georgia**
***Golf Course Fund***
***Comparative Statement of Net Position***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 98,018 | $ 107,110 |
| Receivables - accounts (net of allowance of $29,339 in 2016 and $11,170 in 2015 | | 13,857 |
| Inventory | 9,313 | 9,676 |
| Prepaid expense | 5,456 | 3,966 |
| **Total current assets** | 112,787 | 134,609 |
| **Noncurrent assets:** | | |
| **Capital assets:** | | |
| Nondepreciable capital assets | 445,000 | 445,000 |
| Depreciable capital assets, net | 2,650,099 | 2,749,800 |
| **Total capital assets** | 3,095,099 | 3,194,800 |
| **Total assets** | 3,207,886 | 3,329,409 |
| **Deferred outflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 1,486 | 1,722 |
| Net difference between projected and actual earnings on pension plan investments | 3,760 | |
| Contributions after measurement date | 5,248 | 4,592 |
| **Total deferred outflows of resources** | 10,494 | 6,314 |
| **Liabilities** | | |
| **Current liabilities:** | | |
| Accounts payables | 16,347 | 6,843 |
| Accrued expenses | 3,310 | |
| Interfund balances | | 1,198,728 |
| Capital lease payable | 14,935 | 22,377 |
| **Total current liabilities** | 34,592 | 1,227,948 |
| **Long-term liabilities:** | | |
| Net pension liability | 26,795 | 18,741 |
| Capital lease payable (net of current portion) | | 17,028 |
| **Total long-term liabilities** | 26,795 | 35,769 |
| **Total liabilities** | 61,387 | 1,263,717 |
| **Deferred inflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 1,179 | |
| Difference between projected and actual earnings on investments | | 622 |
| Changes in assumptions | 538 | 902 |
| **Total deferred inflows of resources** | 1,717 | 1,524 |
| **Net Position** | | |
| Net investment in capital assets | 3,080,164 | 3,155,395 |
| Unrestricted | 75,112 | (1,084,913) |
| **Total net position** | $ 3,155,276 | $ 2,070,482 |

**City of Rincon, Georgia**
***Golf Course Fund***
***Comparative Statement of Revenues,***
***Expenses and Changes in Fund Net Position***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Operating revenues** | | |
| Course fees | $ 357,737 | $ 418,040 |
| Golf course sales (net of cost of goods sold) | 268 | 4,563 |
| Grill sales (net of cost of goods sold) | 28,676 | 34,171 |
| **Total operating revenues** | 386,681 | 456,774 |
| **Operating expenses** | | |
| Salaries | 281,336 | 249,405 |
| Payroll taxes and employee benefits | 55,857 | 63,720 |
| Utilities and telephone | 45,998 | 46,265 |
| Repairs and maintenance | 24,338 | 23,117 |
| Office supplies and expenses | 1,326 | 2,634 |
| Computer support | 1,121 | 240 |
| Operating supplies | 60,514 | 37,712 |
| Gas and oil | 9,574 | 9,006 |
| Insurance | 9,994 | 8,047 |
| Contractual services | 2,046 | 4,715 |
| Advertising | 2,113 | 2,291 |
| Dues and subscriptions | 638 | 2,098 |
| Travel and training | 494 | 78 |
| Tournament expenses | 1,323 | |
| Bad debts | 18,169 | |
| License and taxes | 6,794 | 2,091 |
| Miscellaneous expense | 9,877 | 8,602 |
| Leased equipment | 2,040 | 2,040 |
| Depreciation | 123,911 | 131,024 |
| **Total operating expenses** | 657,463 | 593,085 |
| **Operating loss** | (270,782) | (136,311) |
| **Non-operating revenues (expenses)** | | |
| Miscellaneous revenue | 4,134 | 1,868 |
| Interest expense | (1,623) | (2,901) |
| **Total non-operating revenues (expenses)** | 2,511 | (1,033) |
| **Income (loss) before interfund transfers** | (268,271) | (137,344) |
| **Interfund transfers** - from General Fund | 1,353,065 | |
| **Change in net position** | 1,084,794 | (137,344) |
| **Net position beginning of year** | 2,070,482 | 2,207,826 |
| **Net position end of year** | $ 3,155,276 | $ 2,070,482 |

**CITY OF RINCON GEORGIA**
***SCHEDULE OF HOTEL/MOTEL TAX***
***For the Year Ended December 31, 2016***

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

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

Revenues and expenditures for the year ended December 31, 2016, were as follows.

| | Amount | Amount as a percentage of revenue |
|---|---|---|
| Hotel/Motel tax cash receipts | $ 7,165 | |
| Expenditures for: | | |
| Community promotion - Freedom Rings Celebration | $ 7,165 | 100.00% |

*City of Rincon, Georgia*
*Schedule of Projects Constructed with*
*Special Purpose Local Option Sales Tax Proceeds*
*For the Year Ended December 31, 2016*

| | Original Estimated Cost | Revised Estimated Cost | Prior Years | Current Year | Total | Estimated Percent Complete |
|---|---|---|---|---|---|---|
| **2011 Effingham County SPLOST** | | | | | | |
| Public buildings | $ 38,867 | $ 38,867 | | | | 0.00% |
| Public safety | 155,467 | 67,449 | $ 208,115 | $ 123,717 | 331,832 | 491.97% |
| Roads, streets, and bridges | 777,333 | 490,881 | 414,942 | 26,983 | 441,925 | 90.03% |
| Drainage | 15,547 | 15,547 | | | | 0.00% |
| Recreation | 1,554,667 | 1,554,667 | 189,121 | 312,947 | 502,068 | 32.29% |
| Water and sewerage | 3,754,520 | 3,754,520 | 337,386 | 275,060 | 612,446 | 16.31% |
| Total | $ 6,296,401 | $ 5,921,931 | $ 1,149,564 | $ 738,707 | $ 1,888,271 | |

CAINES HODGES
CERTIFIED PUBLIC ACCOUNTANTS

Donald T. Caines, CPA
Carlton H. Hodges, CPA

Caines, Hodges & Company, P.C.
200 E. Saint Julian Street • Suite 603
Savannah, GA 31401
Tel: (912) 233-6383
www.caineshodges.com

Member American Institute of Certified Public Accountants
And Georgia Society of Certified Public Accountants

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

To the Mayor and City Council
City of Rincon, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rincon, Georgia, as of and for the year ended December 31, 2016, 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 September 19, 2017.

**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 consider the deficiencies described in the accompanying schedule of findings and responses at 2016-01 through 2016-04 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.

Cairnes, Hodges & Company, P.C.

September 19, 2017

**Internal control**

**2016-01 Accruals not recorded (REPEAT FINDING)**

*Condition:* Prior year accruals were not reversed in the current year, nor were current year accruals calculated and made prior to adjustment pursuant to audit procedures performed.

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

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

*Cause:* Accrual entries from the prior year were not reversed in the current year, and current year accruals were not calculated and made.

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

*Management response:* Management agrees with finding. The City will establish procedures to ensure proper recording of revenues on the accrual basis of accounting.

**2016-02 Accounts payable not reconciled (REPEAT FINDING)**

*Condition:* Accounts payable in the general ledger were not reconciled to a detail listing of accounts payable.

*Context:* Procedures should be designed and implemented sufficient to ensure the general ledger balances of accounts payable are reconciled to the detail listing of accounts payable.

*Effect:* Prior to adjustment, accounts payable were materially misstated; without such adjustments, the financial statements would have been materially misstated.

*Cause:* A complete detail listing of accounts payable has not been located in the financial reporting system used by the City, and a listing independent of the financial reporting system has not been prepared by City personnel, examined for reasonableness and completeness, and reconciled to the general ledger.

*Recommendation:* Establish procedures to ensure that all accounts payable general ledger accounts are reconciled to a complete detail listing of accounts payable.

*Management response:* Management agrees with finding. The City will design and implement procedures to ensure that all accounts payable general ledger accounts are reconciled at least quarterly to a complete detail accounts payable listing.

**2016-03 Misclassifications of transactions**

*Condition:* Numerous misclassifications across all funds were included in the trial balance provided to the auditors by the City.

*Context:* Procedures should be designed and implemented sufficient to ensure that all entries necessary to achieve proper classification of transactions are recorded by City personnel prior to preparation of the trial balances and financial statements.

*Effect:* Prior to adjustment, accounts across all funds except for the Sanitation Fund were materially misstated.

*Cause:* Primarily, numerous significant accounting errors earlier in the year that current personnel attempted to correct and pre-existing allocations were not adjusted in the current year. Additionally, other misclassifications occurring throughout the year were not detected and corrected by City personnel.

*Recommendation:* Establish procedures to ensure that activity in all significant general ledger accounts is examined for misclassications and other errors and that the original entry of all such activity into the financial reporting system is reviewed by appropriate personnel in a timely manner.

*Management response:* Management agrees with finding and will design and implement procedures to ensure that general ledger entries are reviewed and corrected monthly in order to achieve appropriate classifications and accurate financial reporting.

**2016-04 Utility billing errors**

*Condition:* The City experienced billing errors during the year due to improper meter readings not detected through the review of billing edits prior to the issuing of monthly utility bills. This resulted in both over and under billing on numerous accounts over several months.

*Context:* Procedures should be in place to ensure that utility revenues billed and recorded are accurate.

*Effect:* Numerous significant billing and recording errors occurred resulting in the misstatement of revenues across the utility funds. To correct of the misstatements, the City adjusted revenues and receivables based on historical revenue percentages by fund.

*Cause:* Monthly bills were recorded and issued without adequate review of edit reports to determine if errors had occurred.

*Recommendation:* Utilize the available utility billing and usage reports to assess the reasonableness of unusually high and low usages and of accounts reflecting no usage.

**2016-04 Utility billing errors (continued)**

*Management response:* Management agrees with finding and will implement procedures to ensure that billing and usage reports are examined for unusual items and appropriate corrections are made prior to issuing bills.

**Noncompliance**

None