

City of Richmond Hill, Georgia

Financial Statements  
And  
Independent Auditors' Report

For the year ended December 31, 2015

CITY OF RICHMOND HILL, GEORGIA

TABLE OF CONTENTS

December 31, 2015

	<u>PAGE</u>
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	A - 1
Management's Discussion and Analysis.....	B - 1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	C - 1
Statement of Activities.....	C - 2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	C - 3
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	C - 4
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	C - 5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	C - 6
Proprietary Funds:	
Statement of Net Position - Water and Sewer Enterprise Fund.....	C - 7
Statement of Revenues, Expenses and Changes in Fund Net Position - Water and Sewer Enterprise Fund....	C - 8
Statement of Cash Flows - Water and Sewer Enterprise Fund.....	C - 9
Notes to the Basic Financial Statements.....	C - 10
Required Supplementary Information Other Than MD&A	
Budgetary Comparison Schedule - General Fund.....	D - 1
Notes to Required Supplementary Information.....	D - 2
Schedule of Changes in the City's Net Pension Liability and Related Ratios.....	D - 3
Schedule of Employer Contributions.....	D - 4
Combining Fund Financial Statements and Schedules and Other Supplementary Information:	
Non-major Governmental Funds:	
Combining Balance Sheet.....	E - 1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	E - 2
Budgetary Comparison Schedules - Non-major Governmental Funds:	
Confiscated Assets.....	E - 3
Hotel/Motel Tax.....	E - 4
City Center.....	E - 5
Discretely Presented Component Unit - Convention and Visitors' Bureau Authority	
Balance Sheet.....	E - 6
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	E - 7
Budgetary Comparison Schedule.....	E - 8
State Mandated Information:	
Schedule of Projects Constructed with Special One Percent Sales Tax Proceeds.....	F - 1
Schedule of Required Expenditures Generated by the Hotel / Motel Tax.....	F - 2
Supplemental Reports:	
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.....	F - 3
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.....	F - 5
Schedule of Expenditures of Federal Awards.....	F - 7
Schedule of Findings and Questioned Costs.....	F - 8

INDEPENDENT AUDITORS' REPORT  
MANAGEMENT'S DISCUSSION AND ANALYSIS



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
City of Richmond Hill, Georgia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond Hill, Georgia (City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City'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.

### **Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2015, 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.

### **Emphasis of Matter**

As described in Note 3, the City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB*

Statement No. 68, as of July 1, 2014. The standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and required supplementary information other than the MD&A as listed in the table of contents information on pages B-1 through B-8 and D-1 through D-4 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements and schedules and other supplementary information listed in the table of contents including the Schedule of Projects Constructed with Special One Percent 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining fund financial statements and schedules and other supplementary information listed in the table of contents including the Schedule of Projects Constructed with Special One Percent Sales Tax Proceeds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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 account and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules and other supplementary information listed in the table of contents including the Schedule of Projects Constructed with Special One Percent 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 May 4, 2016, on our consideration of the City's internal control over financial reporting and 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 the 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 the City's internal control over financial reporting and compliance.

**KRT, CPA&P.C.**

Savannah, Georgia  
May 4, 2016

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

Our discussion and analysis of the financial performance of the City of Richmond Hill provides an overview of the City's financial activities for the calendar year ended December 31, 2015. The intent of this management discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of the City's financial performance.

The reporting model is a combination of both government-wide financial statements and fund financial statements. The Convention and Visitor's Bureau is reported as a separate component unit in the financial statements. The basic financial statements contain three components:

- 1) Government-wide financial statements including the Statement of Net Position and the Statement of Activities which provide a broad, long-term overview of the City's finances;
- 2) Fund financial statements that provide a greater level of detail of revenues and expenditures and focus on how well the City has performed in the short term in the most significant funds; and
- 3) Notes to the Financial Statements.

This report presents the financial highlights for last year and contains other supplementary information.

## FINANCIAL HIGHLIGHTS

- The City implemented Governmental Accounting Standards Board (GASB) Statement Number 68 during calendar year 2015. This statement required the City to record the net pension liability of the City on its financial statements. This resulted in a restatement of net position as reported in Note 2 K on page C-29.
- The City's assets exceeded its liabilities at December 31, 2015 by \$50,258,065 (net position). Of this amount, \$7,799,253 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of \$1,858,904 from 2014. The CVB component unit has a balance of \$156,898 in net position, which is restricted for tourism-related expenses.
- The City's total net position increased \$2,879,636 from the previous year with a \$858,904 decrease resulting from governmental activities, and a \$2,020,732 increase from business-type activities.
- Key factors resulting in the increase in net position include:
  - a) The total net position of governmental activities decreased due to the implementation of GASBS 68. The City reduced the beginning net position of the governmental activities by \$1,057,653. The current year activities resulted in an increase in net position of \$858,904.
  - b) The total net position of business-type activities increased primarily due to rate increases during 2015. This resulted in an increase in charges for services of approximately \$1 million.
- At December 31, 2015, the City's governmental funds balance sheet reports combined ending fund balances of \$5,087,898, a decrease of \$599,446 over the previous calendar year. This was primarily the result of using general fund reserves to purchase land in the amount of \$1,096,858.
- The SPLOST capital projects fund had a fund balance of \$1,164,226, an increase of \$472,126 from a year ago, primarily due to SPLOST collections exceeding expenditures and other financing sources related to capital leases. The Non-Major Governmental Funds ended the year with a fund balance of \$208,040. These funds include the Confiscated Assets Fund, the City Center Fund and the Hotel Motel Fund. These fund balances are reported as restricted due to the nature of the special revenue funds and the restriction on expenditure purposes.

- The General Fund reported an unassigned fund balance of \$3,715,632, a decrease over 2014 of \$1,103,988. This decrease occurred due to purchase of land as discussed above. The City did have a slight decrease in revenues of approximately 1.5%. The City's General Fund enjoys a solid financial position, and is well positioned to improve overall in 2016 and beyond with no general fund debt. Additionally, the City Center has operated with revenues from other sources, eliminating the need for support from the General Fund. The City has a diversified revenue base and is demonstrating a robust recovery in real estate activity.
- Total long-term liabilities of the City were \$33,394,731 at year-end, an increase of \$15,676,618 from the previous calendar year. The Water/Sewer Enterprise Fund accounted for almost all of the net long-term liability increase with an increase of \$15,301,585 due to the construction of the new wastewater treatment plant.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole, presenting both an aggregate and long-term view of the finances. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position and liabilities may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in future calendar periods (e.g., uncollected taxes and earned but unused compensated absences).

Both statements attempt to distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities reported in the statements include General Government, Judiciary, Public Safety, Public Works, Culture and Recreation, Housing and Development, and interest on Long-Term Debt. Business-type activities in the City include water and sewer services, made up entirely of the Water and Sewer Enterprise Fund.

The government-wide financial statements can be found on pages C-1 and C-2 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds-** Governmental funds, presented on pages C-3 to C-6, essentially account for the same functions as those reported under the Government-wide Statement of Net Position and Statement of Activities.

However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the calendar year, and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating the City's near-term financing requirements and available resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages C-4 and C-6, respectively.

The City's fund financial statements provide detailed information about the most significant funds – not the City as a whole. The majority of the City's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting approach, which measures cash and all other financial assets that can be readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's operations and the services it provides.

**Proprietary funds** - the City maintains and presents one type of proprietary fund, an enterprise fund found on pages C-7 to C-9 of this report.

Enterprise funds report, in greater detail, the same information presented as business-type activities in the government-wide financial statements. The Water and Sewer Enterprise Fund is the City's only proprietary fund.

**Notes to the Financial Statements** - The notes provide additional information that are essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes are presented on pages C-10 to C-36 of the report.

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process and pension schedules. The City adopts an annual budget for its general and special revenue funds. A budgetary comparison schedule has been provided for the General Fund as required supplementary information. This required supplementary information begins on page D-1 of this report. Individual schedules, which present a more detailed view of non-major funds used in governmental funds, begin on page E-1. This section also includes budget to actual schedules for non-major special revenue funds.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The government-wide financial statements presented are for the calendar year ended December 31, 2015. The "total" approach to governmental accounting was mandated by the Government Accounting Standards Board (GASB). Governmental accounting falls under their auspices to insure the uniform presentation of governmental financial statements that are accurate and complete in their presentation. Statements will continue, as has been the case, to include current and prior calendar year data and provide greater opportunities for comparative analysis.

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position (government and business-type activities) totaled \$50.3 million at December 31, 2015.

The following table presents a summary of the City's net position at December 31, 2015:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 5,543,256	\$ 6,232,013	\$ 8,557,190	\$ 9,879,992	\$ 14,100,446	\$ 16,112,005
Capital assets, net	24,241,556	23,193,766	46,930,828	29,952,205	71,172,384	53,145,971
Total assets	<u>29,784,812</u>	<u>29,425,779</u>	<u>55,488,018</u>	<u>39,832,197</u>	<u>85,272,830</u>	<u>69,257,976</u>
Deferred outflow s of resources - pensions	<u>370,772</u>	<u>-</u>	<u>16,283</u>	<u>-</u>	<u>387,055</u>	<u>-</u>
Current liabilities	379,636	530,807	891,813	2,526,525	1,271,449	3,057,332
Noncurrent liabilities	<u>5,067,203</u>	<u>4,692,170</u>	<u>28,327,528</u>	<u>13,025,943</u>	<u>33,394,731</u>	<u>17,718,113</u>
Total liabilities	<u>5,446,839</u>	<u>5,222,977</u>	<u>29,219,341</u>	<u>15,552,468</u>	<u>34,666,180</u>	<u>20,775,445</u>
Deferred inflow s of resouces - pensions	<u>704,692</u>	<u>-</u>	<u>30,948</u>	<u>-</u>	<u>735,640</u>	<u>-</u>
Net position:						
Net investment in capital assets	19,883,971	18,682,124	18,638,358	15,403,972	38,522,329	34,086,096
Restricted for:						
Capital projects	1,164,226	692,100	2,564,220	1,835,999	3,728,446	2,528,099
Other purposes	208,040	175,624	-	-	208,040	175,624
Unrestricted	<u>2,747,816</u>	<u>4,652,954</u>	<u>5,051,434</u>	<u>7,039,758</u>	<u>7,799,250</u>	<u>11,692,712</u>
Total net position	<u>\$ 24,004,053</u>	<u>\$ 24,202,802</u>	<u>\$ 26,254,012</u>	<u>\$ 24,279,729</u>	<u>\$ 50,258,065</u>	<u>\$ 48,482,531</u>

The largest portion of the City's net position (77%) reflect its investment in capital assets such as land, buildings, and equipment, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8.0%) represents resources that are subject to external restrictions on how they may be used. The remaining 15% balance (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current calendar year, the City is able to report positive balances in all three categories of net position for the government as a whole, including the separate governmental and business-type activities.

## Changes in Net Position

The following table presents a summary of the changes in net position for the calendar year ended December 31, 2015:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,994,834	\$ 1,983,379	\$ 4,644,946	\$ 3,758,182	\$ 6,639,780	\$ 5,741,561
Operating grants and contributions	84,845	87,555	-	-	84,845	87,555
Capital grants and contributions	1,846,499	3,623,583	1,824,762	4,452,598	3,671,261	8,076,181
General revenues:						
Property taxes	1,980,588	2,002,893	-	-	1,980,588	2,002,893
Sales taxes	2,291,654	2,351,505	-	-	2,291,654	2,351,505
Other taxes	2,639,165	2,444,751	-	-	2,639,165	2,444,751
Unrestricted investment earnings	14,832	12,487	47,938	46,824	62,770	59,311
Miscellaneous	18,596	6,872	28,718	-	47,314	6,872
Transfers	-	40,000	-	(40,000)	-	-
<b>Total revenues</b>	<b>10,871,013</b>	<b>12,553,025</b>	<b>6,546,364</b>	<b>8,217,604</b>	<b>17,417,377</b>	<b>20,770,629</b>
<b>Expenses:</b>						
General government	1,312,884	1,269,485	-	-	1,312,884	1,269,485
Judiciary	36,081	37,234	-	-	36,081	37,234
Public safety	4,031,043	3,709,092	-	-	4,031,043	3,709,092
Public works	2,749,239	2,941,503	-	-	2,749,239	2,941,503
Culture and recreation	576,483	546,343	-	-	576,483	546,343
Housing and development	1,148,558	1,137,770	-	-	1,148,558	1,137,770
Interest on long-term debt	157,821	157,035	-	-	157,821	157,035
Water and sewer	-	-	4,525,632	4,004,582	4,525,632	4,004,582
<b>Total expenses</b>	<b>10,012,109</b>	<b>9,798,462</b>	<b>4,525,632</b>	<b>4,004,582</b>	<b>14,537,741</b>	<b>13,803,044</b>
<b>Change in net position</b>	<b>858,904</b>	<b>2,754,563</b>	<b>2,020,732</b>	<b>4,213,022</b>	<b>2,879,636</b>	<b>6,967,585</b>
<b>Net position-beginning, restated *</b>	<b>23,145,149</b>	<b>21,448,239</b>	<b>24,233,280</b>	<b>20,066,707</b>	<b>47,378,429</b>	<b>41,514,946</b>
<b>Net position-ending</b>	<b>\$ 24,004,053</b>	<b>\$ 24,202,802</b>	<b>\$ 26,254,012</b>	<b>\$ 24,279,729</b>	<b>\$ 50,258,065</b>	<b>\$ 48,482,531</b>

\* Note: Beginning net position was restated for the year ended December 31, 2014 related to net pension liability and deferred outflows of resources as related to pensions based on implementation of GASB Statement 68, "Accounting and Financial Reporting for Pensions"; however, net position was not restated for the year ended December 31, 2014 due to the unavailability related to prior year's pension activity.

Approximately 18% of the City's governmental activities revenue came from property taxes, while 18% of governmental activity revenue was generated from charges for various goods and services. Property tax revenue decreased by \$22,305 over 2014 levels. Sales taxes provided 21% of governmental activity revenues, a decrease of \$59,851 over 2014, generating a total figure of \$2.29 million.

The City is blessed to have a strong and diversified revenue base which helps create consistency during a changing revenue environment. The City's expenses cover a broad range of services. The largest expenses were for public safety, public works, and water and sewer services.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds:**

Governmental funds provide information on near-term inflows, outflows, and balances of available resources. The governmental fund types include the general fund, special revenues, and capital projects. The General and SPLOST funds are the City's major funds. As of December 31, 2015, the City's governmental funds reported combined fund balances of \$5,087,898 a decrease of \$599,446 over the prior year's balance. This was primarily the result of use of general fund reserves to purchase land as previously discussed. The restricted fund balance totals \$1,372,266 and represents funds set aside primarily for capital projects.

### **General Fund:**

The general fund is the chief operating fund of the City. At December 31, 2015, the total fund balance in the general fund was \$3,715,632, a decrease of \$1,103,988 from 2014. The General Fund balance is strong, with funds available to support over five months of operating expenses.

### **Proprietary Funds:**

Proprietary fund statements provide the same information as the business activities column of the government-wide statements, only in greater detail. The City currently utilizes only one enterprise fund in the proprietary fund financial statements, the water and sewer enterprise fund. An enterprise fund is required to be used to account for the operations for which a fee is charged to external users for goods or services.

At December 31, 2015, total net position amounted to \$26,254,012 for the enterprise fund as compared to \$24,279,729 at December 31, 2014. The change in net position (an increase of \$2,020,732) resulted primarily from the increased water/sewer rates and connection fees. The fund had an operating income from operations for the first time in many years. Management has raised water/sewer base rates and volume charges to cover the increased debt service levels associated with the replacement of our wastewater treatment plant which is expected to be fully operational in 2016.

The City incurred much higher operating costs within the water and sewer fund in 2015 for several reasons. The water/sewer operation contract and utility costs increased \$176,234 or 7.13%. Engineering and other professional services increased by approximately \$82,000, and repairs and maintenance grew by approximately \$94,000. Also, interest on loans had a 33% increase in the amount of \$101,213.

The enterprise fund is reflected on pages C-7 to C-9.

## **CAPITAL ASSETS**

The Statement of Net Position presents capital assets in two groups: those assets subject to depreciation, such as equipment or operational facilities and those assets not subject to depreciation such as land and construction-in-progress. At December 31, 2015, the City's capital assets for both governmental activities and business-type activities totaled \$71,172,384. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment. Capital assets increased \$18,026,413 or 34% between calendar year 2015 and 2014. This was primarily related to the wastewater treatment plant construction and expansion, donated capital infrastructure and other capital projects.

Additional information on the City's capital assets can be found in Note 2, Section C. on page C-22.

## **DEBT ADMINISTRATION**

The long-term liabilities at December 31, 2015 totaled \$33,394,731. Of this amount, \$28,327,528 relates to the business-type activities and \$5,067,203 relates to the government-type activities.

Long-term debt of the business type activities increased by \$15,275,323 from December 31, 2014 levels. The increase resulted from additional construction loan advances which exceeded principal balance reductions on GEFA loans. Governmental activity related debt decreased by \$176,814 from 2014. Additional information on the City's debt can be found in Note 2, Section G. on pages C-24 to C-28.

## **BUDGETARY HIGHLIGHTS**

The budgetary comparison schedule of the General Fund is provided as required supplementary information and can be found on pages D-1 and D-2. Additional budgetary comparison schedules of the special revenue funds can be found within other supplementary information found on pages E-3 to E-5. Budget columns are provided for both the original budget adopted for calendar year 2014 as well as the final budget. A column for actual resources (revenues), appropriations (expenditures), and a column for any variance between final budget and actual are also provided.

### **General Fund**

The overall operations of the City are similar to directing a large multi-million dollar business. The total revenues recorded for this calendar year were \$8,550,351 which was \$455,351 higher than the original budgeted revenues. Taxes accounted for \$232,858 over budgeted estimates primarily from the TAVT (title tax) and sales taxes.

Expenditures and debt service recorded for the calendar year totaled \$9,654,339, which was \$1,559,339 higher than the original budget. The large variance is primarily due to the purchase of land as previously discussed.

## **ECONOMIC FACTORS, NEXT YEAR'S BUDGET'S AND RATES**

The City continues to adopt conservative budgets in 2016 to address the challenges in a changing revenue environment. A modest growth is expected in 2016 general fund revenues with the rebound in real estate development. Rising health care costs could negatively impact operating expenses in the future as well as increased professional services expenditures. The overall revenue picture is enhanced by Richmond Hill's diversified revenue base as mentioned earlier. The City of Richmond Hill continues to expand infrastructure to encourage residential and commercial economic development. In addition, the industrial development established at the Belfast Commerce Centre in 2016 will provide a significant economic boost to the Richmond Hill area.

Management believes the potential challenges to the fiscal health of Richmond Hill can be met by controlling spending on a City-wide basis. In addition, revenue will be raised in the Water/Sewer Enterprise Fund by increased base and usage charges to support the new wastewater treatment plant, expected to be operational by 2016. A comprehensive financial plan has been approved to adequately address the future debt service requirements in the Enterprise Fund, which includes a small operating profit in the very near future.

Richmond Hill has maintained the same millage rate for the past several years by carefully monitoring spending and having a diversified revenue base. Expenditures will continue to be monitored closely as the City grows. In summary, the strong financial reserves built by the City in past years, along with prudent financial management, will help us to absorb the expected changes in the economic environment.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview for the governmental operations of the City of Richmond Hill. It is designed for anyone with an interest in our government's finances and management. Questions concerning any of the information provided in this report or requests for additional financial may be addressed to the City of Richmond Hill, Finance Director, P.O. Box 250, Richmond Hill, Georgia, 31324.

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Convention and Visitors' Bureau - Component Unit</b>
<b>Assets</b>				
Cash and investments	\$ 4,154,037	\$ 4,651,033	\$ 8,805,070	\$ 135,907
Receivables	1,322,389	575,039	1,897,428	29,969
Prepaid	-	-	-	10,446
<b>Restricted assets</b>				
Cash and investments	66,830	2,855,371	2,922,201	-
Long-term note receivables	-	475,747	475,747	-
<b>Capital assets</b>				
Land, improvements, and construction in progress	4,718,846	26,611,146	31,329,992	-
Other capital assets, net of depreciation	19,522,710	20,319,682	39,842,392	-
<b>Total assets</b>	<b>29,784,812</b>	<b>55,488,018</b>	<b>85,272,830</b>	<b>176,322</b>
<b>Deferred outflows of resources</b>				
Related to pensions	370,772	16,283	387,055	5,192
<b>Total assets and deferred outflows of resources</b>	<b>\$ 30,155,584</b>	<b>\$ 55,504,301</b>	<b>\$ 85,659,885</b>	<b>\$ 181,514</b>
<b>Liabilities</b>				
Accounts payable	367,595	853,173	1,220,768	5,553
Accrued liabilities	12,041	38,640	50,681	-
<b>Long-term liabilities</b>				
Due within one year	669,243	1,123,278	1,792,521	1,650
Due in more than one year	3,859,164	27,180,588	31,039,752	-
Net pension liability	538,796	23,662	562,458	7,545
<b>Total liabilities</b>	<b>5,446,839</b>	<b>29,219,341</b>	<b>34,666,180</b>	<b>14,748</b>
<b>Deferred inflows of resources</b>				
Related to pensions	704,692	30,948	735,640	9,868
<b>Net position</b>				
Net investment in capital assets	19,883,968	18,638,358	38,522,326	-
<b>Restricted for:</b>				
Capital projects	1,164,226	2,564,220	3,728,446	-
Other purposes	208,040	-	208,040	156,898
Unrestricted	2,747,819	5,051,434	7,799,253	-
<b>Total net position</b>	<b>24,004,053</b>	<b>26,254,012</b>	<b>50,258,065</b>	<b>156,898</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 30,155,584</b>	<b>\$ 55,504,301</b>	<b>\$ 85,659,885</b>	<b>\$ 181,514</b>

CITY OF RICHMOND HILL, GEORGIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Discretely Presented Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental Activities								
General Government	\$ 1,312,884	\$ 300	\$ -	\$ -	\$ (1,312,584)		\$ (1,312,584)	
Judiciary	36,081	-	-	-	(36,081)		(36,081)	
Public Safety	4,031,043	778,407	-	33,331	(3,219,305)		(3,219,305)	
Public Works	2,749,239	824,295	-	1,813,168	(111,776)		(111,776)	
Culture and Recreation	576,483	56,720	84,845	-	(434,918)		(434,918)	
Housing and Development	1,148,558	335,112	-	-	(813,446)		(813,446)	
Interest on Long-term debt	157,821	-	-	-	(157,821)		(157,821)	
Total governmental activities	<u>10,012,109</u>	<u>1,994,834</u>	<u>84,845</u>	<u>1,846,499</u>	<u>(6,085,931)</u>		<u>(6,085,931)</u>	
Business-type activities:								
Water & Sewer	4,525,632	4,644,946	-	1,824,762	-	\$ 1,944,076	1,944,076	
Total business-type activities	<u>4,525,632</u>	<u>4,644,946</u>	<u>-</u>	<u>1,824,762</u>	<u>-</u>	<u>1,944,076</u>	<u>1,944,076</u>	
Total	<u>\$ 14,537,741</u>	<u>\$ 6,639,780</u>	<u>\$ 84,845</u>	<u>\$ 3,671,261</u>	<u>(6,085,931)</u>	<u>1,944,076</u>	<u>(4,141,855)</u>	
<b>Component Unit</b>								
Richmond Hill Convention and Visitors' Bureau								
	<u>\$ 140,945</u>	<u>\$ -</u>	<u>\$ 203,431</u>	<u>\$ -</u>				<u>\$ 62,486</u>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					1,980,588	-	1,980,588	
Sales taxes for general purposes					2,291,654	-	2,291,654	
Selective taxes					988,314	-	988,314	
Other taxes					1,650,851	-	1,650,851	
Unrestricted investment earnings					14,832	47,938	62,770	326
Miscellaneous					18,596	28,718	47,314	3,300
Total general revenues					<u>6,944,835</u>	<u>76,656</u>	<u>7,021,491</u>	<u>3,626</u>
Change in Net Position					858,904	2,020,732	2,879,636	66,112
Net position - beginning					23,145,149	24,233,280	47,378,429	90,786
Net position - ending					<u>\$ 24,004,053</u>	<u>\$ 26,254,012</u>	<u>\$ 50,258,065</u>	<u>\$ 156,898</u>

The notes to the basic financial statements are an integral part of this statement.

## FUND FINANCIAL STATEMENTS

CITY OF RICHMOND HILL, GEORGIA

BALANCE SHEET  
GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,851,001	\$ 1,082,032	\$ 221,004	\$ 4,154,037
Receivables	1,125,893	136,569	59,927	1,322,389
Due from other funds	25,678	-	26,505	52,183
Restricted cash	66,830	-	-	66,830
Total assets	<u>\$ 4,069,402</u>	<u>\$ 1,218,601</u>	<u>\$ 307,436</u>	<u>\$ 5,595,439</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 266,007	\$ 54,375	\$ 47,213	\$ 367,595
Due to other funds	-	-	52,183	52,183
Total liabilities	<u>266,007</u>	<u>54,375</u>	<u>99,396</u>	<u>419,778</u>
Deferred Inflows of Resources:				
Unavailable property taxes	<u>87,763</u>	<u>-</u>	<u>-</u>	<u>87,763</u>
Fund balances:				
Restricted	-	1,164,226	208,040	1,372,266
Unassigned	3,715,632	-	-	3,715,632
Total fund balances	<u>3,715,632</u>	<u>1,164,226</u>	<u>208,040</u>	<u>5,087,898</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,069,402</u>	<u>\$ 1,218,601</u>	<u>\$ 307,436</u>	<u>\$ 5,595,439</u>

CITY OF RICHMOND HILL, GEORGIA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

DECEMBER 31, 2015

Total fund balance, governmental funds	\$ 5,087,898
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	24,241,556
Deferrred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund financial statements.	(333,920)
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	87,763
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements	(538,796)
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Compensated Absences, and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(4,528,407)
Accrued interest not reflected on Governmental funds	(12,041)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 24,004,053</u>

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 6,138,358	\$ -	\$ 712,044	\$ 6,850,402
Licenses and permits	335,112	-	-	335,112
Intergovernmental	84,219	1,842,799	-	1,927,018
Charges for services	890,219	-	-	890,219
Fines and forfeitures	764,612	-	4,891	769,503
Investment	14,303	3,233	522	18,058
Miscellaneous	18,418	1,100	-	19,518
Total revenues	<u>8,245,241</u>	<u>1,847,132</u>	<u>717,457</u>	<u>10,809,830</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,409,485	-	-	2,409,485
Judicial	36,081	-	-	36,081
Public Safety	3,770,969	-	2,310	3,773,279
Public Works	2,308,231	-	-	2,308,231
Culture and recreation	508,597	-	-	508,597
Housing and Development	611,470	-	377,621	989,091
Capital outlay	-	1,049,254	-	1,049,254
Debt Service:				
Principal	8,889	555,892	-	564,781
Interest and other charges	617	157,827	-	158,444
Total expenditures	<u>9,654,339</u>	<u>1,762,973</u>	<u>379,931</u>	<u>11,797,243</u>
Excess (deficiency) of revenues over expenditures	<u>(1,409,098)</u>	<u>84,159</u>	<u>337,526</u>	<u>(987,413)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	305,110	-	203,503	508,613
Transfers out	-	-	(508,613)	(508,613)
Capital lease	-	387,967	-	387,967
Total other financing sources and uses	<u>305,110</u>	<u>387,967</u>	<u>(305,110)</u>	<u>387,967</u>
Net change in fund balances	(1,103,988)	472,126	32,416	(599,446)
Fund balances - beginning	<u>4,819,620</u>	<u>692,100</u>	<u>175,624</u>	<u>5,687,344</u>
Fund balances - ending	<u>\$ 3,715,632</u>	<u>\$ 1,164,226</u>	<u>\$ 208,040</u>	<u>\$ 5,087,898</u>

CITY OF RICHMOND HILL, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds: \$ (599,446)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. Also, assets contributed to the City are reflected in the additions.

This is the amount by which capital outlays \$2,152,682 and assets donated \$0 exceeded depreciation \$1,104,892 in the current period. 1,047,790

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 61,183

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 176,814

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

- Accrued interest not reflected on Governmental funds 677
- Compensated absences (13,051)

In the statement of activities, pension expense represents the change in net pension liability from the beginning of the year to the end of the year. In the governmental funds, however, pension expense is measured by the amount of financial resources used (amount actually paid). This is the amount by which pension contributions paid in the current period exceeded the change in net pension liability 184,937

Change in Net Position of governmental activities \$ 858,904

CITY OF RICHMOND HILL, GEORGIA  
STATEMENT OF NET POSITION  
WATER AND SEWER ENTERPRISE FUND  
DECEMBER 31, 2015

Assets	
Current assets:	
Cash and investments	\$ 4,651,033
Receivables	575,039
Restricted cash and investments	2,855,371
Total current assets	8,081,443
Non-current assets:	
Long-term receivable	475,747
Capital Assets:	
Land, improvements, and construction in progress	26,611,146
Other capital assets, net of depreciation	20,319,682
Total non-current assets	47,406,575
Total assets	55,488,018
Deferred inflows of resources	
Related to pensions	16,283
Total assets and deferred outflows of resources	\$ 55,504,301
Liabilities	
Current Liabilities:	
Accounts payable	\$ 562,022
Accrued liabilities	38,640
Current portion of long-term debt	6,040
Payable from restricted assets:	
Customers' deposits	291,151
Current portion of long-term debt	1,117,238
Total current liabilities	2,015,091
Non-current liabilities:	
Bonds, notes and loans payable	27,180,588
Net pension liability	23,662
Total non-current liabilities	27,204,250
Total liabilities	29,219,341
Deferred inflows of resources	
Related to pensions	30,948
Net position	
Net investment in capital assets	18,638,358
Restricted for capital projects	2,564,220
Unrestricted	5,051,434
Total net position	26,254,012
Total liabilities, deferred inflows of resources and net position	\$ 55,504,301

The notes to the basic financial statements are an integral part of this statement.

CITY OF RICHMOND HILL, GEORGIA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
WATER AND SEWER ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015

<b>Operating Revenues</b>	
Charges for services	\$ 4,644,946
Other	28,718
	<hr/>
Total operating revenues	4,673,664
	<hr/>
<b>Operating Expenses</b>	
Cost of sales and services	3,476,731
Depreciation	744,302
	<hr/>
Total Operating Expenses	4,221,033
	<hr/>
Operating income (loss)	452,631
	<hr/>
<b>Nonoperating revenues (expenses)</b>	
Investment income	47,938
Interest expense	(304,599)
	<hr/>
Total non-operating revenue (expenses)	(256,661)
	<hr/>
Income (loss) before contributions	195,970
Capital contributions	1,824,762
	<hr/>
Change in net position	2,020,732
Total net position - beginning	24,233,280
	<hr/>
Total net position - ending	\$ 26,254,012
	<hr/> <hr/>

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF CASH FLOWS  
WATER AND SEWER ENTERPRISE FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities
Cash flows from operating activities:	
Cash received from customers	\$ 4,635,851
Cash payments to suppliers for goods and services	(3,123,137)
Cash payments to employees for services	(287,319)
Net cash provided (used) by operating activities	<u>1,225,395</u>
Cash flows from capital and related financing activities:	
Capital contributions	1,824,762
Proceeds from debt	17,298,557
Acquisitions and construction of capital assets	(19,432,115)
Principal payments on debt	(742,016)
Interest payments on debt	(286,610)
Net cash (used) by capital and related financing activities	<u>(1,337,422)</u>
Cash flows from investing activities:	
Interest earned on cash and investments	47,938
Net cash provided (used) by investing activities	<u>47,938</u>
Net increase (decrease) in cash and cash equivalents	<u>(64,089)</u>
Cash and cash equivalents, beginning of year	7,570,493
Cash and cash equivalents, end of year	<u>\$ 7,506,404</u>
Operating income (loss)	<u>\$ 452,631</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	744,302
Change in assets and liabilities:	
Decrease (increase) in other/accounts receivables	(22,504)
(Increase) decrease in deferred outflows	(6,856)
(Decrease) Increase in accounts payable and accrued liabilities	74,397
(Decrease) increase in customer deposits	(15,309)
Increase (decrease) in net pension liability	(32,214)
Increase (decrease) in deferred inflows	30,948
Total adjustments	<u>772,764</u>
Net cash provided (used) by operating activities	<u>\$ 1,225,395</u>
Noncash Investing, Capital and Financing Activities:	

## NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities, and Equity
- E. Revenues, Expenditures, and Expenses

**NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

- A. Cash and Investments
- B. Accounts Receivable
- C. Capital Assets
- D. Interfund Transactions and Balances
- E. Long-term receivables
- F. Leases
- G. Long-term Liabilities
- H. Segments of Enterprise Activities
- I. Fund Balances/Restricted Net Position

**NOTE 3. OTHER INFORMATION**

- A. Employee Pension Plan
- B. Pensions with a Special Funding Situation
- C. Risk Management
- D. Commitments and Contingencies
- E. Related Party Transaction

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principals. The City exclusively follows the standards set forth by the GASB. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**A. Financial Reporting Entity**

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. The City's reporting entity consists of the City and the Convention and Visitor's Bureau.

***Blended Component Units***

Blended component units are separate legal entities that meet the component unit criteria described above. Currently, the City has no blended component units.

***Discretely Presented Component Units***

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The Convention and Visitor's Bureau (Bureau) is a discretely presented component unit of the City. The Bureau is controlled and managed by a board of seven members appointed by the Mayor and Aldermen of the City. The Bureau's primary function is the promotion of tourism in the City. The City also is required to approve the Bureau's operating budget. A separate report has not been issued for the Bureau.

***Membership in Coastal Regional Commission***

Under Georgia law, the City is a member of the Coastal Regional Commission (CRC) and is required to pay annual dues thereto. During its year ended December 31, 2014, the City paid \$12,761 in such dues. Membership in a Regional Commission (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 CRC Board membership of 37 is as follows: Bryan - 3, Bulloch - 5, Camden - 4, Chatham - 5, Effingham - 4, Glynn - 5, Liberty - 5, Long - 3 and McIntosh - 3. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RC. Management believes that the CRC is currently accumulating sufficient financial resources to meet its financial obligations. Separate financial statements may be obtained from:

Coastal Regional Commission  
127 F Street  
Brunswick, Georgia 31520

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**B. Basis of Presentation**

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements distinguish between activities that are governmental in nature, which are normally supported by taxes and intergovernmental revenues; and business-type activities, which rely to a significant extent upon fees and charges for support. Interfund activities are generally eliminated to avoid the “doubling-up” effect on revenues and expenses.

The City’s net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The caption “Net Investment in Capital Assets” consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position is reported as restricted when constraints placed upon its use are either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from special revenue funds and the restrictions on their net asset use. When both restricted and non-restricted resources are available for use, it is the City’s policy to use restricted resources first, then non-restricted resources, as they are needed.

The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each governmental function. Program revenues include charges paid by recipients for goods or services as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function or business-type segment is self-supporting or relies upon general revenues of the City.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns in the fund financial statements. All other funds are aggregated and reported as non-major governmental or non-major proprietary funds.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). Fund accounting segregates funds according to the intended purpose and is used to aid management in demonstrating compliance with financial-related legal and contractual provisions.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

The following fund types and funds are used by the City:

**Governmental Funds**

**General Fund:** The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

**Capital Project Fund:** The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The SPLOST fund is a major fund, which accounts for the special purpose local option sales tax proceeds collected to fund approved capital expenditures.

**Proprietary Fund**

**Enterprise Fund:** Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The water and sewer enterprise fund is a major fund, which accounts for the operations of the City's utility.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within thirty days after year-end, except property taxes which are considered available 60 days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, sanitation fees, sales tax, franchise fees, grants from other governments, and interest on investments are susceptible to accrual. Revenues from fines, forfeits and penalties become measurable and available when cash is received by the City and are recognized as revenue at that time.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**D. Assets, Liabilities and Equity**

**1. Cash and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Receivables and Payables**

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are included in the Deferred Inflows of Resources section in the fund financial statements in accordance with the modified accrual basis of accounting. The Deferred Inflows of Resources include unavailable property taxes totaling \$87,763. Accounts receivable comprise the majority of proprietary fund receivables.

Trade receivables are shown net of an allowance for uncollectibles. The water and sewer enterprise fund allowance for uncollectibles is \$172,000 at December 31, 2015. The allowance for uncollectibles for sanitation, shown in the general fund, is \$36,000 and for property tax is \$74,106 at December 31, 2015.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

Property taxes are assessed as of January 1 and taxes were levied on August 21, 2015. Tax bills were rendered on September 15, 2015 and are considered past due 60 days after the tax billing date at which time the applicable property is subject to lien and interest is assessed. Penalties are assessed 90 days after the due date (the date interest is assessed).

**3. Inventories and Prepaid Items**

The City does not maintain any significant inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents and investments set aside for repayment of deposits to utility customers or construction of system assets with impact fees.

**5. Capital Assets**

General Capital Assets are capital assets, which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their fair value as of the date received. The City maintains a capitalization threshold of five thousand dollars (\$5,000). The City is only required to report major general infrastructure assets prospectively. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business - Type Activities Estimated Lives
Utility Plant and Equipment	-	20-50 years
Buildings and Improvements	20-50 years	20-50 years
Infrastructure and other structures	10-50 years	-
Machinery, Equipment & Vehicles	3-20 years	3-20 years

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**6. Compensated Absences**

The City's policy is to permit employees to accumulate vacation leave, based on years of service, from 0 to 15 days per year. Employees may accumulate vacation time up to 240 hours and will be paid if employment is terminated. Each permanent employee also will accrue up to 10 days of personal leave per year, and may accumulate up to 240 hours. Personal leave not used at termination will not be paid to the employee. Personal leave or vacation can be used for credits towards retirement, however this time will not be paid to the employee. Vacation pay is accrued when incurred in the proprietary funds and reported as a fund liability. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**7. Long-term Obligations**

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or business-type activities Statement of Net Position. Bond premiums and discounts amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Equity Classifications**

Equity is classified as net position and displayed in three components in the government-wide financial statements.

**a. Net investment in capital assets** consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**b. Restricted net position** consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**c. Unrestricted net position** consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

Fund balance is reported in the governmental funds financial statements and generally represents the difference between current assets and current liabilities. Fund balance classifications represent a hierarchy based primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**a. Nonspendable** – Fund balances are classified as nonspendable when amounts cannot be spent because they are either i) in nonspendable form or ii) they are legally or contractually required to be maintained intact. The City includes items that are not expected to be converted to cash such as inventories and prepaid amounts.

**b. Restricted** – Fund balances are reported as restricted when their use is restricted for specific purposes including i) constraints on funds externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or ii) constraints imposed by law through constitutional provisions or enabling legislation.

**c. Committed** – Fund balances are reported as committed if their use is for a specific purpose as approved by formal action by the City Council (majority vote). Amounts committed cannot be used for any other purpose unless the City Council removes or changes the specific use by approving such action through resolution at a City Council meeting. Budget resolutions are considered a plan for specific use.

**d. Assigned** – Fund balances are reported as assigned when constrained by the City's intent to use the funds for specific purposes that are neither restricted nor committed. Assigned fund balance includes i) all remaining amounts (except negative balances) reported in governmental funds, other than the General fund, that are not classified as nonspendable, restricted or committed, and ii) amounts in the General Fund intended for a specific use identified by the City Council, and iii) amounts appropriated to eliminate a projected budget deficit in the subsequent year.

**e. Unassigned** – Fund balances are reported as assigned when the balances do not meet any of the above four criterion for classification. The City reports positive unassigned fund balance in only the General Fund. Negative unassigned fund balances may be reported in all governmental funds.

For purposes of fund balance disbursement, unless otherwise approved by City Council, the City will expend restricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Next the City will expend committed fund balance when an expenditure is paid for which unrestricted fund balance is available. The City would next disburse fund balance assigned for purposes of the fund before disbursing other assigned fund balance amounts. In the General Fund, the City would disburse unassigned fund balance prior to disbursing fund balance assigned for financial policy reserve levels or amounts assigned to eliminate subsequent year's budget deficit.

## **9. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense information about the fiduciary net position of the Georgia Municipal Employers Benefit System (GMEBS) and additions to/deductions from GMEBS' fiduciary net position have been determined on the same basis as they are reported by GMEBS. For this purpose, benefit payments are

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

recognized when due and payable in accordance with the benefit terms. Investments are recorded at fair value.

**10. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of this item, which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property and franchise taxes. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. The government-wide statements and proprietary fund type in the fund financial statements have an additional deferred inflow not reported on the modified accrual basis. This item, deferred inflows of resources related to pensions, results from changes in net pension liability not included in pension expense due to effects in actuarial differences, changes in assumptions, and differences between actual and projected earnings on plan investments.

**E. Revenues, Expenditures and Expenses**

**1. Operating and Non-operating Revenues and Expenses**

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and or services. Also included are all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as needed.

**2. Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities. Administrative overhead charges are made to various functions and are included in direct expenses. In the fund financial statements, governmental fund expenditures are classified as by character i.e. current (further classified by function), debt service, and capital outlay. Proprietary fund expenses are classified as operating and non-operating.

In the fund financial statements, governmental funds report expenditures of current financial resources. Proprietary funds report expenses relating to use of economic resources.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**3. Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

**4. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and the related notes. Accordingly, actual results could differ from these estimates.

**NOTE 2. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**A. Cash and Investments**

*General:*

Individual bank accounts and investments are maintained in each fund of the City.

*Deposits:*

Custodial Credit Risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. At December 31, 2015 all of the City's deposits were either covered by federal depository insurance, a line of credit or collateralized by pledged collateral.

Georgia law governs collateral requirements and forms of collateral under O.C.G.A. Section 45-8-12 which is incorporated by reference within the City's Investment Policy. The City has no custodial credit risk policies requiring additional collateral. In summary, Georgia law states:

- All deposits shall be collateralized within 10 days of deposit by a surety bond, a guarantee of insurance, or collateral.
- The face value of any surety bond, guarantee of insurance or collateral shall be at least 110% of the public funds being secured, net of deposit insurance.
- If a depository elects the pooled method (O.C.G.A. Section 45-8-13.11), the aggregate market value of pledged securities may not be less than 110% of the daily pool balance.

Authorized security for deposits enumerated under law includes surety bonds, FDIC insurance, obligations of the United States or the State of Georgia, obligations of Georgia counties or municipalities, bonds of any Georgia public authority, industrial revenue bonds of any Georgia development authority, and obligations of any subsidiary corporation of the United States government fully guaranteed by the United States (such as Federal Home Loan Bank, Federal National Mortgage Association, etc).

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

*Investments:*

In its investment of public funds, the City follows state statutes and adopted investment policies. As of December 31, 2015 the investments of the City were:

Investment	Average Credit Rating	Fair Value	Average Maturity (Days)
Georgia Fund 1	AAAm	\$ 3,055,126	48

Under state law, investments of the City's public funds may be placed in obligations of (or obligations guaranteed by) the U.S. government, obligations of agencies of corporations in the U.S. government, obligations of any state or any political subdivision of any state, certificates of deposit or time deposits of financial institutions with deposits insured by FDIC, prime bankers acceptances, repurchase agreements, and the Georgia Fund 1. During the year the City invested public funds in the Georgia Fund 1.

The Georgia Fund 1 is considered to be a 2a7-like-pool that operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Georgia Fund 1 was created under O.C.G.A. 36-83-8 and is managed by the State of Georgia's Office of State Treasurer. The pool is not registered with the SEC as an investment company. The fair value of the pool is the same as the value of the pool shares. As a public fund, Georgia Fund 1 is exempt from any disclosure of custodial credit risk.

Deposit and investment transactions are subject to a variety of risks. The City seeks to promote the safety of principal, provide adequate liquidity for operational needs, earn market rates of return on investments consistent with liquidity needs and investment quality, and conform with legal requirements.

*Interest rate risk* is the risk that changes in interest rates that will adversely affect the value of an investment. The City's policy is that not more than 25% of the total portfolio may mature more than 1 year beyond the date of calculation.

*Credit risk* is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The City does not have a policy that addresses this risk.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

Deposits and investments are reconciled between the financial statements and note disclosure as follows:

Reconciliation of financial statements to note:

Basic financial statements:

Cash and investments	\$ 8,805,070
Restricted cash	2,922,201
Total	<u>\$ 11,727,271</u>

Carrying Value:

Deposits	\$ 8,672,145
Investments	3,055,126
Total	<u>\$ 11,727,271</u>

**B. Accounts Receivable**

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate including the applicable allowance for uncollectible accounts are as follows:

Receivables:	Taxes	Intergovern- mental	Accounts	Gross Receivables	Less: Allowance for uncollectibles	Net Receivables
General	\$ 207,241	\$ 317,296	\$ 711,462	\$ 1,235,999	\$ (110,106)	\$1,125,893
SPLOST	-	136,569	-	136,569	-	136,569
Non-major governmental	-	-	59,927	59,927	-	59,927
Water and Sewer	-	29,737	717,302	747,039	(172,000)	575,039
Total	<u>\$ 207,241</u>	<u>\$ 483,602</u>	<u>\$ 1,488,691</u>	<u>\$ 2,179,534</u>	<u>\$ (282,106)</u>	<u>\$1,897,428</u>

Substantially all receivables are expected to be collected within one year.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<i>Non-Depreciable Assets:</i>				
Land	\$ 2,331,219	\$ 1,096,858	\$ -	\$ 3,428,077
Right of Way	310,000	-	-	310,000
Construction in Progress	415,892	564,876	-	980,768
<i>Depreciable Assets:</i>				
Buildings and Improvements	9,921,343	-	-	9,921,343
Infrastructure and other structures	13,114,419	-	-	13,114,419
Machinery, Equipment & Vehicles	5,164,690	490,948	293,799	5,361,839
	<u>31,257,563</u>	<u>2,152,682</u>	<u>293,799</u>	<u>33,116,446</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(2,329,318)	(304,705)	-	(2,634,023)
Infrastructure and other structures	(1,755,843)	(348,136)	-	(2,103,979)
Machinery, Equipment & Vehicles	(3,978,636)	(452,051)	(293,799)	(4,136,888)
	<u>(8,063,797)</u>	<u>(1,104,892)</u>	<u>(293,799)</u>	<u>(8,874,890)</u>
Total Governmental Activities	<u>23,193,766</u>	<u>1,047,790</u>	<u>-</u>	<u>24,241,556</u>
<b>Business-Type Activities:</b>				
<i>Non-Depreciable Assets:</i>				
Land	1,100,329	-	-	1,100,329
Construction in Progress	7,884,618	17,626,199	-	25,510,817
<i>Depreciable Assets:</i>				
Utility Plant and Equipment	27,697,012	96,726	-	27,793,738
Buildings	124,464	-	-	124,464
Machinery, Equipment & Vehicles	682,524	-	-	682,524
	<u>37,488,947</u>	<u>17,722,925</u>	<u>-</u>	<u>55,211,872</u>
<i>Accumulated Depreciation:</i>				
Utility Plant and Equipment	(6,809,164)	(699,932)	-	(7,509,096)
Buildings	(116,549)	(7,918)	-	(124,467)
Machinery, Equipment & Vehicles	(611,029)	(36,452)	-	(647,481)
	<u>(7,536,742)</u>	<u>(744,302)</u>	<u>-</u>	<u>(8,281,044)</u>
Total Business-Type Activities	<u>29,952,205</u>	<u>16,978,623</u>	<u>-</u>	<u>46,930,828</u>
Total Capital Assets	<u>\$53,145,971</u>	<u>\$ 18,026,413</u>	<u>\$ -</u>	<u>\$71,172,384</u>

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 28,487
Public Safety	393,522
Public Works	430,228
Culture and Recreation	81,257
Development	171,398
Total depreciation	<u>\$ 1,104,892</u>

The City has active construction projects as of year-end. The City's major commitments are as follows:

	Contract Balance
Water & Sewer	<u>\$ 406,869</u>
Total	<u>\$ 406,869</u>

**D. Interfund Transactions and Balances**

Interfund receivable and payable balances at December 31, 2015 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major governmental	\$ 25,678
Non-major governmental	Non-major governmental	26,505
	Total fund financial statements	<u>\$ 52,183</u>

These balances represent loans between the borrower fund and the lender fund. These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund receivables and payables are reported in the fund financial statements; however, they are eliminated in the government-wide financial statements if the interfund loan is between governmental funds.

A summary of interfund transfers by fund type is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Non-major governmental	General	\$ 305,110
Non-major governmental	Non-major governmental	203,503
	Total fund financial statements	<u>\$ 508,613</u>

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**E. Long-term receivables**

On June 7, 2005, the City entered into an Intergovernmental Agreement with Bryan County, Georgia to construct a water and sewer line extension from the City's current water and sewer lines to the newly constructed Sheriff's Complex. The City financed the water and sewer line extension project with a GEFA loan. The intergovernmental agreement stipulated that the County would reimburse the City for the cost of the extension project, upon completion of the project. The project was completed at a cost of \$680,710 that will be repaid in monthly installments of \$4,175 over 20 years at an interest rate of 4.13%.

The following is the repayment schedule:

Year	Principal	Interest	Total
2016	\$ 29,737	\$ 20,367	\$ 50,104
2017	30,993	19,111	50,104
2018	32,300	17,804	50,104
2019	33,662	16,442	50,104
2020	35,083	15,021	50,104
2021-2025	198,909	51,614	250,523
2026-2029	144,800	9,688	154,488
Total Intergovernmental Receivable	505,484	\$ 150,047	\$ 655,531
Less: Current Portion	(29,737)		
Long-term Intergovernmental Receivable	\$ 475,747		

**F. Short-term Debt**

The City has a \$3,000,000 bridge loan which serves as a line of credit for cash flow purposes to fund the payments for the building of the Waste Water Treatment Plant in the event the GEFA loan draws are delayed for any reason. During the year, the City had draws on the line of credit in the amount of \$3,000,000. As of the end of the year, the line of credit had been paid off.

**G. Leases**

*Capital Leases:* The City has entered into lease agreements as lessee for financing the acquisition of land, buildings, vehicles, and other equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, the assets have been recorded at the present value of the future minimum lease payments as of the inception date in the general capital assets. The amortization of assets recorded under capital leases is included with depreciation expense in the amount of \$10,657.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

The assets acquired through capital leases are as follows:

Asset Class	Governmental Activities
Machinery and equipment	\$ 824,964
Less: accumulated depreciation	(189,982)
Total	<u>\$ 634,982</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

Year Ending December 31	Governmental Activities
2016	\$ 258,179
2017	55,571
2018	50,818
2019	50,818
2020	50,817
2021	50,817
Total minimum lease payments	<u>517,020</u>
Less: amount representing interest	30,010
Present value of minimum lease payments	<u>\$ 487,010</u>

**H. Long-term Liabilities**

**Changes in Long-term Liabilities:**

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 157,768	\$ 172,025	\$ 158,974	\$ 170,819	\$ 90,534
Contractual obligation	3,429,537	-	276,438	3,153,099	286,238
Notes	761,050	-	43,571	717,479	45,116
Capital leases	343,815	387,967	244,772	487,010	247,355
Total Governmental Activities	<u>\$ 4,692,170</u>	<u>\$ 559,992</u>	<u>\$ 723,755</u>	<u>\$ 4,528,407</u>	<u>\$ 669,243</u>
Business-Type Activities:					
Compensated absences	\$ 8,796	\$ 11,144	\$ 8,544	\$ 11,396	\$ 6,040
GEFA loans	13,017,147	16,017,339	742,016	28,292,470	1,117,238
Total Business-Type Activities	<u>\$ 13,025,943</u>	<u>\$ 16,028,483</u>	<u>\$ 750,560</u>	<u>\$ 28,303,866</u>	<u>\$1,123,278</u>

For the governmental activities, long-term liabilities are generally liquidated by the general fund. For business-type activities, long-term liabilities are liquidated by the water and sewer enterprise fund.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**Governmental Activities:**

*Contractual Obligations:* In 2013, the City entered into a contractual obligation with the Richmond Hill Area Convention and Visitors Bureau Authority (Authority), a discretely presented component unit of the City, related to the Richmond Hill Area Convention and Visitors Bureau Authority Refunding Revenue Bond (City Center Project), Series 2013 to make payments to the Authority sufficient to pay, when due, the principal of and interest on the Bond. The Bonds are limited obligations of the Authority, payable from payments made by the City to the Authority under the contractual obligation. The City is unconditionally obligated to make the payments required. The obligation of the City to make payments constitutes a general obligation of the City for which the full faith and credit of the City is pledged. A bank purchased the bonds in a private placement in the principal amount of \$3,847,000 at a rate of 3.55 percent and maturity of 12 years. The proceeds of the bond sale were used to currently refund the RHCVB Authority Revenue Bonds, Series 2009, which had a principal balance of \$3,832,707 and to cover accrued interest. The refunding was undertaken to reduce total future debt service payments in the amount of \$737,468.

The bond debt service requirements based on the amount drawn of \$3,847,000 are as follows:

Year	Principal	Interest	Total
2016	\$ 286,238	\$ 109,100	\$ 395,338
2017	297,027	98,311	395,338
2018	307,897	87,441	395,338
2019	319,163	76,175	395,338
2020	330,651	64,687	395,338
2021-2025	1,612,123	133,953	1,746,076
Total	<u>\$ 3,153,099</u>	<u>\$ 569,667</u>	<u>\$ 3,722,766</u>

*Notes:* On October 9, 2013, the City entered into an installment sales agreement for the purchase of land and buildings for use as a vehicle maintenance facility. According to the agreement, the interest in the facility will be transferred to the seller in the event of default or non-appropriation by the City. The \$810,000 in note proceeds were used for the cost of the above property. The note has an interest rate of 3.49% with a maturity date of October 9, 2028.

The note debt service requirements based on the amount of \$810,000 are as follows:

Year	Principal	Interest	Total
2016	\$ 45,116	\$ 24,565	\$ 69,681
2017	46,716	22,965	69,681
2018	48,372	21,309	69,681
2019	50,088	19,593	69,681
2020	51,864	17,816	69,680
2020-2024	288,252	60,153	348,405
2025-2028	187,071	10,359	197,430
Total	<u>\$ 717,479</u>	<u>\$ 176,760</u>	<u>\$ 894,239</u>

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**Business-Type Activities:**

*Georgia Environmental Facilities Authority (GEFA) Loans:* The City has obtained seven GEFA loans for the development and expansion of its water and sewer systems and for the construction of the wastewater treatment facility and for a Floridian Aquifer well. The City has pledged its full faith and credit and revenue-raising power including its taxing power, for repayment of these obligations. The City has one loan in the construction phase. Phase I of the construction of a new wastewater treatment facility and all necessary appurtenances loan (CWSRF-10-008) has a total project amount of \$4,000,000. Of this amount, \$3,500,000 is the loan portion. The City has expended \$4,000,000 on the project of which \$3,500,000 is the construction loan amount. Phase II of the construction of a new wastewater treatment facility and all necessary appurtenances loan (CWSRF-10-003(2)) has a total project amount of \$10,000,000. The city has expended \$10,000,000 on the project of which \$9,500,000 is the construction loan amount. Phase III of the Construction of a new wastewater treatment facility and all necessary appurtenances loan (CWSRF-10-008(3)) has a total project amount of \$10,500,000. The City has expended \$10,157,006 on this part of the project.

The loans outstanding at year end are as follows:

Purpose	Original Issue	Interest Rate	Loan Payable
GEFA-Water and Sewer Expansion	\$ 225,470	4.24%	\$ 64,930
GEFA-Wastewater Treatment Facility and Improvements	4,924,203	3.00%	659,663
GEFA-Water and Sewer Lower Floridan Well, Tank and Water Main Extension	3,376,000	4.00%	2,267,745
GEFA- Pump Station Rehab- ilitation and Force Main Replacement - Construction Loan	2,500,000	2.91%	2,333,963
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase I	3,500,000	3.00%	3,446,695
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase II	10,000,000	1.40%	9,362,468
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase III	10,500,000	1.03%	10,157,006
Total loans			<u>28,292,470</u>
Less: current portion			1,117,238
Total long-term debt			<u><u>\$ 27,175,232</u></u>

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

GEFA loans debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2016	\$ 1,117,238	\$ 406,537	\$ 1,523,775
2017	1,146,149	377,626	1,523,775
2018	830,680	351,867	1,182,547
2019	850,749	331,798	1,182,547
2020	858,639	311,325	1,169,964
2021-2025	4,593,050	1,235,797	5,828,847
2026-2030	4,739,756	657,930	5,397,686
2031-2035	3,999,203	182,789	4,181,992
Construction loan	10,157,006	-	10,157,006
<b>Total</b>	<b><u>\$ 28,292,470</u></b>	<b><u>\$ 3,855,669</u></b>	<b><u>\$ 32,148,139</u></b>

**I. Segments of Enterprise Activities**

Because the Water and Sewer Fund is a segment and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

**J. Fund Balances/Restricted Net position**

1. As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent which the City is bound to constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for all the major and nonmajor funds were distributed as follows:

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted for:				
Public Safety	\$ -	\$ -	\$ 5,813	\$ 5,813
Trade shows and conferences	-	-	202,227	202,227
Construction and capital outlay	-	1,164,226	-	1,164,226
Unassigned:	3,715,632	-	-	3,715,632
<b>Total Fund Balances</b>	<b><u>\$ 3,715,632</u></b>	<b><u>\$ 1,164,226</u></b>	<b><u>\$ 208,040</u></b>	<b><u>\$ 5,087,898</u></b>

Of the unassigned fund balance in the general fund, \$289,630 has been designated as an economic uncertainty reserve.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**K. Restatement of net position**

Beginning balances were restated due to the implementation of Governmental Accounting Standards Board Statement (GASBS) 68. The changes are summarized below:

	Primary Government		Component Unit
	Governmental Activities	Business-Type Activities	CVB
Beginning net position as previously reported at beginning of year	\$ 24,202,802	\$ 24,279,729	\$ 105,596
Implementation of GASBS 68:			
Net pension liability as of March 31, 2015	(1,272,307)	(55,876)	(17,816)
Deferred outflows - contributions made after the measurement date	214,654	9,427	3,006
Total prior period adjustments	<u>(1,057,653)</u>	<u>(46,449)</u>	<u>(14,810)</u>
Net position as restated at beginning of year	<u>\$ 23,145,149</u>	<u>\$ 24,233,280</u>	<u>\$ 90,786</u>

2. *Net Investment in Capital Assets* – The amounts are calculated as follows:

	Governmental Activities	Business-Type Activities
Net Capital Assets	\$ 24,241,556	\$ 46,930,828
Capital related debt and payables	(4,357,588)	(28,292,470)
Net investment in capital assets	<u>\$ 19,883,968</u>	<u>\$ 18,638,358</u>

3. Restrictions of net position are used to indicate a portion of net position that has constraints placed on the use either by external groups or law. The City uses the following restrictions of net position:

*Governmental Activities*

*Restricted for capital projects* – This restriction represents amounts to be used for capital project expenditures as legally restricted through public referendum or contractual obligation.

*Restricted for other purposes* – This restriction represents \$208,040 in the nonmajor special revenue funds.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

*Business-type Activities*

Restrictions are used to indicate a portion of the fund balance or net position is legally segregated for a specific future use. The City uses the following restrictions:

*Restricted for system construction – Water and Sewer Enterprise Fund* – This restriction (\$2,564,220) represents funds to be used for water and sewer system construction.

**NOTE 3. OTHER INFORMATION**

**A. Employee Pension Plan**

**Plan Description.** The City of Richmond Hill Pension Plan, covering all full-time employees, has a noncontributory plan for class 0 and 1 employees; however, employees who have elected for the enhanced retirement option must contribute 3% of their salary to the plan. These employees are considered class 2 and 3. Effective February 1, 2008, new hires and re-hired regular employees will be required to make contributions. Class 1 and 2 employees are police officers who do not contribute to social security under the plan provisions. Class 0 and 3 employees are all other employees of the City. The employees contributed \$94,669 to the plan during 2015.

The plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), a state-wide, agent multiple-employer defined benefit plan. GMEBS handles all administrative and investment functions relative to the plan. These benefit provisions and all other requirements are established or amended by local ordinance. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to GMEBS, 201 Pryor St. S.W., Atlanta, Georgia 30303.

**Benefits provided.** Benefits are fully vested after 5 years of service. Participants become eligible to retire at age 65, with 5 years or age 55 with 25 years of participation in the plan (or at age 55 with 5 years of service with reduced benefits). Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 1.25% of final average earnings up to a participant's amount of covered compensation, plus 2.00% of final average earnings in excess of the participant's covered compensation, all multiplied by the participant's years of total credited service. If the participant is a police officer the participant is entitled to an annual benefit in the amount of 2.00% of final average earnings times the participant's years of total credited service. If the participant has elected the enhanced retirement option, participants are entitled to an annual benefit in the amount of 1.48% of final average earnings up to a participant's amount of covered compensation, plus 2.36% of final average earnings in excess of the participant's covered compensation, all multiplied by the participant/s years of total credited service. If the participant is a police officer who has elected the enhanced retirement option, the participant is entitled to an annual benefit in the amount of 2.4% of final average earnings times the participant's years of total credited service.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

The following is the plan membership at July 1, 2015:

Active Plan Participants	81
Retirees and Beneficiaries	22
Terminated plan participants entitled to, but not yet receiving benefits	36
Total	139

**Contributions:** The City's policy is to contribute the actuarially determined amount as recommended by GMEBS. The Board of Trustees of GMEBS has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual recommended contribution is the sum of 1) the normal cost, 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). Well-funded plans may have a full credit applied to reduce the recommended contributions. This credit insures that contributions are not required if a plan's assets exceed the present value of future benefits. The contributions meet the estimated minimum annual contribution under Public Retirement Systems Standards Law (Georgia Code Section 47-20-10).

**Net pension liability.** The City's net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015.

**Actuarial assumptions.** The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.75%
Projected salary increases	3.25%, plus service based merit increases
Cost of living adjustment	3.25%

Source of mortality assumptions are as follows:

Healthy	RP-2000 Combined Healthy Mortality Table
Disabled	RP-2000 Disabled Retiree Mortality Table
Plan termination basis (all lives)	1994 Group Annuity Reserving Unisex Table

The mortality and economic actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

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

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-term Nominal Real Rate of Return
Domestic equity	50.0%	5.95%	9.20%
International equity	15.0%	6.45%	9.70%
Fixed income	25.0%	1.55%	4.80%
Real estate	10.0%	3.75%	7.00%
Cash	0.0%		
<b>Total</b>	<u>100.0%</u>		

Plan termination basis: 3.20% (30-year Treasury Securities Rate as of August, 2014, published in September, 2014; 3.76% last year).

**Discount rate.** The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that City contributions and employee contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances - beginning of year	\$ 7,328,630	\$ 5,982,631	\$ 1,345,999
Service cost	250,565	-	250,565
Interest	562,342	-	562,342
Difference between expected and actual experience	165,667		165,667
Contributions - employer	-	277,878	(277,878)
Contributions - employee		89,480	(89,480)
Net investment income	-	587,119	(587,119)
Benefit payments	(145,209)	(145,209)	-
Administrative expense	-	(16,303)	16,303
Other	(816,396)		(816,396)
Net changes	<u>16,969</u>	<u>792,965</u>	<u>(775,996)</u>
Balances - end of year	<u>\$ 7,345,599</u>	<u>\$ 6,775,596</u>	<u>\$ 570,003</u>

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

At December 31, 2015, the City (primary government) and the CVB (discretely presented component unit) reported their proportionate share of the net pension liability as follows:

	Total	Primary Government	Discretely Presented Component Unit
Net pension liability	\$ 570,003	\$ 562,458	\$ 7,545

The balances at March 31, 2014 and 2015 include entry age normal liabilities calculated using ages and service amounts as of January 1, 2013 and 2014, respectively, and constitute measurements of the net pension liability for the years ending December 31, 2014 and 2015, respectively.

**Sensitivity of the net pension liability to changes in the discount rate:** The following represents the net pension liability of the City calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.00% point lower (6.75%) or 1.00% higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's net pension liability (asset)	\$ 1,722,766	\$ 570,003	\$ (366,845)

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

**Pension expense:** Pension expense for the year ended December 31, 2015:

	Total	Primary Government	Discretely Presented Component Unit
Service cost	\$ 250,565	\$ 247,248	\$ 3,317
Interest on total pension liability (TPL)	562,342	554,898	7,444
Employee contributions	(89,480)	(88,296)	(1,184)
Administrative expenses	16,303	16,087	216
Expected return on assets	(471,630)	(465,387)	(6,243)
Expensed portion of current year period differences between expected and actual experience in TPL	33,135	32,696	439
Expensed portion of current year period assumption changes	(163,280)	(161,119)	(2,161)
Expensed portion of current year period differences between projected and actual investment earnings	(23,097)	(22,791)	(306)
Total pension expense	\$ 114,858	\$ 113,338	\$ 1,520

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**Deferred outflows and inflows of resources:** The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Primary Government	Discretely Presented Component Unit	Total	Primary Government	Discretely Presented Component Unit	Total
Differences between expected and actual experience	\$ 130,778	\$ 1,754	\$ 132,532	\$ -	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	-	-	(91,169)	(1,223)	(92,392)
Changes in assumptions	-	-	-	(644,471)	(8,645)	(653,116)
The City's contribution to the pension plan subsequent to the measurement date	256,277	3,438	259,715			-
Proportionate share of net position	<u>\$ 387,055</u>	<u>\$ 5,192</u>	<u>\$ 392,247</u>	<u>\$ (735,640)</u>	<u>\$ (9,868)</u>	<u>\$ (745,508)</u>

The contributions subsequent to the measurement date in the amount of \$259,715 is not included in the schedule below but will be expensed in the next calendar year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	Primary Government	Discretely Presented Component Unit	Total
December 31:			
2016	\$ (151,216)	\$ (2,028)	\$ (153,244)
2017	(151,216)	(2,028)	(153,244)
2018	(151,215)	(2,029)	(153,244)
2019	(151,215)	(2,029)	(153,244)
2020	-	-	-
	<u>\$ (604,862)</u>	<u>\$ (8,114)</u>	<u>\$ (612,976)</u>

The required Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions immediately follow the notes to the financial statements.

**B. Pensions with a Special Funding Situation**

The City participates in two pension plans that are considered to have a special funding situation. The two plans are the Georgia Firefighters' pension plan and the Peace Officers' Annuity and Benefit Fund of Georgia (POAB). The pension plans are all cost-sharing, multiple employer defined benefit plans and the employer contributions are funded by the State on behalf of the City. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* requires participating employers and nonemployers contributing entities to recognize their proportional share of collective net pension liability and pension expense. Since the City does not contribute directly to the plans, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the City. The State's proportionate share of the collective net pension liability (asset) of the Georgia Firefighters' plan totals \$22,769 and the POAB plan totals \$(25,408). The State revenue and pension expense of the plans total \$7,852 for the Georgia Firefighters' plan and \$941 for the POAB.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

Detailed information about each of the plans' fiduciary net position is available in separately issued financial reports that can be obtained at [www.qfpf.org](http://www.qfpf.org) (Georgia Firefighters pension plan) and at [www.poab.georgia.gov](http://www.poab.georgia.gov) (POAB).

**C. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation for which the City carries the following insurance coverage. There were no significant reductions of insurance coverage compared to the prior year. The City utilizes Lion Insurance Company for its workers compensation insurance. The City makes monthly payments to the company based on industry actuarial projections. An annual workers compensation audit is performed by the carrier which can either result in a refund of premium or additional charge over the base premium. No amount has been recorded in the financial statements as a contingency for additional assessments as management believes the likelihood for a substantial surcharge is remote. Settled claims have not exceeded coverage in any of the past three fiscal years.

Risk Pools

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 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 the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2015. No provisions have been made in the financial statements for the year ended December 31, 2015 for any estimate of potential unpaid claims.

Self Insurance

The City pays unemployment claims to the state department of labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued.

**D. Commitments and Contingencies**

The City receives a number of grants which are subject to program compliance audits by the grantors. Noncompliance with the terms and provisions of these grant agreements could result in contingent liabilities to the grantor agencies.

The City's attorney reported that there are no claims pending against the City. The City estimates the potential claims, if any, not covered by insurance would not be material.

**Contractual Obligations:**

The City has contracted with Braddy Enterprises Public Works Division, LLC for the operation of its water and sewer systems and for the operation of its public works department.

**CITY OF RICHMOND HILL  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**December 31, 2015**

**E. Related Party Transactions**

On October 6, 2015, the City purchased 51 acres from Plantation Village Partners, LLC, and John A Murphy and Leslie Murphy Investments, LLC in the amount of \$1,052,849. A City Council member is directly related to the above companies.

REQUIRED SUPPLEMENTARY INFORMATION OTHER  
THAN MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF RICHMOND HILL, GEORGIA

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>RESOURCES (Inflows):</b>				
Taxes	\$ 5,905,500	\$ 6,080,500	\$ 6,138,358	\$ 57,858
Licenses and permits	308,500	328,500	335,112	6,612
Intergovernmental revenues	-	80,000	84,219	4,219
Charges for services	945,000	885,000	890,219	5,219
Fines and forfeitures	690,000	690,000	764,612	74,612
Investment income	2,500	12,500	14,303	1,803
Miscellaneous revenue	3,500	13,500	18,418	4,918
Transfers in	240,000	310,000	305,110	(4,890)
<b>Total revenues</b>	<b>8,095,000</b>	<b>8,400,000</b>	<b>8,550,351</b>	<b>150,351</b>
<b>CHARGES TO APPROPRIATIONS (Outflows)</b>				
<b>Current</b>				
City council	57,410	60,410	58,975	1,435
General administration	880,010	2,180,010	2,099,438	80,572
Finance department	215,000	216,000	215,242	758
General government buildings	35,000	36,000	35,830	170
Municipal court	40,000	40,000	36,081	3,919
Police department	2,880,194	2,885,194	2,882,226	2,968
Custody of prisoners	5,000	55,000	53,888	1,112
Fire protection	735,079	840,079	834,855	5,224
Streets	1,365,000	1,515,000	1,489,795	25,205
Sanitation	845,000	845,000	818,436	26,564
Building inspection	527,602	562,602	555,493	7,109
Code enforcement	50,250	60,250	55,977	4,273
Special recreation projects	25,000	35,000	28,671	6,329
Park	424,950	484,950	479,926	5,024
<b>Total Expenditures</b>	<b>8,085,495</b>	<b>9,815,495</b>	<b>9,644,833</b>	<b>170,662</b>
<b>Debt service</b>				
Principal	8,000	8,000	8,889	(889)
Interest and fiscal agent fees	1,505	1,505	617	888
<b>Total Debt Service</b>	<b>9,505</b>	<b>9,505</b>	<b>9,506</b>	<b>(1)</b>
<b>Total charges to appropriations</b>	<b>8,095,000</b>	<b>9,825,000</b>	<b>9,654,339</b>	<b>170,661</b>
Excess (deficiency) of resources over charges to appropriations	-	(1,425,000)	(1,103,988)	321,012
Fund balance, beginning of year	4,819,620	4,819,620	4,819,620	-
<b>Fund balance, end of year</b>	<b>\$ 4,819,620</b>	<b>\$ 3,394,620</b>	<b>\$ 3,715,632</b>	<b>\$ 321,012</b>

CITY OF RICHMOND HILL, GEORGIA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 December 31, 2015

**A. Budgets and Budgetary Accounting**

State law requires that the City adopt by ordinances or resolutions an annual balanced budget for its general fund and special revenue funds for the upcoming fiscal year (December 31). A budget is balanced when the sum of estimated revenues and appropriated fund balance is equal to appropriations. The legal level of budgetary control over expenditures is exercised by the City at the department level for its general and special revenue funds. Appropriations lapse at year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

Prior to year-end, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

1. Public hearings are conducted at the City Courthouse to obtain taxpayer comments.
2. Prior to January 1, the budget is legally enacted through approval by the City Council.
3. Budgets for the general fund and all special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Project length budgets are adopted for the capital projects funds.

The City Council has the authority to amend its budget as follows:

Any increase in appropriation in any fund for a department, whether accomplished through a change in anticipated revenues in any fund or through a transfer of appropriations among departments, shall require the approval of the City Council.

Supplemental increases in budget appropriations were properly approved by the City Council. For the year ended December 31, 2015, the following supplemental appropriations were approved:

<u>Fund Type</u>	<u>Original Appropriations</u>	<u>Supplemental Appropriations</u>	<u>Supplemental Decreases</u>	<u>Final Appropriations</u>
General	<u>\$ 8,095,000</u>	<u>\$ 1,730,000</u>	<u>\$ -</u>	<u>\$ 9,825,000</u>

CITY OF RICHMOND HILL, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION – PENSION SCHEDULES  
 SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS \*

DECEMBER 31, 2015

	2015
<b>Total pension liability</b>	
Service cost	\$ 250,565
Interest	562,342
Difference between expected and actual experience	165,667
Changes in assumptions	-
Benefit payments	(145,209)
Other	(816,396)
Net change in total pension liability	16,969
Total pension liability - beginning	7,328,630
Total pension liability - ending (a)	\$ 7,345,599
<b>Plan net position</b>	
Contributions - employer	\$ 277,878
Contributions - employee	\$ 89,480
Net investment income	587,119
Benefit payments	(145,209)
Administrative expense	(16,303)
Net change in plan net position	792,965
Plan net position - beginning	5,982,631
Plan net position - ending (b)	6,775,596
Net pension liability - ending (a) - (b)	\$ 570,003
Ratio of plan net position to total pension liability	92.24%
Covered-employee payroll	\$ 3,345,260
Net pension liability as a percentage of covered-employee payroll	17.04%

**Notes to Schedule:**

\* - This information is not readily available for 10 years.

*Changes of assumptions*

1. As a result of the plan change to provide immediate participation for Employees, for the Fiscal Year ending in 2016, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.
2. 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.
3. Amounts reported for the Fiscal Year ending in 2016 and later reflect the following assumption changes approved by the Board in December, 2014 based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:
  - The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.
  - The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
  - The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.
  - The inflation and cost-of-living adjustment assumptions were decreased from 3.50% to 3.25%.
  - The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

*Benefit changes*

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

CITY OF RICHMOND HILL, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION – PENSION SCHEDULES  
SCHEDULE OF EMPLOYER CONTRIBUTIONS

DECEMBER 31, 2015

	<u>2015</u>
Actuarially determined contribution	*
Contributions in relation to the actuarially determined contribution	*
Contribution deficiency (excess)	<u>*</u>
Covered-employee payroll	*
Contributions as a percentage of covered-employee payroll	*

\* - 2015 information will be determined after fiscal year end and will be included in the 2016 valuation report.

**Notes to Schedule**

*Valuation date:*

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

*Method and assumptions used in calculations of actuarially determined contributions:*

The actuarially determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	N/A
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, to be within 20% of market value.
Inflation	3.25 percent
Salary increase	3.25 percent, average, plus service based merit increases
Investment rate of return	7.75 percent

COMBINING FUND FINANCIAL STATEMENTS AND  
SCHEDULES AND OTHER SUPPLEMENTARY  
INFORMATION

## **Non-major Funds**

### **Non-major Governmental Funds**

#### *Special Revenue Funds:*

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

**Confiscated Assets Fund** – accounts for receipt of condemned monies awarded to the County by court order and expenditures of these funds.

**Hotel/Motel Tax Fund** – accounts for the hotel/motel taxes collected.

**City Center Fund** – accounts for operations of the City Center. Transfers from the hotel/motel tax fund provide the primary financing source for this fund. Expenditures of these funds are for the operations of the City Center which provides for conventions and trade show purposes.

CITY OF RICHMOND HILL, GEORGIA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2015

**Special Revenue Funds**

	<b>Confiscated Assets</b>	<b>Hotel/Motel Tax</b>	<b>City Center Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,962	\$ 18,750	\$ 192,292	\$ 221,004
Receivables	-	59,927	-	59,927
Due from other funds	-	-	26,505	26,505
Total assets	<u>\$ 9,962</u>	<u>\$ 78,677</u>	<u>\$ 218,797</u>	<u>\$ 307,436</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 4,149	\$ 26,494	\$ 16,570	\$ 47,213
Due to other funds	-	52,183	-	52,183
Total liabilities	<u>4,149</u>	<u>78,677</u>	<u>16,570</u>	<u>99,396</u>
Fund balances:				
Restricted	<u>5,813</u>	<u>-</u>	<u>202,227</u>	<u>208,040</u>
Total fund balances	<u>5,813</u>	<u>-</u>	<u>202,227</u>	<u>208,040</u>
Total liabilities and fund balances	<u>\$ 9,962</u>	<u>\$ 78,677</u>	<u>\$ 218,797</u>	<u>\$ 307,436</u>

CITY OF RICHMOND HILL, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>Special Revenue Funds</b>			
	<b>Confiscated Assets</b>	<b>Hotel/Motel Tax</b>	<b>City Center Fund</b>	<b>Total</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ 712,044	\$ -	\$ 712,044
Fines and forfeitures	4,891	-	-	4,891
Investment	32	-	490	522
Miscellaneous	-	-	-	-
Total revenues	<u>4,923</u>	<u>712,044</u>	<u>490</u>	<u>717,457</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	2,310	-	-	2,310
Housing and Development	-	203,431	174,190	377,621
Total expenditures	<u>2,310</u>	<u>203,431</u>	<u>174,190</u>	<u>379,931</u>
Excess (deficiency) of revenues over expenditures	<u>2,613</u>	<u>508,613</u>	<u>(173,700)</u>	<u>337,526</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	203,503	203,503
Transfers out	-	(508,613)	-	(508,613)
Total other financing sources and uses	<u>-</u>	<u>(508,613)</u>	<u>203,503</u>	<u>(305,110)</u>
Net change in fund balances	2,613	-	29,803	32,416
Fund balances - beginning	<u>3,200</u>	<u>-</u>	<u>172,424</u>	<u>175,624</u>
Fund balances - ending	<u>\$ 5,813</u>	<u>\$ -</u>	<u>\$ 202,227</u>	<u>\$ 208,040</u>

CITY OF RICHMOND HILL, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND – CONFISCATED ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeitures				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 4,891	\$ (5,109)
Total fines and forfeitures	<u>10,000</u>	<u>10,000</u>	<u>4,891</u>	<u>(5,109)</u>
Investment income				
Interest income	-	-	32	32
Total investment income	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
<b>TOTAL REVENUES</b>	<u>10,000</u>	<u>10,000</u>	<u>4,923</u>	<u>(5,077)</u>
<b>EXPENDITURES</b>				
Current				
Police department	10,000	10,000	2,310	7,690
<b>TOTAL EXPENDITURES</b>	<u>10,000</u>	<u>10,000</u>	<u>2,310</u>	<u>7,690</u>
Net change in fund balance	-	-	2,613	2,613
Fund balance at beginning of year	<u>3,200</u>	<u>3,200</u>	<u>3,200</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,200</u>	<u>\$ 3,200</u>	<u>\$ 5,813</u>	<u>\$ 2,613</u>

CITY OF RICHMOND HILL, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND – HOTEL/MOTEL TAX  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Hotel/motel	\$ 527,500	\$ 717,500	\$ 712,044	\$ (5,456)
Total taxes	<u>527,500</u>	<u>717,500</u>	<u>712,044</u>	<u>(5,456)</u>
TOTAL REVENUES	<u>527,500</u>	<u>717,500</u>	<u>712,044</u>	<u>(5,456)</u>
EXPENDITURES				
Current				
Housing and Development	147,500	207,500	203,431	4,069
TOTAL EXPENDITURES	<u>147,500</u>	<u>207,500</u>	<u>203,431</u>	<u>4,069</u>
Excess revenues over (under) expenditures	<u>380,000</u>	<u>510,000</u>	<u>508,613</u>	<u>(1,387)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(380,000)</u>	<u>(510,000)</u>	<u>(508,613)</u>	<u>1,387</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(380,000)</u>	<u>(510,000)</u>	<u>(508,613)</u>	<u>1,387</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RICHMOND HILL, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND – CITY CENTER FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 490	\$ 490
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>490</u>	<u>490</u>
<b>EXPENDITURES</b>				
Current				
Housing and Development	140,000	200,000	174,190	25,810
Debt Service				
Principal	240,000	240,000	-	240,000
Interest	156,000	156,000	-	156,000
<b>TOTAL EXPENDITURES</b>	<u>536,000</u>	<u>596,000</u>	<u>174,190</u>	<u>421,810</u>
Excess revenues over (under) expenditures	<u>(536,000)</u>	<u>(596,000)</u>	<u>(173,700)</u>	<u>422,300</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>536,000</u>	<u>596,000</u>	<u>203,503</u>	<u>(392,497)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>536,000</u>	<u>596,000</u>	<u>203,503</u>	<u>(392,497)</u>
Net change in fund balance	-	-	29,803	29,803
Fund balance at beginning of year	<u>172,424</u>	<u>172,424</u>	<u>172,424</u>	<u>-</u>
Fund balance at end of year	<u>\$ 172,424</u>	<u>\$ 172,424</u>	<u>\$ 202,227</u>	<u>\$ 29,803</u>

COMPONENT UNIT

CITY OF RICHMOND HILL, GEORGIA

BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT –  
CONVENTION AND VISITORS' BUREAU AUTHORITY

DECEMBER 31, 2015

**ASSETS**

Cash and cash equivalents	\$ 135,907
Receivables	29,969
Prepays	10,446
Total assets	<u>\$ 176,322</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:	
Accounts payable	\$ 5,553
Total liabilities	<u>5,553</u>
Fund balances:	
Nonspendable	10,446
Restricted	<u>160,323</u>
Total fund balances	<u>170,769</u>
Total liabilities and fund balances	<u>\$ 176,322</u>

**Reconciliation of the Component Unit Balance Sheet to the Statement of Net Position**

Total fund balances	\$ 170,769
---------------------	------------

Amounts reported for the component unit in the Statement of Net Position are different because:  
Some liabilities, (such as Compensated Absences), are not due and payable in the current period and are not included in the component unit fund financial statement, but are included in the component unit Statement of Net Position. (1,650)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund financial statements. \$ (4,676)

Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements \$ (7,545)

Net Position of component unit in the Statement of Net Position	<u>\$ 156,898</u>
---	-------------------

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
DISCRETELY PRESENTED COMPONENT UNIT –  
CONVENTION AND VISITORS' BUREAU AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2015

**REVENUES**

Intergovernmental	\$ 203,431
Investment	326
Miscellaneous	3,300
Total revenues	<u>207,057</u>

**EXPENDITURES**

Current:	
Housing and Development	<u>141,884</u>
Total expenditures	<u>141,884</u>
Excess (deficiency) of revenues over expenditures	<u>65,173</u>

Net change in fund balances	65,173
-----------------------------	--------

Fund balances - beginning	<u>105,596</u>
---------------------------	----------------

Fund balances - ending	<u><u>\$ 170,769</u></u>
------------------------	--------------------------

**Reconciliation of the Component Unit Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities**

Net change in fund balances	\$ 65,173
-----------------------------	-----------

Amounts reported for the component unit in the Statement of Activities are different because: Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in the component unit for compensated absences

	(1,650)
--	---------

In the statement of activities, pension expense represents the change in net pension liability from the beginning of the year to the end of the year. In the governmental funds, however, pension expense is measured by the amount of financial resources used (amount actually paid). This is the amount by which pension contributions paid in the current period exceeded the change in net pension liability

	2,589
--	-------

Net Position of component unit in the Statement of Net Position	<u><u>\$ 66,112</u></u>
---	-------------------------

CITY OF RICHMOND HILL, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 DISCRETELY PRESENTED COMPONENT UNIT – CONVENTION AND VISITORS BUREAU  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental				
Intergovernmental	\$ 147,500	\$ 147,500	\$ 203,431	\$ 55,931
Total investment income	<u>147,500</u>	<u>147,500</u>	<u>203,431</u>	<u>55,931</u>
Investment income				
Interest income	-	-	326	326
Total investment income	<u>-</u>	<u>-</u>	<u>326</u>	<u>326</u>
Miscellaneous	-	-	3,300	3,300
Total miscellaneous revenue	<u>-</u>	<u>-</u>	<u>3,300</u>	<u>3,300</u>
<b>TOTAL REVENUES</b>	<u>147,500</u>	<u>147,500</u>	<u>207,057</u>	<u>59,557</u>
<b>EXPENDITURES</b>				
Current				
Economic Development and Assistance	147,500	147,500	141,884	5,616
<b>TOTAL EXPENDITURES</b>	<u>147,500</u>	<u>147,500</u>	<u>141,884</u>	<u>5,616</u>
Net change in fund balance	-	-	65,173	65,173
Fund balance at beginning of year	105,596	105,596	105,596	-
Fund balance at end of year	<u>\$ 105,596</u>	<u>\$ 105,596</u>	<u>\$ 170,769</u>	<u>\$ 65,173</u>

## STATE MANDATED PROGRAM INFORMATION

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED WITH  
SPECIAL ONE PERCENT SALES TAX PROCEEDS

For the Year Ended December 31, 2015

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total
<b>SPLOST 12-18:</b>					
Roads, streets, bridges, sidewalks, and bicycle paths; cultural, recreational, historical and municipal facilities to include the City Center; water and sewer capital outlay projects; previously incurred general obligation debt; public safety facilities and capital equipment; stormwater and drainage improvements and capital equipment.	\$ 11,000,000	\$ 763,757	\$ -	\$ -	\$ -
General Administration Equipment		50,000	44,865	-	44,865
General Administration Software		215,000	157,014	83,816	240,830
Parks/Recreation Improvements		300,000	-	-	-
Park Equipment		90,000	32,938	-	32,938
Road Paving		535,000	-	-	-
Traffic Light - Mulberry/US 17		70,000	68,455	-	68,455
Longwood Drive		150,000	150,000	-	150,000
Sidewalks - Timber Trail / Harris Trail		450,000	65,903	475,674	541,577
Sidewalks - Ivy Street		67,000	66,959	-	66,959
Drainage - Master Plan		50,000	8,478	-	8,478
Drainage - Sandpiper Rd / Piercefield Dr		250,000	245,491	-	245,491
Drainage canals - land purchase		73,154	73,154	-	73,154
Streets Equipment		718,871	99,660	10,500	110,160
Streets - Vehicle Maintenance Building		20,000	17,715	-	17,715
Streets - Sommers Blvd Building Renovations		52,975	52,975	-	52,975
Streets - Signal installation SR25 and SR144		-	-	5,592	5,592
Water and Sewer WWTP Road Access		360,000	353,522	-	353,522
Water and Sewer Equipment		575,000	20,785	10,080	30,865
Public Safety - Police Dept Building		275,000	274,047	-	274,047
Public Safety - Police Dept Equipment		525,000	282,531	1,175	283,706
Public Safety - Fire Dept Building Renovation		240,000	238,857	-	238,857
Public Safety - Fire Dept Equipment		100,000	50,000	50,000	100,000
Public Safety - Fire Training Facility		180,000	-	-	-
Public Safety - Fire Truck		450,000	-	-	-
Public Safety - Belfast Fire Station		675,000	-	-	-
Building and Zoning Equipment		78,000	28,012	24,450	52,462
Building and Zoning Building Improvements		50,000	-	-	-
Debt Service:					
City Center		1,920,000	892,179	395,366	1,287,545
Streets - Backhoe		35,243	35,243	-	35,243
Streets - Excavator		356,000	-	50,817	50,817
Water/Sewer Infrastructure - GEFA Loans		400,000	400,000	-	400,000
Sommers Blvd Land and Buildings		300,000	69,680	69,681	139,361
Police Vehicles		625,000	-	197,855	197,855
<b>Total</b>	<b>\$ 11,000,000</b>	<b>\$ 11,000,000</b>	<b>\$ 3,728,463</b>	<b>\$ 1,375,006</b>	<b>\$ 5,103,469</b>

Note 1

The above schedule presents only the debt service on the capital leases. The financial statements for the SPLOST fund will include the equipment expenditures and capital lease debt service expenditures. This will result in a difference between the schedule and financial statements. Below is a reconciliation of the financial statements to the SPLOST Schedules.

Current year expenditures reported	\$ 1,049,254
Debt service	713,719
Activity not reported on SPLOST Schedules:	
Purchase of equipment through a capital lease	(387,967)
<b>Total SPLOST Fund Expenditures</b>	<b>\$ 1,375,006</b>

CITY OF RICHMOND HILL, GEORGIA  
SCHEDULE OF REQUIRED EXPENDITURES  
GENERATED BY THE HOTEL/MOTEL TAX

For the year ended December 31, 2015

Revenue:	
Hotel/motel taxes	<u>\$ 712,044</u>
Expenditures:	
Tourism expenditures - Richmond Hill Convention and Visitors Bureau	\$ 203,431
Transfer to City Center Fund	<u>203,503</u>
Total expenditures	<u>\$ 406,934</u>
Percentage of expenditures to revenues	<u>57%</u>

## SUPPLEMENTAL REPORTS



**INDEPENDENT AUDITOR'S 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**

Honorable Mayor and Members of the City Council  
City of Richmond Hill, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond Hill, Georgia (City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 4, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*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 City'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See findings 2015-001 through 2015-003.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

We also noted certain matters that we reported to management of the City in a separate letter dated April 15, 2016.

**City of Richmond Hill's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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**

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***KRT, CPA&P.C.***

Savannah, Georgia

May 4, 2016



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Mayor and Members of the City Council  
Richmond Hill, Georgia

### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of the City of Richmond Hill, Georgia (City), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 (CFR) Part 200, *Uniform Administrative Requirements, Costs 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 on 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, 2015.

### **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 types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 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 and therefore, material weaknesses or significant deficiencies may exist that are not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

***KRT, CPA&P.C.***

Savannah, Georgia  
May 4, 2016

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditure
<b>Environmental Protection Agency</b>			
Pass through from the Georgia Environmental Finance Agency			
Clean Water State Revolving Fund	66.458	CWSRF 10-008(2)	\$ 6,168,772
Clean Water State Revolving Fund	66.458	CWSRF 10-008(3)	<u>10,157,006</u>
Total Environmental Protection Agency			<u>16,325,778</u>
Total Federal Expenditures			<u>\$ 16,325,778</u>

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City of Richmond Hill, Georgia (City) under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2015

I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Auditors' Results

*Financial Statements*

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the City of Richmond Hill, Georgia (City).

2. Internal control over financial reporting:

- a Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- b Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   yes      \_\_\_\_\_ none reported

3. Noncompliance material to financial statements noted?

\_\_\_\_\_ yes        X   no

*Federal Awards*

4. Internal control over major programs:

- a Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- b Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes        X   none reported

5. The auditors' report expresses an unmodified opinion for all major programs.

6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

\_\_\_\_\_ yes        X   no

7. The programs tested as major programs include:

Program	CFDA No.
Clean Water State Revolving Fund	66.458

8. The threshold for distinguishing Types A and B programs was \$750,000.

9. The City was determined to be a low-risk auditee.

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**B. Findings – Financial Statement Audit**

***Finding 2015-001 (Repeat)***

*Condition:* A significant number of year-end audit adjustments were proposed during the audit.

*Criteria:* Management has the responsibility to ensure that the financial statements are materially correct.

*Cause:* Multiple year-end entries not completed prior to audit

*Effect:* The financial statements for the City could be materially misstated.

*Recommendation:* The City should review the processes over monthly and year-end closes. There should be a month end and year-end plan, identifying deliverables as well as the responsible individuals, which is consistently followed each month and at year-end.

*Response:* Management concurs with this finding.

***Finding 2015-002 (Repeat)***

*Condition:* Of the ten business licenses tested, two had errors due to an incorrect business classification NAICS code per state law. Also, there was no indication on the documentation kept by the city of when licenses were paid, making payments difficult to trace.

*Criteria:* Fees for business licenses are impacted by the business classification so accurate codes are necessary. In order to trace collection of a business license through the accounting records, the license should be marked paid and the receipt number identified.

*Cause:* Incorrect entry of profitability class into system and failure to document receipt of payment on the license copy maintained by the City.

*Effect:* Collection of revenue inconsistent with revenue ordinance. Errors or irregularities could occur and be difficult to detect due to the difficulty of tracing payments through the accounting software.

*Recommendation:* We recommend all businesses be reviewed and properly categorized by their NAICS code upon annual renewal. Additionally, we recommend when payments are accepted, validation of the payment from the cash receipting system should be maintained with the license paperwork to allow for tracing of payments through the accounting software.

*Response:* Management concurs with this finding.

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2015

***Finding 2015-003 (Repeat)***

*Condition:* Project budgets are not maintained in the City's project accounting records.

*Criteria:* In order to properly manage and monitor capital projects, project budgets should be established in the project accounting records.

*Cause:* In prior years, the accounting software did not provide for recording project budgets.

*Effect:* The City could authorize projects without sufficient funding available and there is an increased risk of noncompliance with budgetary requirements.

*Recommendation:* We recommend that the City adopt policies and procedures for adopting project length budgets. The policies and procedures should address project budget approval, approval process for project budget modifications, and monthly monitoring and oversight over actual costs against project budgets. Also, a reconciliation of current year expenditures to the project accounting system should be prepared.

*Response:* Management concurs with this finding.

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

**None reported**

**II. STATUS OF PRIOR YEAR AUDIT FINDINGS**

***Finding 2013-014, 2014-007***

**Clean Water State Revolving Fund – CFDA No. 66.458**

**Reporting and Davis Bacon**

*Condition:* During our review of the Clean Water State Revolving Fund loan, we noted that that City does not have documented federal grant or loan internal control processes for the administration of federally funded projects. Since the City infrequently receives federal funds, there is an increase the risk of noncompliance with federal requirements. The City appears to be in compliance with these compliance requirements; however, sufficient internal controls have not been implemented to detect or prevent noncompliance. Below are issues noted during our review of the CWSRF loan/grant program:

- a. The City does not reconcile the draw down requests to expenses recorded in the projects. Also, the City does not maintain a listing of invoices not reimbursed by the loan that are charged to the projects. This could result in duplicate requests of invoices, invoices not drawn, etc.
- b. The City did not document that certified payrolls were compared to the approved wage determinations or contractor employee interviews to ensure compliance with the Davis Bacon Act.

*Status:* Based upon test work performed during the current year, the City complied with the reporting and Davis Bacon compliance requirements.