City of Rincon, Georgia

Audited Financial Statements

For the Year Ended
December 31, 2017

City of Rincon, Georgia
Audited Financial Statements
For The Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Rincon, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Rincon, Georgia, as of and for the year ended December 31, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information on pages 39 through 41, and the schedule of changes in net pension liability and related ratios and the schedule of contributions on pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rincon, Georgia's basic financial statements. The individual fund financial statements, the Schedule of Hotel/Motel Tax, and the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2018, 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.

Caine Hodges & Company, P.C.

August 3, 2018

City of Rincon, Georgia
Statement of Net Position
December 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 5,172,904	$ 3,741,641	$ 8,914,545
Restricted cash	51,966	407,786	459,752
Receivables:			
Taxes	976,884		976,884
Intergovermental	164,431		164,431
Accounts	64,124	342,863	406,987
Inventory		9,313	9,313
Prepaid items	106,369		106,369
Capital assets:			
Nondepreciable capital assets	1,356,379	4,092,774	5,449,153
Depreciable capital assets, net	14,115,630	24,398,829	38,514,459
Total assets	22,008,687	32,993,206	55,001,893
Deferred Outflows of Resources			
Pension:			
Difference between expected and actual experience	13,358	4,094	17,452
Contributions after measurement date	75,368	23,100	98,468
Total deferred outflows of resources	88,726	27,194	115,920
Liabilities			
Current liabilities:			
Accounts payable	663,289	1,600,772	2,264,061
Accrued interest payable	186	1,592	1,778
Other accrued expenses	25,026	10,011	35,037
Interfund	1,041,431	(1,041,431)	0
Capital leases payable (current portion of long-term)	22,650		22,650
Bonds payable (current portion of long-term)		396,535	396,535
Liabilities payable from restricted assets		408,086	408,086
Long-term liabilities:			
Net pension liability	171,733	52,637	224,370
Capital leases payable (net of current portion)	63,068		63,068
Bonds payable (net of current portion)		6,486,358	6,486,358
Total liabilities	1,987,383	7,914,560	9,901,943
Deferred Inflows of Resources			
Pension:			
Difference between expected and actual experience	137,183	42,047	179,230
Changes of assumptions	4,828	1,481	6,309
Net difference between projected and actual earnings on investments	3,055	935	3,990
Total deferred inflows of resources	145,066	44,463	189,529
Net Position			
Net investment in capital assets	15,386,291	21,608,710	36,995,001
Restricted for:			
Public safety	397,737		397,737
Capital projects	2,740,392	407,786	3,148,178
Unrestricted	1,440,544	3,044,881	4,485,425
Total net position	$ 19,964,964	$ 25,061,377	$ 45,026,341

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

City of Rincon, Georgia
Statement of Net Position
December 31, 2017

	Primary Government		
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Total net position	$ 19,964,964	$ 25,061,377	$ 45,026,341

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City of Rincon, Georgia
Statement of Activities
For the Year Ended December 31, 2017

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	$ 450,208				$ (450,208)		$ (450,208)
General administration	285,007	$ 42,340			(242,667)		(242,667)
Financial administration	123,212				(123,212)		(123,212)
Judicial	49,945				(49,945)		(49,945)
Public Safety - police	1,599,667	789,886		$ 104,689	(705,092)		(705,092)
Public Safety - fire	901,165	377,406	$ 540,465	104,689	121,395		121,395
Public Works - streets and lanes	801,598		103,774	300,717	(397,107)		(397,107)
Public Works - drainage				161,060	161,060		161,060
Public Works - water & sewer				644,238	644,238		644,238
Parks and Recreation	691,047	140,528		112,741	(437,778)		(437,778)
Housing & Development - building & zoning	280,368	435,662			155,294		155,294
Interest expense	3,406				(3,406)		(3,406)
Total governmental activities	5,185,623	1,785,822	644,239	1,428,134	(1,327,428)	$ 0	(1,327,428)
Business-type activities:							
Sanitation	589,829	635,317				45,488	45,488
Water	974,910	1,532,438		29,431		586,959	586,959
Sewer	1,672,559	1,474,758		233,533		35,732	35,732
Golf course	709,199	494,435				(214,764)	(214,764)
Total business-type activities	3,946,497	4,136,948	0	262,964	0	453,415	453,415
Total - primary government	$ 9,132,120	$ 5,922,770	$ 644,239	$ 1,691,098	(1,327,428)	453,415	(874,013)
		General revenues					
		Local option sales tax			1,509,213		1,509,213
		Title ad valorem tax			251,568		251,568
		Franchise taxes			486,650		486,650
		Business occupation tax			119,365		119,365
		Alcohol taxes			189,832		189,832
		Insurance premium taxes			592,167		592,167
		Real estate transfer and intangibles tax			6,176		6,176
		Hotel/motel tax			6,463		6,463
		Intergovernmental - service delivery			14,991		14,991
		Investment earnings			5,769	16,350	22,119
		Miscellaneous			217,150	76,275	293,425
		Total general revenues			3,399,344	92,625	3,491,969
		Transfers			(118,266)	118,266	0
		Total general revenues and transfers			3,281,078	210,891	3,491,969
		Change in net position			1,953,650	664,306	2,617,956
		Net position beginning of year			18,011,314	24,397,071	42,408,385
		Net position end of year			$ 19,964,964	$ 25,061,377	$ 45,026,341

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

City of Rincon, Georgia
Balance Sheet
Governmental Funds
December 31, 2017

	General	Fire Department Fund	SPLOST Capital Projects Fund	Special Projects Capital Projects Fund	Hotel/Motel Tax Fund (non-major)	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 2,559,621		$ 2,587,728	$ 25,555		$ 5,172,904
Restricted cash and cash equivalents	39,818	$ 12,148				51,966
Receivables						
Taxes	631,071		345,813			976,884
Intergovernmental		164,255			$ 176	164,431
Accounts		64,124				64,124
Interfund balances	2,715,682	368,538		157,002		3,241,222
Prepaid items	106,369					106,369
Total assets	$ 6,052,561	$ 609,065	$ 2,933,541	$ 182,557	$ 176	$ 9,777,900
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 648,829	$ 14,460				$ 663,289
Accrued expenses	19,853	5,173				25,026
Interfund balances	3,675,258	309,070	$ 193,149	$ 105,000	$ 176	4,282,653
Total liabilities	4,343,940	328,703	193,149	105,000	176	4,970,968
Fund balances						
Nonspendable - prepaid items	106,369					106,369
Restricted for:						
Public safety	39,818	280,362				320,180
Capital outlays			2,740,392	77,557		2,817,949
Unassigned	1,562,434					1,562,434
Total fund balances	1,708,621	280,362	2,740,392	77,557	0	4,806,932
Total liabilities and fund balances	$ 6,052,561	$ 609,065	$ 2,933,541	$ 182,557	$ 176	$ 9,777,900

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, 2017

Total governmental fund balances		$ 4,806,932
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	$ 21,774,805	
Less accumulated depreciation	(6,302,796)	15,472,009
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, 2017, are:		
Deferred outflows		88,726
Deferred inflows		(145,066)
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		(85,718)
Accrued interest payable		(186)
Net pension liability		(171,733)
Net position of governmental activities		$ 19,964,964

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, 2017

	General	Fire Department Fund	SPLOST Capital Projects Fund	Special Projects Capital Projects Fund	Hotel/ Motel Tax Fund (non-major)	Total Governmental Funds
Revenues						
Taxes	$ 3,154,971				$ 6,463	$ 3,161,434
Licenses and permits	478,002					478,002
Intergovernmental	482,652	$ 540,465	$ 1,283,112	$ 34,750		2,340,979
Charges for services	142,893	375,041				517,934
Fines and forfeitures	789,886					789,886
Investment earnings	5,357		5,365	412		11,134
Contributions						0
Miscellaneous	214,553	2,597				217,150
Total Revenues	5,268,314	918,103	1,288,477	35,162	6,463	7,516,519
Expenditures						
Current:						
General Government - administration						
City Council	444,078				6,463	450,541
General administration	366,420					366,420
Financial administration	123,212					123,212
Judicial	49,851					49,851
Public Safety						
Police	1,707,808					1,707,808
Fire		1,083,854				1,083,854
Public Works - streets and lanes	1,185,502			93,966		1,279,468
Parks and Recreation	543,257					543,257
Housing & Development - building & zoning	279,633					279,633
Capital outlays			6,901			6,901
Debt service:						
Principal	23,957					23,957
Interest and fiscal charges	3,220					3,220
Total expenditures	4,726,938	1,083,854	6,901	93,966	6,463	5,918,122
Excess (deficit) of revenues to expenditures	541,376	(165,751)	1,281,576	(58,804)	0	1,598,397
Other financing uses						
Interfund transfers - to water and sewer funds			(118,266)			(118,266)
Net change in fund balances	541,376	(165,751)	1,163,310	(58,804)	0	1,480,131
Fund balances beginning of year	1,167,245	446,113	1,577,082	136,361	0	3,326,801
Fund balances end of year	$ 1,708,621	$ 280,362	$ 2,740,392	$ 77,557	$ 0	$ 4,806,932

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, 2017

Net changes in fund balances - total governmental funds		$ 1,480,131
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	$ (651,551)	
Capitalized capital outlay	1,348,940	697,389
Intergovernmental revenues from service delivery agreements that do not provide current financial resources are not reported as revenues in the funds.		
Deferred at 12/31/17	0	
Deferred at 12/31/16	(258,980)	(258,980)
Interest expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.		
Liability at 12/31/17	(186)	
Liability at 12/31/16	0	(186)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		23,957
Net pension liability reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.		
Net pension liability		
Balance at 12/31/17	(171,733)	
Balance at 12/31/16	356,047	184,314
Deferred inflows/outflows of resources from pensions		
Balance at 12/31/17	(56,340)	
Balance at 12/31/16	(116,635)	(172,975)
Change in net position of governmental activities		$ 1,953,650

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

City of Rincon, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2017

	Sanitation	Water	Sewer	Golf Course	Total
Assets					
Current assets:					
Cash and cash equivalents					
Unrestricted	$ 148,096	$ 2,111,575	$ 1,412,478	$ 69,492	$ 3,741,641
Restricted		406,786	1,000		407,786
Receivables - accounts	49,275	170,683	110,211	12,694	342,863
Interfund balances	1,551,841	4,008,554			5,560,395
Inventory				9,313	9,313
Total current assets	1,749,212	6,697,598	1,523,689	91,499	10,061,998
Noncurrent assets:					
Capital assets:					
Nondepreciable capital assets		1,808,733	1,839,041	445,000	4,092,774
Depreciable capital assets, net		6,967,417	14,905,363	2,526,049	24,398,829
Total capital assets	0	8,776,150	16,744,404	2,971,049	28,491,603
Total assets	1,749,212	15,473,748	18,268,093	3,062,548	38,553,601
Deferred outflows of resources					
Pension:					
Difference between expected and actual experience		1,470	1,749	875	4,094
Contributions after measurement date		8,294	9,869	4,937	23,100
Total deferred outflows of resources	0	9,764	11,618	5,812	27,194
Liabilities					
Current liabilities:					
Accounts payable	47,323	842,744	697,896	12,809	1,600,772
Accrued interest payable		950	642		1,592
Other accrued expenses		2,450	5,213	2,348	10,011
Interfund balances	500,126	1,920,379	2,008,620	89,839	4,518,964
Current portion of notes payable			396,535		396,535
Current liabilities payable from restricted assets - Customer deposits		408,086			408,086
Total current liabilities	547,449	3,174,609	3,108,906	104,996	6,935,960
Long-term liabilities:					
Net pension liability		18,899	22,488	11,250	52,637
Notes payable (net of current portion)		917,442	5,568,916		6,486,358
	0	936,341	5,591,404	11,250	6,538,995
Total liabilities	547,449	4,110,950	8,700,310	116,246	13,474,955
Deferred inflows of resources					
Pension:					
Difference between expected and actual experience		15,097	17,964	8,986	42,047
Net difference between projected and actual earnings		336	399	200	935
Changes in assumptions		532	633	316	1,481
Total deferred inflows of resources	0	15,965	18,996	9,502	44,463
Net position					
Net investment in capital assets		7,858,708	10,778,953	2,971,049	21,608,710
Restricted for capital improvements		406,786	1,000		407,786
Unrestricted	1,201,763	3,091,103	(1,219,548)	(28,437)	3,044,881
Total net position	$ 1,201,763	$ 11,356,597	$ 9,560,405	$ 2,942,612	$ 25,061,377

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, 2017

	Sanitation	Water	Sewer	Golf Course	Total
Operating revenues					
Charges for services	$ 635,317	$ 1,504,682	$ 1,452,800	$ 494,435	$ 4,087,234
Other revenues		27,756	21,958		49,714
Total operating revenues	635,317	1,532,438	1,474,758	494,435	4,136,948
Operating expenses					
Salaries		206,024	299,665	308,447	814,136
Payroll taxes and employee benefits		79,008	90,063	61,521	230,592
Utilities and telephone		57,904	127,975	55,605	241,484
Repairs and maintenance		57,218	77,488	49,083	183,789
Office supplies and expenses		27,746	2,118	2,214	32,078
Computer support		10,535	150		10,685
Operational supplies		48,341	98,828	50,600	197,769
Gas, oil and tires		12,231	11,228	4,859	28,318
Insurance		11,041	39,518	7,240	57,799
Contractual services	589,829	105,997	129,879	1,718	827,423
Engineering fees		9,383			9,383
Advertising/legal ads		569	436	3,065	4,070
Dues and subscriptions		1,700	1,307	1,704	4,711
Travel and training		1,673	2,934	169	4,776
Tournament expenses				1,280	1,280
License and taxes				5,151	5,151
Miscellaneous expense		2,309	1,616	16,981	20,906
Bad debt expense		25,248	29,021	13,186	67,455
Bank merchant fees		30,452			30,452
Leased equipment				2,040	2,040
Depreciation		258,923	605,885	124,050	988,858
Total operating expenses	589,829	946,302	1,518,111	708,913	3,763,155
Operating income (loss)	45,488	586,136	(43,353)	(214,478)	373,793
Non-operating revenues (expenses)					
Impact fees		29,431	233,533		262,964
Investment earnings	1,228	11,407	3,588	127	16,350
Tower rental		74,302			74,302
Interest expense		(28,608)	(154,448)	(286)	(183,342)
Miscellaneous				1,973	1,973
Total non-operating revenues	1,228	86,532	82,673	1,814	172,247
Income (loss) before interfund transfers	46,716	672,668	39,320	(212,664)	546,040
Interfund transfers		80,070	38,196		118,266
Change in net position	46,716	752,738	77,516	(212,664)	664,306
Net position beginning of year	1,155,047	10,603,859	9,482,889	3,155,276	24,397,071
Net position end of year	$ 1,201,763	$ 11,356,597	$ 9,560,405	$ 2,942,612	$ 25,061,377

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, 2017

	Sanitation	Water	Sewer	Golf Course	Total
Increase (decrease) in cash and cash equivalents					
Cash flows from operating activities					
Cash received from customers	$ 655,974	$ 1,559,017	$ 1,502,470	$ 481,741	$ 4,199,202
Cash payments to employees for personal services		(287,075)	(393,059)	(374,008)	(1,054,142)
Cash payments for goods and services	(588,501)	(326,997)	(541,716)	(212,977)	(1,670,191)
Net cash provided by (used for) operating activities	67,473	944,945	567,695	(105,244)	1,474,869
Cash flows from noncapital financing activities					
Interfund balances	(111,158)	(1,426,521)	1,228,502	89,839	(219,338)
Grant proceeds		3,231	1,616		4,847
Tower rental		74,302			74,302
Net cash provided by (used for) noncapital financing activities	(111,158)	(1,348,988)	1,230,118	89,839	(140,189)
Cash flows from capital and related financing activities					
Proceeds from impact fees		29,431	233,533		262,964
Proceeds from long-term debt		917,442	896,281		1,813,723
Principal paid on long-term debt			(457,186)	(14,935)	(472,121)
Interest paid on debt		(27,658)	(165,319)	(286)	(193,263)
Payments for capital acquisitions		(1,708,672)	(1,607,469)		(3,316,141)
Transfers from SPLOST Capital Projects Fund		80,070	38,196		118,266
Net cash used for capital and related financing activities	0	(709,387)	(1,061,964)	(15,221)	(1,786,572)
Cash flows from investing activities					
Investment earnings	1,228	11,407	3,588	2,100	18,323
Net change in cash and cash equivalents	(42,457)	(1,102,023)	739,437	(28,526)	(433,569)
Cash and cash equivalents beginning of year	190,553	3,620,384	674,041	98,018	4,582,996
Cash and cash equivalents end of year	$ 148,096	$ 2,518,361	$ 1,413,478	$ 69,492	$ 4,149,427

(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, 2017

(continued)

	Sanitation	Water	Sewer	Golf Course	Total
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	$ 45,488	$ 586,136	$ (43,353)	$ (214,478)	$ 373,793
Adjustments:					
Depreciation		258,923	605,885	124,050	988,858
(Increase) decrease in assets:					
Accounts receivable	20,657	15,401	27,712	(12,694)	51,076
Prepaid expenses		15,018	24,777	5,456	45,251
Increase (decrease) in liabilities:					
Accounts payable	1,328	60,332	(43,995)	(3,538)	14,127
Accrued expenses		54	(433)	(962)	(1,341)
Customer deposits		11,178			11,178
Net pension liability		(2,097)	(2,898)	(3,078)	(8,073)
Net cash provided by (used for) operating activities	$ 67,473	$ 944,945	$ 567,695	$ (105,244)	$ 1,474,869

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.

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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 of special capital projects.

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

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

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

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

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

Measurement Focus

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

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Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Basis of Accounting

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

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

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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.

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

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations 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 qualify 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, 2017, the City was not exposed to custodial credit risk.

Note 5 - Receivables

Receivables at December 31, 2017, 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 $152,276 for the year ended December 31, 2017.

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

Note 8 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2017, was as follows:

	Balance 12/31/16	Additions	Dispositions	Reclassi-ficaton	Balance 12/31/17
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 1,356,379				$ 1,356,379
Depreciable capital assets:					
Land improvements	4,673,893				4,673,893
Buildings	3,147,260				3,147,260
Equipment	3,828,729	558,394			4,387,123
Vehicles	1,175,836	131,511			1,307,347
Infrastructure	6,243,768	659,035			6,902,803
Total depreciable capital assets	19,069,486	1,348,940	0	0	20,418,426
Total capital assets	20,425,865	1,348,940	0	0	21,774,805
Accumulated depreciation:					
Land improvements	363,778	89,524			453,302
Buildings	917,160	68,986			986,146
Equipment	2,964,495	265,967			3,230,462
Vehicles	893,212	102,101			995,313
Infrastructure	512,600	124,973			637,573
Total accumulated depreciation	5,651,245	651,551	0	0	6,302,796
Governmental activities capital assets, net	$ 14,774,620	$ 697,389	$ 0	$ 0	$ 15,472,009

Governmental activities depreciation expense:	
General government	$ 20,119
Public safety - police	127,036
Public safety - fire	172,803
Public works - streets and lanes	182,765
Parks and recreation	146,306
Building and zoning	2,522
Total governmental activities depreciation expense	$ 651,551

Note 8 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2017, was as follows:

	Balance 12/31/16	Additions	Dispositions	Reclassi-ficaton	Balance 12/31/17
Business-type activities:					
Capital assets not being depreciated:					
Land and rights	$ 819,163				$ 819,163
Construction in progress	368,888	$ 4,372,608		$ (1,467,885)	3,273,611
Total capital assets not being depreciated	1,188,051	4,372,608	$ 0	(1,467,885)	4,092,774
Depreciable capital assets:					
Buildings	775,684				775,684
Improvements, other than buildings	2,358,106				2,358,106
Water system	8,765,032	164,344		735,726	9,665,102
Sewer plant	21,523,955	96,349		732,159	22,352,463
Equipment	916,936				916,936
Vehicles	348,796	76,392			425,188
Office equipment	29,408				29,408
Total depreciable capital assets	34,717,917	337,085	0	1,467,885	36,522,887
Total capital assets	35,905,968	4,709,693	0	0	40,615,661
Accumulated depreciation:					
Buildings	172,508	25,758			198,266
Improvements, other than buildings	415,062	58,880			473,942
Water system	2,547,954	231,717			2,779,671
Sewer plant	6,998,968	574,683			7,573,651
Equipment	656,288	73,294			729,582
Vehicles	315,012	24,526			339,538
Office equipment	29,408				29,408
Total accumulated depreciation	11,135,200	988,858	0	0	12,124,058
Business-type activities capital assets, net	$ 24,770,768	$ 3,720,835	$ 0	$ 0	$ 28,491,603

Note 9 - Interfund Balances and Transfers

Interfund balances at December 31, 2017, 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			$ 157,002	
Fire Department Fund	$ 309,070			
SPLOST Fund	193,149			
Hotel/Motel Tax Fund	176			
Sanitation Fund	500,126			
Water Fund		$ 368,538		$ 1,551,841
Sewer Fund	1,623,322			
Golf Fund	89,839			
Total	$ 2,715,682	$ 368,538	$ 157,002	$ 1,551,841

	Water Fund	Sewer Fund	Golf Fund	**Total**
General Fund	$ 3,518,256			$ 3,675,258
Fire Department Fund				309,070
SPLOST Fund				193,149
Special Projects Fund	105,000			105,000
Hotel/Motel Tax Fund				176
Sanitation Fund				500,126
Water Fund				1,920,379
Sewer Fund	385,298			2,008,620
Golf Fund				89,839
Total	$ 4,008,554	$ 0	$ 0	$ 8,801,617

Interfund transfers for the year ended December 31, 2017, were as follows:

- SPLOST fund transfers to the Water fund for vehicle equipment totaling $80,070.
- SPLOST fund transfers to the Sewer fund for sewer system expansion totaling $38,196.

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 $83,333 (cost of $125,000 less accumulated depreciation of $41,667). 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, 2017, follow:

Year	Principal	Interest	Total
2018	$ 22,650	$ 2,261	$ 24,911
2019	25,497	1,679	27,176
2020	26,341	835	27,176
2021	11,230	93	11,323
Total	$ 85,718	$ 4,868	$ 90,586

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 remaining $14,935 in principal on this capital lease was paid off during 2017.

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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, 2017, follow.

Year	Principal	Interest	Total
2018	$ 396,535	$ 112,130	$ 508,665
2019	443,146	111,761	554,907
2020	454,353	100,554	554,907
2021	465,843	89,064	554,907
2022	477,623	77,284	554,907
2023-2027	2,575,516	199,020	2,774,536
2028	256,154	1,770	257,924
Total	$ 5,069,170	$ 691,583	$ 5,760,753

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

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

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2017.

	Outstanding 12/31/16	Additions	Reductions	Outstanding 12/31/17	Amounts Due in One Year
Governmental Activities					
Capital lease	$ 109,675		$ 23,957	$ 85,718	$ 22,650
Net pension liability	356,047		184,314	171,733	
Total governmental activities	$ 465,722	$ 0	$ 208,271	$ 257,451	$ 22,650

Note 10 - Long-Term Debt (continued)

	Outstanding 12/31/16	Additions	Reductions	Outstanding 12/31/17	Amounts Due in One Year
Business-Type Activities					
Capital lease	$ 14,935		$ 14,935	$ 0	
Series 2015 bonds	5,526,357		457,187	5,069,170	$ 396,535
GEFA loan- Water Fund		$ 917,442		917,442	
GEFA loan- Sewer Fund		896,281		896,281	
Net pension liability	115,968		63,331	52,637	
Total Business-Type Activities	$ 5,657,260	$ 1,813,723	$ 535,453	$ 6,935,530	$ 396,535

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

Total interest incurred (all of which was charged to operations) in the government-wide financial statements amounted to $3,406 for governmental activities and $183,342 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.

Note 11 - Defined Benefit Pension Plan (continued)

Employees Covered - At July 1, 2017, the following employees were covered by the benefit terms for the plan:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	32
Active employees	67
Total	114

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

The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The City's contributions to the plan were $131,291 for the year ended December 31, 2017.

Net Pension Liability

The City's net pension liability (NPL) for the plan is measured as the total pension liability (TPL), less the pension plan's fiduciary net position (FNP). The net pension liability of the plan is measured as of March 31, 2017, using an annual actuarial valuation as of July 1, 2017. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation date	July 1, 2017
Measurement date	March 31, 2017
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%

Note 11 - Defined Benefit Pension Plan (continued)

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, 2017, 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.

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, 2017, (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%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Cash	0%	
Total	100%	

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Note 11 - Defined Benefit Pension Plan (continued)

Changes in Net Pension Liability

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

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/ Asset
Balances as of March 31, 2016	$ 1,853,620	$ 1,381,605	$ 472,015
Changes for the year:			
Service cost	108,123		108,123
Interest	141,487		141,487
Differences between expected and actual experience	(204,573)		(204,573)
Contributions - employer		125,260	(125,260)
Net investment income		177,863	(177,863)
Benefit payments	(55,969)	(55,969)	0
Administrative expense		(10,441)	10,441
Net changes	(10,932)	236,713	(247,645)
Balances as of March 31, 2017	$ 1,842,688	$ 1,618,318	$ 224,370

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

1% Decrease	Current Discount Rate	1% Increase
$ 505,114	$ 224,371	$ (5,079)

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

For the year ended December 31, 2017, the City recognized a pension expense of $111,880. At December 31, 2017, 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	$ 17,452	$ (179,230)
Pension contributions subsequent to measurement date	98,468	

Note 11 - Defined Benefit Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		(3,990)
Changes of assumptions		(6,309)
Total	$ 115,920	$ (189,529)

$98,468 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 a component of pension expense as follows:

Year ended December 31:	
2017	$ (38,820)
2018	(38,820)
2019	(39,822)
2020	(54,615)
	$ (172,077)

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, 2017, is as follows:

Investments in capital assets, net of related debt:	Governmental Activities	Business Type Activities
Cost of capital assets	$ 21,774,805	$ 40,615,661
Less accumulated depreciation	6,302,796	12,124,058
Book value	15,472,009	28,491,603
Less capital related debt	85,718	6,882,893
Investments in capital assets, net of related debt	$ 15,386,291	$ 21,608,710

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, 2017. No provisions have been made in the financial statements for the year ended December 31, 2017, 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, 2017, is as follows:

Beginning liability	$ 113,475
Current year claims	208,465
Claims payments	(275,264)
Ending liability	$ 46,676

Note 14 - Commitments

The City had contractual commitments at December 31, 2017, 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 safety - fire protection	$ 270,000
Public works - drainage	38,625
Public works - streets and lanes	385,224
Utility funds	
Water and sewer projects	1,966,189

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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, 2017. 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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 3,104,700	$ 3,104,700	$ 3,154,971	$ 50,271
Licenses and permits	120,125	127,125	478,002	350,877
Intergovernmental	80,000	280,000	482,652	202,652
Charges for services	107,000	107,000	142,893	35,893
Fines and forfeitures	480,450	703,359	789,886	86,527
Investment earnings	5,300	5,300	5,357	57
Miscellaneous	88,700	28,750	214,553	185,803
Total revenues	3,986,275	4,356,234	5,268,314	912,080
Expenditures				
Current:				
General Government				
City Council	501,940	489,815	444,078	45,737
General administration	389,588	419,779	366,420	53,359
Financial administration	108,657	123,212	123,212	0
Judicial	57,249	57,249	49,851	7,398
Public Safety - police	1,676,570	1,904,254	1,707,808	196,446
Public Works - streets and lanes	1,449,139	1,605,704	1,212,679	393,025
Parks and Recreation	534,441	543,257	543,257	0
Housing and Development -				
Building and zoning	285,418	285,476	279,633	5,843
Total expenditures	5,003,002	5,428,746	4,726,938	701,808
Excess (deficit) of revenues to expenditures	(1,016,727)	(1,072,512)	541,376	1,613,888
Other financing sources				
Proceeds from capital lease	147,500	147,500	0	(147,500)
Net change in fund balance	$ (869,227)	$ (925,012)	541,376	$ 1,466,388
Fund balances beginning of year			1,167,245	
Fund balances end of year			$ 1,708,621	

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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental	$ 550,000	$ 550,000	$ 540,465	$ (9,535)
Charges for service	300,000	300,000	375,041	75,041
Miscellaneous	4,000	100,000	2,597	(97,403)
Total revenues	854,000	950,000	918,103	(31,897)
Expenditures				
Public safety	1,193,573	1,204,473	1,083,854	120,619
Deficit of revenues to expenditures	$ (339,573)	$ (254,473)	(165,751)	$ 88,722
Fund balances				
Beginning of year			446,113	
End of year			$ 280,362	

Note 1 - Budgetary Information

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

All budgets are adopted on a basis consistent with GAAP.

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

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

All unexpended annual appropriations lapse at year-end.

On the budgetary basis, debt service expenditures (i.e. $27,177) 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	$ 1,185,502	$ 27,177	$ 1,212,679
Debt service			
Principal	23,957	(23,957)	0
Interest and fiscal charges	3,220	(3,220)	0
	$ 1,212,679	$ 0	$ 1,212,679

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, 2017

	2017	2016
Total Pension Liability		
Service cost	$ 108,123	$ 97,483
Interest	141,487	130,270
Difference between expected and actual experience	(204,573)	(25,955)
Benefit payments, including refunds of employee contributions	(55,969)	(58,166)
Net change in total pension liability	(10,932)	143,632
Total pension liability - beginning	1,853,620	1,709,988
Total pension liability - ending	$ 1,842,688	$ 1,853,620
Plan fiduciary net position		
Contributions - employer	$ 125,260	$ 111,719
Net investment income	177,863	4,954
Benefit payments, including refunds of employee contributions	(55,969)	(58,166)
Administrative expense	(10,441)	(6,914)
Net change in fiduciary net position	236,713	51,593
Plan fiduciary net position - beginning	1,381,605	1,330,012
Plan fiduciary net position - ending	$ 1,618,318	$ 1,381,605
Net pension liability - ending	224,370	472,015
Plan fiduciary net position as a percentage of total pension liability	87.82%	74.54%
Covered employee payroll	2,495,005	2,058,549
Net position liability as a percentage of covered-employee payroll	8.99%	22.93%

Changes in assumptions

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.

Benefit changes

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

City of Rincon, Georgia
Schedule of Contributions
Defined Benefit Pension Plan
For the Year Ended December 31, 2017

	2017	2016	2015
Actuarially determined contribution	*	$ 123,249	$ 107,875
Contributions in relation to actuarially determined contribution	*	123,249 **	107,875 **
Contribution deficiency (excess)	*	0	0
Covered-employee payroll	*	2,058,549 ***	1,810,196 ***
Contributions as a percentage of covered-employee payroll	*	5.99%	5.96%

Notes to Schedule of Contributions

* 2017 information will be determined after fiscal year end and will be included in the 2017 valuation report.

** Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of noncompliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

*** 2016 and 2015 covered payroll is based on data collected as of February 28, 2016 and 2015, for the 2016 and actuarial valuations.

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, 2017, 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, 2018.

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, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 2,559,621	$ 1,746,792
Restricted cash and cash equivalents	39,818	38,559
Receivables		
Taxes	631,071	640,731
Intergovernmnetal		318,177
Other		36,505
Interfund balances	2,715,682	1,765,950
Prepaid items	106,369	61,114
Total Assets	$ 6,052,561	$ 4,607,828
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	$ 648,829	$ 569,419
Accrued expenses	19,853	20,780
Unearned revenue		
Interfund	3,675,258	2,591,404
Total liabilities	4,343,940	3,181,603
Deferred inflows of resources - intergovernmental revenues	0	258,980
Fund balances		
Nonspendable - prepaid items	106,369	61,114
Restricted for public safety	39,818	38,559
Unrestricted	1,562,434	1,067,572
Total fund balances	1,708,621	1,167,245
Total liabilities, deferred inflows of resources and fund balances	$ 6,052,561	$ 4,607,828

City of Rincon, Georgia
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues		
Taxes	$ 3,154,971	$ 2,736,213
Licenses and permits	478,002	107,545
Intergovernmental	482,652	139,186
Charges for services	142,893	119,489
Fines and forfeitures	789,886	466,015
Investment earnings	5,357	5,178
Miscellaneous	214,553	28,752
Total revenues	5,268,314	3,602,378
Expenditures		
Current:		
General Government		
City Council	444,078	435,732
General administration	366,420	240,683
Financial administration	123,212	126,636
Judicial	49,851	54,445
Public Safety - police	1,707,808	1,351,805
Public Works - streets and lanes	1,185,502	1,414,966
Parks and Recreation	543,257	567,295
Housing and Development - building and zoning	279,633	304,045
Debt service:		
Principal	23,957	15,325
Interest and fiscal charges	3,220	2,793
Total expenditures	4,726,938	4,513,725
Excess (deficit) of revenues to expenditures	541,376	(911,347)
Other financing sources		
Proceeds from capital lease		125,000
Sale of assets		9,900
Interfund transfers		
From Water fund		1,353,065
To Golf Course fund		(1,353,065)
	0	134,900
Net change in fund balances	541,376	(776,447)
Fund balances beginning of year	1,167,245	1,943,692
Fund balances end of year	$ 1,708,621	$ 1,167,245

City of Rincon, Georgia
Fire Department Fund
Balance Sheet
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents:		
Restricted	$ 12,148	$ 323,263
Receivables:		
Intergovernmental	164,255	48,268
Accounts	64,124	57,670
Interfund balances	368,538	204,560
Prepaid expenses		6,368
Total current assets	$ 609,065	$ 640,129
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 14,460	$ 31,590
Accrued expenses	5,173	3,389
Interfund	309,070	159,037
Total current liabilities	328,703	194,016
Fund balances		
Nonspendable - prepaid items		6,368
Restricted for public safety	280,362	439,745
Total fund balances	280,362	446,113
Total liabilities and fund balances	$ 609,065	$ 640,129

City of Rincon, Georgia
Fire Department Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues		
Intergovernmental	$ 540,465	$ 507,325
Charges for service	375,041	282,414
Miscellaneous	2,597	7,046
Total revenues	918,103	796,785
Expenditures		
Public safety	1,083,854	710,202
Net change in fund balance	(165,751)	86,583
Fund balances		
Beginning of year	446,113	359,530
End of year	$ 280,362	$ 446,113

City of Rincon, Georgia
SPLOST Capital Projects Fund
Comparative Balance Sheet
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 2,587,728	$ 1,609,433
Receivables - taxes	345,813	196,982
Total Assets	$ 2,933,541	$ 1,806,415
Liabilities and Fund Balances		
Liabilities		
Accounts payable		$ 40,594
Interfund balance	$ 193,149	188,739
Total liabilities	193,149	229,333
Fund balances		
Restricted for capital projects	2,740,392	1,577,082
Total liabilities and fund balances	$ 2,933,541	$ 1,806,415

City of Rincon, Georgia
SPLOST Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues		
Intergovernmental	$ 1,283,112	$ 705,937
Investment earnings	5,365	509
Total revenues	1,288,477	706,446
Expenditures		
Capital outlays:		
General Government	4,410	
Public Safety - Police		123,717
Public Works - streets and lanes		26,983
Parks and Recreation	2,491	312,947
Total expenditures	6,901	463,647
Excess of revenues over expenditures	1,281,576	242,799
Other financing uses		
Transfer to water and sewer funds	(118,266)	(275,060)
Net change in fund balance	1,163,310	(32,261)
Fund balances beginning of year	1,577,082	1,609,343
Fund balances end of year	$ 2,740,392	$ 1,577,082

City of Rincon, Georgia
Special Projects Fund (Capital Projects Fund)
Comparative Balance Sheet
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 25,555	$ 344,647
Receivables - intergovernmental		16,144
Interfund balance	157,002	147,147
Total Assets	$ 182,557	$ 507,938
Liabilities and Fund Balances		
Liabilities		
Accounts payable		$ 371,577
Interfund balance	$ 105,000	
Total liabilities	105,000	371,577
Fund balances		
Restricted for capital projects	77,557	136,361
Total liabilities and fund balances	$ 182,557	$ 507,938

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, 2017

	Project Length Budget (Original)	Project Length Budget (Revised)	Prior Years	Current Year	Total	Variance with budget
Revenues						
Intergovernmental	$ 500,000	$ 500,000	465,250	$ 34,750	$ 500,000	$ 0
Contributions	1,942,000	1,942,000	1,942,000		1,942,000	0
Investment earnings			3,187	412	3,599	3,599
Total revenues	2,442,000	2,442,000	$ 2,410,437	35,162	2,445,599	3,599
Expenditures						
Current						
Public works - streets and lanes	2,442,000	2,442,000	2,274,076	93,966	2,368,042	73,958
Excess (deficit) of revenues to expenditures	$ 0	$ 0	$ 136,361	(58,804)	$ 77,557	$ 77,557
Fund balance beginning of year				136,361		
Fund balance end of year				$ 77,557		

City of Rincon, Georgia
Hotel/Motel Tax Fund
Balance Sheet
December 31, 2017 and 2016

	2017	2016
Assets		
Receivables - taxes	$ 176	$ 570
Liabilities and Fund Balances		
Liabilities		
Interfund	$ 176	$ 570
Fund balances	0	0
Total liabilities and fund balances	$ 176	$ 570

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, 2017 and 2016

	2017				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2016 Actual
Revenues					
Taxes		$ 6,500	$ 6,463	$ (37)	$ 7,165
Expenditures					
Tourism promotion		6,500	6,463	37	7,165
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, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 148,096	$ 190,553
Receivables - accounts	49,275	69,932
Interfund balances	1,551,841	1,349,211
Total current assets	1,749,212	1,609,696
Liabilities		
Current liabilities:		
Accounts payable	47,323	45,995
Interfund balances	500,126	408,654
Total current liabilities	547,449	454,649
Net Position		
Unrestricted	$ 1,201,763	$ 1,155,047

City of Rincon, Georgia
Sanitation Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating revenues		
Charges for services	$ 635,317	$ 600,432
Operating expenses		
Contractual services	589,829	543,533
Operating income	45,488	56,899
Non-operating revenues		
Investment earnings	1,228	428
Change in net position	46,716	57,327
Net position		
Beginning of year	1,155,047	1,097,720
End of year	$ 1,201,763	$ 1,155,047

City of Rincon, Georgia
Water Fund
Comparative Statement of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	$ 2,111,575	$ 3,227,471
Restricted	406,786	392,913
Receivables		
Intergovernmental - grants		3,231
Accounts	170,683	186,084
Interfund	4,008,554	2,444,257
Prepaid expenses		15,018
Total current assets	6,697,598	6,268,974
Noncurrent assets:		
Capital assets:		
Nondepreciable capital assets	1,808,733	316,621
Depreciable capital assets, net	6,967,417	6,288,073
Total capital assets	8,776,150	6,604,694
Total assets	15,473,748	12,873,668
Deferred outflows of resources		
Pension:		
Difference between expected and actual experience	1,470	2,243
Net difference between projected and actual earnings on pension plan investments		5,676
Contributions after measurement date	8,294	7,921
Total deferred outflows of resources	9,764	15,840
Liabilities		
Current liabilities:		
Accounts payable	842,744	60,705
Interest payable	950	
Other accrued expenes	2,450	2,396
Interfund balances	1,920,379	1,782,603
Current liabilities payable from restricted assets		
Customer deposits	408,086	396,908
Total current liabilities	3,174,609	2,242,612
Long-term liabilities:		
Net pension liability	18,899	40,447
Note payable	917,442	
Total long-term liabilities	936,341	40,447
Total liabilities	4,110,950	2,283,059
Deferred inflows of resources		
Pension:		
Difference between expected and actual experience	15,097	1,779
Net difference between projected and actual earnings on pension plan investments	336	
Changes in assumptions	532	811
Total deferred inflows of resources	15,965	2,590
Net Position		
Net investment in capital assets	7,858,708	6,604,694
Restricted for capital system improvements	406,786	392,913
Unrestricted	3,091,103	3,606,252
Total net position	$ 11,356,597	$ 10,603,859

City of Rincon, Georgia
Water Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating revenues		
Charges for services	$ 1,504,682	$ 1,263,349
Other revenues	27,756	22,761
Total operating revenues	1,532,438	1,286,110
Operating expenses		
Salaries	206,024	174,132
Payroll taxes and employee benefits	79,008	80,127
Utilities and telephone	57,904	66,461
Repairs and maintenance	57,218	54,943
Office supplies and expenses	27,746	27,755
Computer support	10,535	14,901
Operating supplies	48,341	59,382
Gas, oil and tires	12,231	9,893
Insurance	11,041	14,964
Contractual services	105,997	43,856
Engineering fees	9,383	
Advertising/legal ads	569	894
Dues and subscriptions	1,700	1,102
Travel and training	1,673	2,468
Bank merchant fees	30,452	26,825
Bad debts expense	25,248	
Other	2,309	1,001
Depreciation	258,923	238,203
Total operating expenses	946,302	816,907
Operating income	586,136	469,203
Non-operating revenues (expenses)		
Impact fees	29,431	55,863
Tower rental	74,302	66,342
Investment earnings	11,407	5,883
Interest	(28,608)	
Total non-operating revenues	86,532	128,088
Income before grant proceeds and interfund transfers	672,668	597,291
Grant proceeds		3,231
Interfund transfers		
From SPLOST Capital Projects Fund	80,070	219,386
To General Fund		(1,353,065)
Total interfund transfers	80,070	(1,133,679)
Change in net position	752,738	(533,157)
Net position beginning of year	10,603,859	11,137,016
Net position end of year	$ 11,356,597	$ 10,603,859

City of Rincon, Georgia
Sewer Fund
Comparative Statement of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	$ 1,412,478	$ 673,041
Restricted	1,000	1,000
Receivables		
Intergovernmental - grants		1,616
Accounts	110,211	137,923
Interfund balances		228,832
Prepaid expenses		24,777
Total current assets	1,523,689	1,067,189
Noncurrent assets:		
Capital assets:		
Nondepreciable capital assets	1,839,041	426,430
Depreciable capital assets, net	14,905,363	14,644,545
Total capital assets	16,744,404	15,070,975
Total assets	18,268,093	16,138,164
Deferred outflows of resources		
Pension:		
Difference between expected and actual experience	1,749	2,702
Net difference between projected and actual earnings on pension plan investments		6,838
Contributions after measurement date	9,869	9,542
Total deferred outflows of resources	11,618	19,082
Liabilities		
Current liabilities:		
Accounts payable	697,896	70,045
Accrued interest	642	11,513
Other accrued expenses	5,213	5,646
Interfund balances	2,008,620	1,008,950
Notes payable	396,535	418,234
Total current liabilities	3,108,906	1,514,388
Long-term liabilities:		
Net pension liability	22,488	48,726
Notes payable (net of current portion)	5,568,916	5,108,123
Total long-term liabilities	5,591,404	5,156,849
Total liabilities	8,700,310	6,671,237
Deferred inflows of resources		
Pension:		
Difference between expected and actual experience	17,964	2,144
Difference between projected and actual earnings on investments	399	
Changes in assumptions	633	976
Total deferred inflows of resources	18,996	3,120
Net Position		
Net investment in capital assets	10,778,953	9,544,618
Restricted for capital improvements	1,000	1,000
Unrestricted	(1,219,548)	(62,729)
Total net position	$ 9,560,405	$ 9,482,889

City of Rincon, Georgia
Sewer Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating revenues		
Charges for services	$ 1,452,800	$ 1,270,682
Other revenues	21,958	27,563
Total operating revenues	1,474,758	1,298,245
Operating expenses		
Salaries	299,665	262,476
Payroll taxes and employee benefits	90,063	55,127
Utilities and telephone	127,975	140,153
Repairs and maintenance	77,488	104,417
Office supplies and expenses	2,118	
Computer support	150	
Operating supplies	98,828	127,037
Gas, oil and tires	11,228	9,634
Insurance	39,518	21,180
Legal and accounting		
Contractual services	129,879	104,314
Advertising/legal ads	436	599
Dues and subscriptions	1,307	663
Travel and training	2,934	2,810
Bad debts expense	29,021	
Other expenses	1,616	
Depreciation	605,885	587,185
Total operating expenses	1,518,111	1,415,595
Operating loss	(43,353)	(117,350)
Non-operating revenues (expenses)		
Impact fees	233,533	155,116
Investment earnings	3,588	1,900
Bond issue costs		
Interest expense	(154,448)	(141,137)
Total non-operating revenues (expenses)	82,673	15,879
Income (loss) before grant proceeds and interfund transfers	39,320	(101,471)
Grant proceeds		1,616
Interfund transfers - from SPLOST Capital Projects Fund	38,196	55,674
Change in net position	77,516	(44,181)
Net position beginning of year	9,482,889	9,527,070
Net position end of year	$ 9,560,405	$ 9,482,889

City of Rincon, Georgia
Golf Course Fund
Comparative Statement of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 69,492	$ 98,018
Receivables - accounts (net of allowance of $42,526 in 2017 and $29,339 in 2016)	12,694	
Inventory	9,313	9,313
Prepaid expense		5,456
Total current assets	91,499	112,787
Noncurrent assets:		
Capital assets:		
Nondepreciable capital assets	445,000	445,000
Depreciable capital assets, net	2,526,049	2,650,099
Total capital assets	2,971,049	3,095,099
Total assets	3,062,548	3,207,886
Deferred outflows of resources		
Pension:		
Difference between expected and actual experience	875	1,486
Net difference between projected and actual earnings on pension plan investments		3,760
Contributions after measurement date	4,937	5,248
Total deferred outflows of resources	5,812	10,494
Liabilities		
Current liabilities:		
Accounts payables	12,809	16,347
Accrued expenses	2,348	3,310
Interfund balances	89,839	
Capital lease payable		14,935
Total current liabilities	104,996	34,592
Long-term liabilities:		
Net pension liability	11,250	26,795
Total liabilities	116,246	61,387
Deferred inflows of resources		
Pension:		
Difference between expected and actual experience	8,986	1,179
Difference between projected and actual earnings on investments	200	
Changes in assumptions	316	538
Total deferred inflows of resources	9,502	1,717
Net Position		
Net investment in capital assets	2,971,049	3,080,164
Unrestricted	(28,437)	75,112
Total net position	$ 2,942,612	$ 3,155,276

City of Rincon, Georgia
Golf Course Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating revenues		
Course fees	$ 471,116	$ 357,737
Golf course sales (net of cost of goods sold)	(6,020)	268
Grill sales (net of cost of goods sold)	29,339	28,676
Total operating revenues	494,435	386,681
Operating expenses		
Salaries	308,447	281,336
Payroll taxes and employee benefits	61,521	55,857
Utilities and telephone	55,605	45,998
Repairs and maintenance	49,083	24,338
Office supplies and expenses	2,214	1,326
Computer support		1,121
Operating supplies	50,600	60,514
Gas and oil	4,859	9,574
Insurance	7,240	9,994
Contractual services	1,718	2,046
Advertising	3,065	2,113
Dues and subscriptions	1,704	638
Travel and training	169	494
Tournament expenses	1,280	1,323
Bad debts	13,186	18,169
License and taxes	5,151	6,794
Miscellaneous expense	16,981	9,877
Leased equipment	2,040	2,040
Depreciation	124,050	123,911
Total operating expenses	708,913	657,463
Operating loss	(214,478)	(270,782)
Non-operating revenues (expenses)		
Miscellaneous revenue	1,973	4,134
Investment earnings	127	
Interest expense	(286)	(1,623)
Total non-operating revenues (expenses)	1,814	2,511
Loss before interfund transfers	(212,664)	(268,271)
Interfund transfers - from General Fund		1,353,065
Change in net position	(212,664)	1,084,794
Net position beginning of year	3,155,276	2,070,482
Net position end of year	$ 2,942,612	$ 3,155,276

CITY OF RINCON GEORGIA
SCHEDULE OF HOTEL/MOTEL TAX
For the Year Ended December 31, 2017

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, 2017, were as follows.

	Amount	Amount as a percentage of revenue
Hotel/Motel tax cash receipts	$ 6,463	
Expenditures for:		
Community promotion - Freedom Rings Celebration	$ 6,463	100.00%

City of Rincon, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2017

	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percent Complete
2011 Effingham County SPLOST						
Public buildings	$ 38,867	$ 38,867		$ 4,410	$ 4,410	11.35%
Public safety	155,467	67,449	$ 331,832		331,832	491.97%
Roads, streets, and bridges	777,333	490,881	441,925		441,925	90.03%
Drainage	15,547	15,547				0.00%
Recreation	1,554,667	1,554,667	502,068	2,491	504,559	32.45%
Water and sewerage	3,754,520	3,754,520	612,446	118,266	730,712	19.46%
Total	$ 6,296,401	$ 5,921,931	$ 1,888,271	$ 125,167	$ 2,013,438	

CITY OF RINCON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development/			
Georgia Department of Community Affairs			
Community Development Block Grant	14.218	15q-x-051-2-5801	34,750
Environmental Protection Agency/			
Georgia Environmental Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CW16001	1,160,979
Georgia Environmental Finance Authority			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW2016019	832,126
Total Environmental Protection Agency			1,993,105
Federal Emergency Management Agency/			
Georgia Emergency Management Agency		FEMA-DR-4284-	
Disaster Grants - Public Assistance	97.036	DR-GA	103,617
Total expenditure of federal awards			$ 2,131,472

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

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

Note 2 - Indirect Cost Rate

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

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

To the Mayor and City Council
City of Rincon, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rincon, Georgia, as of and for the year ended December 31, 2017, 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 August 3, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify the a deficiency in internal control, described in the accompanying schedule of findings and questioned costs at 2017-01, that we consider to be a material weakness.

Compliance and Other Matters

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

City of Rincon, Georgia's Response to Findings

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

Purpose of this Report

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

Cairns Hodges & Company, P.C.

August 3, 2018

CAINES HODGES
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Mayor and City Council
City of Rincon, Georgia

Report on compliance for Each Major Federal Program
We have audited the City of Rincon, Georgia's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

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

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

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

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

Cairns Hodges & Company, P.C.

August 3, 2018

City of Rincon, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Section 1 - Summary of Auditor's Reports

Financial Statements

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

Federal Awards

Internal control over major programs:			
Material weakness(as) identified?	____ yes	X no	
Significant deficiencies identified not considered to be material	____ yes	X no	none reported
Type of auditors' report on compliance for major programs			Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	____ yes	X no	

Identification of major programs:

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

Dollar threshold to distinguish between Type A and Type B programs			$ 750,000
Auditee qualified as low-risk auditee?	____ yes	X no	

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Section II - Financial Statement Findings

2017-01 Accruals not properly recorded (REPEAT FINDING) (PY2016-01)

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

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

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

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

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

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

Section III - Federal Award Findings and Questioned Costs

None

CITY OF RINCON, GEORGIA
Corrective Action Plan
August 3, 2018

City of Rincon, Georgia, respectfully submits the following corrective action plan for the year ended December 31, 2017.

The findings from the December 31, 2017, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings - Financial Statements - Internal Control

2017-01

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

Action taken: The City concurs with this recommendation. This internal control finding resulted from the resignation without notice of the City's finance director after year end and the contracting of an independent contractor to close out the year under audit. The independent contractor was not fully aware of some of the details surrounding certain accruals which resulted in these amounts being misstated. The City will ensure that procedures are in place and communicated to the new finance director that will ensure all material accruals are properly recorded.