

City of Richmond Hill, Georgia

Financial Statements
And
Independent Auditors' Report

For the year ended December 31, 2018

**CITY OF RICHMOND HILL, GEORGIA
ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2018

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**CITY OF RICHMOND HILL, GEORGIA
ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2018

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S 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** (the "City"), as of and for the year ended December 31, 2018, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond Hill, Georgia, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 11), the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions (on pages 57 and 58) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

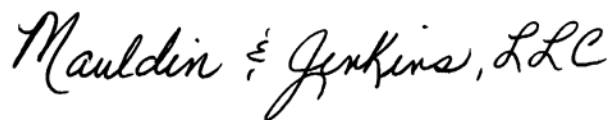
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richmond Hill, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, (the “supplementary information”) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 July 29, 2019, on our consideration of the City of Richmond Hill, Georgia’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Richmond Hill, Georgia’s internal control over financial reporting and compliance.



Savannah, Georgia
July 29, 2019

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CITY OF RICHMOND HILL, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

INTRODUCTION

Our discussion and analysis of the financial performance of the City of Richmond Hill (the "City") provides an overview of the City's financial activities for the calendar year ended December 31, 2018. 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's assets exceeded its liabilities at December 31, 2018, by \$55,758,315 (net position). Of this amount, \$9,531,952 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This is a decrease of \$839,030 from 2017. The CVB component unit has a balance of \$173,396 in net position, which is restricted for tourism-related expenses.
- The City's total net position increased \$16,191 from the previous year with a \$1,802,502 decrease resulting from governmental activities, and a \$1,818,693 increase from business-type activities.
- Key factors resulting in the changes to the net position include:
 - a) The total net position of governmental activities decreased primarily due to the Richmond Hill contribution to the state of Georgia for the 95/ Belfast Keller interchange development that will benefit the entire region. The city made a \$2.7 million contribution to the interchange improvements.
 - b) The total net position of business-type activities increased primarily due to the increased contributions from developers for connection fees, and the strong growth in the net operating income of water sewer fund, along with annual principal payments reducing the total water/sewer enterprise fund debt levels.
- At December 31, 2018, the City's governmental funds balance sheet reports combined ending fund balances of \$9,836,763, an increase of \$1,661,212 over the previous calendar year. This is primarily the result of a \$1.7 million TSPLOST fund balance, which is a new fund in 2018, and the fund balances in both SPLOST VI and SLOST VII, that combined for an increase of \$500,000 from 2018 levels.
- The SPLOST capital projects funds had a combined fund balance of \$2,310,052, an increase of \$504,550 from a year ago. The increase is due to SPLOST collections exceeding expenditures, and conservative spending on projects, especially SPLOST VII. The Non-Major Governmental Funds ended the year with a fund balance of \$185,446. 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.

CITY OF RICHMOND HILL, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

- The General Fund reported an unassigned fund balance of \$5,578,410, a decrease from 2017 of \$250,423. This decrease occurred due to the costs involving the general fund expenditures relating to the CVB building and related costs, and some departmental costs that exceeded budgeted levels. The City did have an overall increase in revenues of approximately of 2.6%. The City's General Fund enjoys a solid financial position, and is well positioned to improve overall in 2019 and beyond. Currently, the SPLOST fund pays all of the debt service related to the governmental fund debt. The City has a diversified revenue base and is demonstrating strong growth in all key revenue segments. The I-95 Belfast Keller interchange infrastructure spending by the state of Georgia, as well as the future schools planned for construction by the Bryan County Board of Education schools in the next year should provide strong impetus for the south Bryan economy.
- Total long-term liabilities of the City were \$35,634,062 at year-end, an increase of \$1,604,679 from the previous calendar year. The increase was due to the TSPLOST Revenue Bond note that was incurred relating to road projects in the new TSPLOST fund. This new borrowing is in the name of Bryan County, however was guaranteed by the City of Richmond Hill in the event the TSPLOST collections fell short of the required debt service, The TSPLOST revenue is actually generating over 35% more in collections than was projected since inception.

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. Business-type activities in the City include water and sewer services, in the W/S Enterprise Fund Fund, and Storm Water in the Storm Water Enterprise Fund.

The government-wide financial statements can be found on pages 12 and 13 of this report.

CITY OF RICHMOND HILL, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 14 to 17, 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 15 and 17, 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 – During 2016, the City established a storm water enterprise fund as mentioned previously to account for the storm water utility fee, which is the other enterprise fund along with the Water and Sewer Enterprise fund. These enterprise funds are found on pages 19 to 22 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 and storm water utility enterprise funds are the City's major proprietary funds.

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 23 to 56 of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements presented are for the calendar year ended December 31, 2018. 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.

CITY OF RICHMOND HILL, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 \$55.8 million at December 31, 2018.

The following table presents a summary of the City's net position at December 31, 2018:

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current assets | \$ 11,149,872 | \$ 9,037,738 | \$ 10,124,533 | \$ 8,806,533 | \$ 21,274,405 | \$ 17,844,271 |
| Capital assets, net | 23,390,199 | 23,080,912 | 49,076,645 | 50,415,280 | 72,466,844 | 73,496,192 |
| Total assets | <u>34,540,071</u> | <u>32,118,650</u> | <u>59,201,178</u> | <u>59,221,813</u> | <u>93,741,249</u> | <u>91,340,463</u> |
| Deferred outflows of resources - pensions | 434,144 | 522,463 | 17,190 | 22,390 | 451,334 | 544,853 |
| Current liabilities | 1,309,009 | 821,164 | 659,887 | 920,094 | 1,968,896 | 1,741,258 |
| Noncurrent liabilities | 11,338,028 | 8,123,520 | 24,296,034 | 25,905,863 | 35,634,062 | 34,029,383 |
| Total liabilities | <u>12,647,037</u> | <u>8,944,684</u> | <u>24,955,921</u> | <u>26,825,957</u> | <u>37,602,958</u> | <u>35,770,641</u> |
| Deferred inflows of resources - pensions | 783,860 | 350,609 | 47,450 | 21,942 | 831,310 | 372,551 |
| Net position: | | | | | | |
| Net investment in capital assets | 16,917,104 | 16,357,705 | 24,810,040 | 24,575,170 | 41,727,144 | 40,932,875 |
| Restricted for: | | | | | | |
| Capital projects | 4,072,907 | 2,205,502 | 1,555,074 | 2,097,211 | 5,627,981 | 4,302,713 |
| Other purposes | 185,446 | 233,398 | 240,866 | - | 426,312 | 233,398 |
| Unrestricted | 367,861 | 4,549,215 | 7,609,017 | 5,723,923 | 7,976,878 | 10,273,138 |
| Total net position | <u>\$ 21,543,318</u> | <u>\$ 23,345,820</u> | <u>\$ 34,214,997</u> | <u>\$ 32,396,304</u> | <u>\$ 55,758,315</u> | <u>\$ 55,742,124</u> |

The largest portion of the City's net position (74.8%) 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 (10.9%) represents resources that are subject to external restrictions on how they may be used. The remaining 14.3% (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.

CITY OF RICHMOND HILL, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Changes in Net Position

The following table presents a summary of the changes in net position for the calendar year ended December 31, 2018:

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,905,411 | \$ 1,991,859 | \$ 7,593,868 | \$ 6,978,473 | \$ 9,499,279 | \$ 8,970,332 |
| Operating grants and contributions | 55,788 | 657,375 | - | - | 55,788 | 657,375 |
| Capital grants and contributions | 2,305,833 | 2,929,789 | 1,410,996 | 4,499,283 | 3,716,829 | 7,429,072 |
| General revenues: | | | | | | |
| Property taxes | 2,300,561 | 2,134,862 | - | - | 2,300,561 | 2,134,862 |
| Sales taxes | 2,724,826 | 2,319,033 | - | - | 2,724,826 | 2,319,033 |
| Other taxes | 3,014,016 | 2,910,363 | - | - | 3,014,016 | 2,910,363 |
| Unrestricted investment earnings | 95,544 | 41,761 | 33,693 | 20,745 | 129,237 | 62,506 |
| Miscellaneous | 20,717 | 175,793 | - | 56,735 | 20,717 | 232,528 |
| Transfers | 500,000 | - | (500,000) | - | - | - |
| Total revenues | 12,922,696 | 13,160,835 | 8,538,557 | 11,555,236 | 21,461,253 | 24,716,071 |
| Expenses: | | | | | | |
| General government | 1,349,127 | 2,238,663 | - | - | 1,349,127 | 2,238,663 |
| Judiciary | 40,926 | 41,703 | - | - | 40,926 | 41,703 |
| Public safety | 4,764,148 | 4,671,762 | - | - | 4,764,148 | 4,671,762 |
| Public works | 5,988,448 | 3,397,099 | - | - | 5,988,448 | 3,397,099 |
| Culture and recreation | 1,242,712 | 574,358 | - | - | 1,242,712 | 574,358 |
| Housing and development | 1,044,435 | 1,265,567 | - | - | 1,044,435 | 1,265,567 |
| Interest on long-term debt | 295,402 | 180,825 | - | - | 295,402 | 180,825 |
| Water and sewer | - | - | 5,912,160 | 6,265,994 | 5,912,160 | 6,265,994 |
| Storm water | - | - | 807,704 | 669,914 | 807,704 | 669,914 |
| Total expenses | 14,725,198 | 12,369,977 | 6,719,864 | 6,935,908 | 21,445,062 | 19,305,885 |
| Change in net position | (1,802,502) | 790,858 | 1,818,693 | 4,619,328 | 16,191 | 5,410,186 |
| Net position-beginning, as restated | 23,345,820 | 22,554,962 | 32,396,304 | 27,776,976 | 55,742,124 | 50,331,938 |
| Net position-ending | \$ 21,543,318 | \$ 23,345,820 | \$ 34,214,997 | \$ 32,396,304 | \$ 55,758,315 | \$ 55,742,124 |

Approximately 19% of the City's governmental activities revenue came from property taxes, while 15% of governmental activity revenue was generated from charges for various goods and services. Property tax revenue increased roughly \$165,699 over 2017 levels. Local Option and TAVT sales taxes provided \$2.7 million of governmental activity revenues in 2018.

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.

**CITY OF RICHMOND HILL, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018, the City's governmental funds reported combined fund balances of \$9,836,763 an increase of \$1,661,212 over the prior year's balance, due primarily to the addition of the TSPLOST financing proceeds, and the balances in SPLOST VI and SPLOST VII.

General Fund:

The General Fund is the chief operating fund of the City. At December 31, 2018, the total unassigned fund balance in the General Fund was \$5,578,410, a decrease of \$558,241 from 2017. The General Fund balance is strong, with funds available to support about six 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 a water and sewer enterprise fund and a storm water utility enterprise fund in the proprietary fund financial statements. 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, 2018, total net position amounted to \$34,214,997 for the enterprise funds as compared to \$32,396,304 at December 31, 2017. This was a positive change in net position of \$1,818,693.

The water and sewer fund had an increase in net position of \$1,963,841. The majority of the increase is due to \$1.4 million in connection fees collected during the year and a strong operating income of \$1.2 million after depreciation expense.

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, 2018, the City's capital assets for both governmental activities and business-type activities totaled \$72,466,844. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment. Capital assets decreased about \$1 million in 2018 due to depreciation expense, and the fact that there were no subdivisions added in 2018. The city has committed to the water/sewer infrastructure on the I-95 Belfast Keller interchange that will promote future economic growth.

Additional information on the City's capital assets can be found in Note 6.

CITY OF RICHMOND HILL, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

DEBT ADMINISTRATION

The long-term liabilities at December 31, 2018, totaled \$35,634,062. Of this amount, \$24,296,034 relates to the business-type activities and \$11,338,028 relates to the government-type activities.

Long-term debt of the business type activities decreased in 2018 compared to 2017 levels as no new business type debt was issued, and the GEFA debt paid down from normal principal retirement. Governmental activity related debt increased due to the additional debt incurred from the TSPLOST revenue bond financing, in the amount of \$4,650,000, which is a total five year obligation, with the first of four principal payments due in November 2020. The note payments will be made from a reserve account of TSPLOST collections. Additional information on the City's debt can be found in Note 7.

BUDGETARY HIGHLIGHTS

The budgetary comparison schedule of the General Fund is provided in the basic financial statements and can be found on page 18. Budget columns are provided for both the original budget adopted for calendar year 2018 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 and other financing sources recorded for this calendar year were \$10,199,282 which was significantly lower than 2018 levels primarily due to the reduced level of loan proceeds received by the General Fund.

Expenditures and debt service recorded for the calendar year totaled \$10,697,439, which was higher than the original budget. The large variance was the result of the construction costs associated with CVB office building project which was anticipated, as well as planned expenditures for street upgrades' The city also recognized the need for growing the Fire Department budget which was an objective in 2018.

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

The City continues to adopt conservative budgets in 2019 to address the challenges in a changing revenue environment. A modest growth is expected in 2019 General Fund revenues with the continued growth in residential real estate development, and solid increases in property taxes, and other major revenue sources. 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. The infrastructure investment at the I 95 interchange will continue in 2019 and 2020 as water, sewer, roads, and reuse water will be added to promote development by the private sector, and school construction projects. The city has pledged to provide this infrastructure before construction to better plan the desired master development.

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, revenues and expenses in the water and sewer enterprise fund will be carefully monitored to ensure the operating costs are covered, and adequate debt service coverage is maintained. The City intends to maintain the water and sewer rates at their current level for 2019, but will continue to monitor the situation on a monthly basis. It is imperative to achieve the minimum debt service coverage requirements asked by creditors.

**CITY OF RICHMOND HILL, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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.

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF NET POSITION DECEMBER 31, 2018

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|---------------|-----------------------------------|
| | Governmental Activities | Business-type Activities | Total | Convention and Visitors Bureau |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 8,775,049 | \$ 7,419,517 | \$ 16,194,566 | \$ 150,350 |
| Restricted cash | 423,215 | 1,733,367 | 2,156,582 | - |
| Receivables, net of allowance | | | | |
| Taxes | 82,924 | - | 82,924 | - |
| Accounts | 888,963 | 569,919 | 1,458,882 | - |
| Due from primary government | - | - | - | 33,952 |
| Due from other governments | 979,721 | - | 979,721 | - |
| Notes receivable | - | 401,730 | 401,730 | - |
| Capital assets: | | | | |
| Non-depreciable | 4,552,051 | 1,435,260 | 5,987,311 | - |
| Depreciable, net of accumulated depreciation | 18,838,148 | 47,641,385 | 66,479,533 | - |
| Total assets | 34,540,071 | 59,201,178 | 93,741,249 | 184,302 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension | 434,144 | 17,190 | 451,334 | 5,330 |
| Total deferred outflows of resources | 434,144 | 17,190 | 451,334 | 5,330 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 34,974,215 | \$ 59,218,368 | \$ 94,192,583 | \$ 189,632 |
| LIABILITIES | | | | |
| Accounts payable | 300,899 | 437,108 | 738,007 | 4,201 |
| Accrued liabilities | 114,048 | 31,843 | 145,891 | 1,284 |
| Due to component unit | 33,952 | - | 33,952 | - |
| Customer deposits | 358,329 | 190,936 | 549,265 | - |
| Accrued interest payable | 39,010 | - | 39,010 | - |
| Unearned revenue | 462,771 | - | 462,771 | - |
| Noncurrent liabilities | | | | |
| Due within one year | 689,230 | 1,382,131 | 2,071,361 | - |
| Due in more than one year | 10,589,911 | 22,907,326 | 33,497,237 | - |
| Net pension liability | 58,887 | 6,577 | 65,464 | 1,276 |
| Total liabilities | 12,647,037 | 24,955,921 | 37,602,958 | 6,761 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension | 783,860 | 47,450 | 831,310 | 9,475 |
| Total deferred inflows of resources | 783,860 | 47,450 | 831,310 | 9,475 |
| NET POSITION | | | | |
| Net investment in capital assets | 16,917,104 | 24,810,040 | 41,727,144 | - |
| Restricted for: | | | | |
| Public safety | 13,851 | - | 13,851 | - |
| Housing and development | 171,595 | - | 171,595 | 173,396 |
| Capital projects | 4,072,907 | 1,555,074 | 5,627,981 | - |
| Debt service | - | 240,866 | 240,866 | - |
| Unrestricted | 367,861 | 7,609,017 | 7,976,878 | - |
| Total net position | 21,543,318 | 34,214,997 | 55,758,315 | 173,396 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 34,974,215 | \$ 59,218,368 | \$ 94,192,583 | \$ 189,632 |

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

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| Functions/Programs | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | | |
|--|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|--------------------------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | Convention and Visitors Bureau |
| Governmental activities: | Expenses | | | | | | |
| General government | \$ 1,349,127 | \$ - | \$ - | \$ (1,349,127) | \$ - | \$ (1,349,127) | \$ - |
| Judicial | 40,926 | - | - | (40,926) | - | (40,926) | - |
| Public safety | 4,764,148 | 612,177 | - | (4,151,971) | - | (4,151,971) | - |
| Public works | 5,988,448 | 894,547 | 2,305,833 | (2,788,068) | - | (2,788,068) | - |
| Culture and recreation | 1,242,712 | 26,634 | - | (1,160,290) | - | (1,160,290) | - |
| Housing and development | 1,044,435 | 372,053 | - | (672,382) | - | (672,382) | - |
| Interest and fees | 295,402 | - | - | (295,402) | - | (295,402) | - |
| Total governmental activities | 14,725,198 | 1,905,411 | 2,305,833 | (10,458,166) | - | (10,458,166) | - |
| Business-type activities: | | | | | | | |
| Water and Sewer Utilities | 5,912,160 | 7,063,160 | 1,410,996 | - | 2,561,996 | 2,561,996 | - |
| Storm Water Utility | 807,704 | 530,708 | - | - | (276,996) | (276,996) | - |
| Total business-type activities | \$ 6,719,864 | \$ 7,593,868 | \$ 1,410,996 | \$ - | \$ 2,285,000 | \$ 2,285,000 | \$ - |
| Component unit: | | | | | | | |
| Convention and Visitors Bureau | \$ 215,536 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (215,536) |
| General revenues: | | | | | | | |
| Taxes | | | | | | | |
| Property taxes | | | | \$ 2,300,561 | \$ - | \$ 2,300,561 | \$ - |
| Sales taxes | | | | 2,724,826 | - | 2,724,826 | - |
| Other taxes | | | | 3,014,016 | - | 3,014,016 | 214,152 |
| Unrestricted investment earnings | | | | 95,544 | 33,693 | 129,237 | 833 |
| Miscellaneous revenues | | | | 20,717 | - | 20,717 | 500 |
| Transfers | | | | 500,000 | (500,000) | - | - |
| Total general revenues and transfers | | | | 8,655,664 | (466,307) | 8,189,357 | 215,485 |
| Change in net position | | | | (1,802,502) | 1,818,693 | 16,191 | (51) |
| Net position, beginning of year, as restated | | | | 23,345,820 | 32,396,304 | 55,742,124 | 173,447 |
| Net position, end of year | | | | \$ 21,543,318 | \$ 34,214,997 | \$ 55,758,315 | \$ 173,396 |

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

CITY OF RICHMOND HILL, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

| | General Fund | SPLOST VI Fund | SPLOST VII Fund | TSPLOST Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|---------------------------|----------------------------|-------------------------|--|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 4,626,194 | \$ 962,935 | \$ 1,237,384 | \$ 1,723,520 | \$ 225,016 | \$ 8,775,049 |
| Receivables, net of allowance | | | | | | |
| Taxes | 82,924 | - | - | - | - | 82,924 |
| Accounts | 834,777 | - | - | - | 54,186 | 888,963 |
| Due from other governments | 317,909 | - | 199,041 | 462,771 | - | 979,721 |
| Due from other funds | 23,218 | - | - | - | 33,968 | 57,186 |
| Restricted cash | 423,215 | - | - | - | - | 423,215 |
| Total assets | \$ 6,308,237 | \$ 962,935 | \$ 1,436,425 | \$ 2,186,291 | \$ 313,170 | \$ 11,207,058 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 154,256 | \$ 89,308 | \$ - | \$ 20,749 | \$ 36,586 | \$ 300,899 |
| Accrued salaries and related liabilities | 114,048 | - | - | - | - | 114,048 |
| Unearned revenue | - | - | - | 462,771 | - | 462,771 |
| Due to component unit | - | - | - | - | 33,952 | 33,952 |
| Due to other funds | - | - | - | - | 57,186 | 57,186 |
| Deposits Payable | 358,329 | - | - | - | - | 358,329 |
| Total liabilities | 626,633 | 89,308 | - | 483,520 | 127,724 | 1,327,185 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue - property taxes | 43,110 | - | - | - | - | 43,110 |
| Total deferred inflows of resources | 43,110 | - | - | - | - | 43,110 |
| FUND BALANCE | | | | | | |
| Restricted for: | | | | | | |
| Public safety | - | - | - | - | 13,851 | 13,851 |
| Housing and development | - | - | - | - | 171,595 | 171,595 |
| Capital projects | 60,084 | 873,627 | 1,436,425 | 1,702,771 | - | 4,072,907 |
| Unassigned | 5,578,410 | - | - | - | - | 5,578,410 |
| Total fund balance | 5,638,494 | 873,627 | 1,436,425 | 1,702,771 | 185,446 | 9,836,763 |
| Total liabilities, deferred inflows of resources, and fund balance | \$ 6,308,237 | \$ 962,935 | \$ 1,436,425 | \$ 2,186,291 | \$ 313,170 | \$ 11,207,058 |

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

CITY OF RICHMOND HILL, GEORGIA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2018

| | | |
|---|----|--------------------------|
| Total governmental fund balances: | \$ | 9,836,763 |
| <p>Amounts reported for governmental activities in the statement of net position are different because of the following:</p> <p style="margin-left: 40px;">Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds:</p> | | |
| Cost of assets | \$ | 34,208,798 |
| Accumulated depreciation | | <u>(10,818,599)</u> |
| | | 23,390,199 |
| Other long term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds. | | 43,110 |
| Deferred outflows of resources related to the recording of the net pension liability are recognized as expense over time and, therefore, are not reported in the funds. | | 434,144 |
| Deferred inflows of resources related to the recording of the net pension liability do not consume current financial resources and are therefore, not reported in the funds. | | (783,860) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Capital leases payable | \$ | (329,098) |
| Bonds payable | | (5,566,723) |
| Notes payable | | (577,274) |
| Intergovernmental payable | | (4,650,000) |
| Net pension liability | | (58,887) |
| Compensated absences payable | | (156,046) |
| Accrued interest payable | | <u>(39,010)</u> |
| | | <u>(11,377,038)</u> |
| Net position of governmental activities | \$ | <u><u>21,543,318</u></u> |

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

CITY OF RICHMOND HILL, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | General Fund | SPLOST VI Fund | SPLOST VII Fund | TSPLOST Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | | | |
| Taxes | \$ 7,297,662 | \$ - | \$ - | \$ - | \$ 749,568 | \$ 8,047,230 |
| Licenses and permits | 372,053 | - | - | - | - | 372,053 |
| Intergovernmental revenues | 55,788 | 859,655 | 1,434,966 | - | - | 2,350,409 |
| Charges for services | 926,761 | - | - | - | - | 926,761 |
| Fines and forfeitures | 604,756 | - | - | - | 1,841 | 606,597 |
| Interest income | 93,255 | 9,453 | 1,459 | 895 | 1,394 | 106,456 |
| Miscellaneous | 20,717 | 300 | - | - | - | 21,017 |
| Total revenues | <u>9,370,992</u> | <u>869,408</u> | <u>1,436,425</u> | <u>895</u> | <u>752,803</u> | <u>12,430,523</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 1,705,785 | - | - | - | - | 1,705,785 |
| Judicial | 40,926 | - | - | - | - | 40,926 |
| Public safety | 4,671,050 | - | - | - | 2,151 | 4,673,201 |
| Public works | 2,763,426 | - | - | 2,895,124 | - | 5,658,550 |
| Culture and recreation | 885,406 | - | - | - | 214,151 | 1,099,557 |
| Housing and development | 630,846 | - | - | - | 263,263 | 894,109 |
| Capital outlay | - | 937,865 | - | - | - | 937,865 |
| Debt service: | | | | | | |
| Principal retirement | - | 650,112 | - | - | - | 650,112 |
| Interest | - | 213,306 | - | - | - | 213,306 |
| Issuance costs | - | - | - | 53,000 | - | 53,000 |
| Total expenditures | <u>10,697,439</u> | <u>1,801,283</u> | <u>-</u> | <u>2,948,124</u> | <u>479,565</u> | <u>15,926,411</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,326,447)</u> | <u>(931,875)</u> | <u>1,436,425</u> | <u>(2,947,229)</u> | <u>273,238</u> | <u>(3,495,888)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Sale of capital assets | 7,100 | - | - | - | - | 7,100 |
| Proceeds from intergovernmental loan | - | - | - | 4,650,000 | - | 4,650,000 |
| Transfers in | 821,190 | - | - | - | 214,227 | 1,035,417 |
| Transfers out | - | - | - | - | (535,417) | (535,417) |
| Total other financing sources (uses) | <u>828,290</u> | <u>-</u> | <u>-</u> | <u>4,650,000</u> | <u>(321,190)</u> | <u>5,157,100</u> |
| Net change in fund balances | <u>(498,157)</u> | <u>(931,875)</u> | <u>1,436,425</u> | <u>1,702,771</u> | <u>(47,952)</u> | <u>1,661,212</u> |
| Fund balances, beginning of year, as restated | <u>6,136,651</u> | <u>1,805,502</u> | <u>-</u> | <u>-</u> | <u>233,398</u> | <u>8,175,551</u> |
| Fund balances, end of year | <u>\$ 5,638,494</u> | <u>\$ 873,627</u> | <u>\$ 1,436,425</u> | <u>\$ 1,702,771</u> | <u>\$ 185,446</u> | <u>\$ 9,836,763</u> |

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

CITY OF RICHMOND HILL, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net change in fund balances - total governmental funds \$ 1,661,212

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

| | | |
|----------------------|--------------------|---------|
| Capital outlay | \$ 1,389,286 | |
| Depreciation expense | <u>(1,051,671)</u> | 337,615 |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (28,328)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|--|-----------------|---------|
| Property taxes deferred at December 31, 2018 | \$ 43,110 | |
| Property taxes deferred at December 31, 2017 | <u>(50,937)</u> | (7,827) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|---|----------------|-------------|
| Intergovernmental loan proceeds | \$ (4,650,000) | |
| Principal payments - notes payable | 48,373 | |
| Principal payments - bonds payable | 503,110 | |
| Principal payments - capital leases payable | <u>98,629</u> | (3,999,888) |

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

| | | |
|--|-----------------|----------------|
| Compensated absences | \$ 5,853 | |
| Net pension liability, net of pension related deferred outflows and inflows of resources | 257,957 | |
| Accrued interest | <u>(29,096)</u> | <u>234,714</u> |

| | | |
|---|--|------------------------------|
| Change in net position of governmental activities | | <u><u>\$ (1,802,502)</u></u> |
|---|--|------------------------------|

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

CITY OF RICHMOND HILL, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Budget | | Actual | Variance With Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 6,834,000 | \$ 6,834,000 | \$ 7,297,662 | \$ 463,662 |
| Licenses and permits | 347,000 | 347,000 | 372,053 | 25,053 |
| Intergovernmental revenues | 130,000 | 130,000 | 55,788 | (74,212) |
| Charges for services | 950,000 | 950,000 | 926,761 | (23,239) |
| Fines and forfeitures | 875,000 | 875,000 | 604,756 | (270,244) |
| Interest income | 16,000 | 16,000 | 93,255 | 77,255 |
| Miscellaneous | 8,000 | 8,000 | 20,717 | 12,717 |
| Total revenues | <u>9,160,000</u> | <u>9,160,000</u> | <u>9,370,992</u> | <u>210,992</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| City council | 60,000 | 60,000 | 82,457 | (22,457) |
| General administration | 1,029,000 | 952,000 | 1,262,851 | (310,851) |
| Finance department | 250,000 | 250,000 | 328,677 | (78,677) |
| General government buildings | 35,000 | 35,000 | 31,800 | 3,200 |
| Judicial: | | | | |
| Municipal Court | 40,000 | 40,000 | 40,926 | (926) |
| Public safety: | | | | |
| Police department | 3,370,000 | 3,370,000 | 3,224,024 | 145,976 |
| Custody of prisoners | 40,000 | 40,000 | 27,715 | 12,285 |
| Fire protection | 1,123,000 | 1,200,000 | 1,419,311 | (219,311) |
| Public works: | | | | |
| Streets | 1,450,000 | 1,450,000 | 1,885,984 | (435,984) |
| Sanitation | 900,000 | 900,000 | 877,442 | 22,558 |
| Culture and recreation: | | | | |
| Park | 500,000 | 500,000 | 489,930 | 10,070 |
| Special recreation projects | 435,000 | 435,000 | 395,476 | 39,524 |
| Housing and development: | | | | |
| Building inspection | 643,000 | 643,000 | 630,785 | 12,215 |
| Code enforcement | - | - | 61 | (61) |
| Total expenditures | <u>9,875,000</u> | <u>9,875,000</u> | <u>10,697,439</u> | <u>(822,439)</u> |
| Deficiency of revenues under expenditures | <u>(715,000)</u> | <u>(715,000)</u> | <u>(1,326,447)</u> | <u>(611,447)</u> |
| Other financing sources: | | | | |
| Sale of capital assets | - | - | 7,100 | 7,100 |
| Transfers in | 315,000 | 315,000 | 821,189 | 506,189 |
| Total other financing sources | <u>315,000</u> | <u>315,000</u> | <u>828,289</u> | <u>513,289</u> |
| Net change in fund balances | <u>(400,000)</u> | <u>(400,000)</u> | <u>(498,158)</u> | <u>(98,158)</u> |
| Fund balance, beginning of year, as restated | <u>6,136,651</u> | <u>6,136,651</u> | <u>6,136,651</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 5,736,651</u> | <u>\$ 5,736,651</u> | <u>\$ 5,638,493</u> | <u>\$ (98,158)</u> |

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

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2018

| | Water and Sewer Fund | Storm Water Utility Fund | Total Enterprise Funds |
|--|-------------------------|-----------------------------|------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 7,366,725 | \$ 52,792 | \$ 7,419,517 |
| Accounts receivable, net of allowance | 534,987 | 34,932 | 569,919 |
| Note receivable, current portion | 44,167 | - | 44,167 |
| Restricted cash | 1,733,367 | - | 1,733,367 |
| Total current assets | 9,679,246 | 87,724 | 9,766,970 |
| NONCURRENT ASSETS | | | |
| Long-term receivable | 357,563 | - | 357,563 |
| Capital assets | | | |
| Non-depreciable | 1,435,260 | - | 1,435,260 |
| Depreciable, net of accumulated depreciation | 43,933,938 | 3,707,447 | 47,641,385 |
| Total noncurrent assets | 45,726,761 | 3,707,447 | 49,434,208 |
| Total assets | 55,406,007 | 3,795,171 | 59,201,178 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension | 17,190 | - | 17,190 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 415,134 | 21,974 | 437,108 |
| Accrued liabilities | 31,843 | - | 31,843 |
| Current portion of compensated absences | 12,111 | - | 12,111 |
| Current portion of notes payable | 1,170,813 | - | 1,170,813 |
| Payable from restricted assets: | | | |
| Current portion of bonds payable | 199,207 | - | 199,207 |
| Customer deposits | 190,936 | - | 190,936 |
| Total current liabilities | 2,020,044 | 21,974 | 2,042,018 |
| NON-CURRENT LIABILITIES | | | |
| Compensated absences | 10,741 | - | 10,741 |
| Notes payable | 21,297,530 | - | 21,297,530 |
| Bonds payable | 1,599,055 | - | 1,599,055 |
| Net pension liability | 6,577 | - | 6,577 |
| Total non-current liabilities | 22,913,903 | - | 22,913,903 |
| Total liabilities | 24,933,947 | 21,974 | 24,955,921 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension | 47,450 | - | 47,450 |
| NET POSITION | | | |
| Net investment in capital assets | 21,102,593 | 3,707,447 | 24,810,040 |
| Restricted for: | | | |
| Capital projects | 1,555,074 | - | 1,555,074 |
| Debt service | 240,866 | - | 240,866 |
| Unrestricted | 7,543,267 | 65,750 | 7,609,017 |
| Total net position | \$ 30,441,800 | \$ 3,773,197 | \$ 34,214,997 |

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

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Water and Sewer Fund</u> | <u>Storm Water Utility Fund</u> | <u>Total Enterprise Funds</u> |
|---|---------------------------------|-------------------------------------|---------------------------------------|
| OPERATING REVENUE | | | |
| Charges for services | \$ 6,746,453 | \$ 530,708 | \$ 7,277,161 |
| Miscellaneous | 316,707 | - | 316,707 |
| Total operating revenues | <u>7,063,160</u> | <u>530,708</u> | <u>7,593,868</u> |
| OPERATING EXPENSES | | | |
| Cost of sales and services | 4,216,941 | 592,575 | 4,809,516 |
| Depreciation | 1,280,322 | 117,476 | 1,397,798 |
| Total operating expenses | <u>5,497,263</u> | <u>710,051</u> | <u>6,207,314</u> |
| Operating income (loss) | <u>1,565,897</u> | <u>(179,343)</u> | <u>1,386,554</u> |
| NON-OPERATING REVENUES | | | |
| Interest income | 33,693 | - | 33,693 |
| Interest expense | (414,897) | (4,416) | (419,313) |
| Loss on disposal of capital assets | - | (93,237) | (93,237) |
| Total non-operating revenues | <u>(381,204)</u> | <u>(97,653)</u> | <u>(478,857)</u> |
| Income (loss) before contributions and transfers | 1,184,693 | (276,996) | 907,697 |
| CAPITAL CONTRIBUTIONS | 1,410,996 | - | 1,410,996 |
| TRANSFERS | | | |
| Transfers in | - | 131,848 | 131,848 |
| Transfers out | <u>(631,848)</u> | <u>-</u> | <u>(631,848)</u> |
| Net change in net position | 1,963,841 | (145,148) | 1,818,693 |
| Net position, beginning of year, as restated | <u>28,477,959</u> | <u>3,918,345</u> | <u>32,396,304</u> |
| Net position, end of year | <u>\$ 30,441,800</u> | <u>\$ 3,773,197</u> | <u>\$ 34,214,997</u> |

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

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

| | Water and Sewer Utility Fund | Storm Water Utility Fund | Total Enterprise Funds |
|--|---------------------------------|-----------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers and users | \$ 7,052,847 | \$ 543,457 | \$ 7,596,304 |
| Cash paid to suppliers | (4,118,582) | (666,780) | (4,785,362) |
| Cash paid to employees | (287,968) | - | (287,968) |
| | 2,646,297 | (123,323) | 2,522,974 |
| CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Transfers in | - | 131,848 | 131,848 |
| Transfers out | (631,848) | - | (631,848) |
| Net cash provided by (used in) non-capital and related financing activities | (631,848) | 131,848 | (500,000) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from sale of capital assets | - | 165,000 | 165,000 |
| Acquisition and construction of capital assets | (317,400) | - | (317,400) |
| Capital contributions | 1,410,996 | - | 1,410,996 |
| Principal payments on debt | (1,382,749) | (190,756) | (1,573,505) |
| Interest payments on debt | (416,906) | (4,416) | (421,322) |
| Net cash used in capital and related financing activities | (706,059) | (30,172) | (736,231) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest earned on investments | 33,693 | - | 33,693 |
| Net cash provided by investing activities | 33,693 | - | 33,693 |
| Net increase (decrease) in cash and cash equivalents | 1,342,083 | (21,647) | 1,320,436 |
| Cash and cash equivalents, beginning of year | 7,758,009 | 74,439 | 7,832,448 |
| Cash and cash equivalents, end of year | \$ 9,100,092 | \$ 52,792 | \$ 9,152,884 |
| Cash and cash equivalents | \$ 7,366,725 | \$ 52,792 | \$ 7,419,517 |
| Restricted Cash | 1,733,367 | - | 1,733,367 |
| | \$ 9,100,092 | \$ 52,792 | \$ 9,152,884 |

(Continued)

CITY OF RICHMOND HILL, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Water and Sewer Utility Fund</u> | <u>Storm Water Utility Fund</u> | <u>Total Enterprise Funds</u> |
|---|---|-------------------------------------|-----------------------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) | | | |
| OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ 1,565,897 | \$ (179,343) | \$ 1,386,554 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation | 1,280,322 | 117,476 | 1,397,798 |
| (Increase) decrease in: | | | |
| Accounts receivable | (10,138) | 12,749 | 2,611 |
| Long term receivable | (175) | - | (175) |
| Deferred outflows of resources - pension | 5,200 | - | 5,200 |
| Increase (decrease) in: | | | |
| Accounts payable | (156,941) | (74,205) | (231,146) |
| Accrued liabilities | (5,662) | - | (5,662) |
| Customer deposits | (21,390) | - | (21,390) |
| Compensated absences | 9,570 | - | 9,570 |
| Net pension liability | (45,894) | - | (45,894) |
| Deferred inflows of resources - pension | 25,508 | - | 25,508 |
| Net cash provided by (used in) operating activities | <u>\$ 2,646,297</u> | <u>\$ (123,323)</u> | <u>\$ 2,522,974</u> |

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

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CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Richmond Hill, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City operates under the Mayor Council form of government with the Mayor and four council members comprising the governing body. As authorized by its Code of Ordinances, the City provides public safety (police and fire), municipal court, public works (streets and sanitation), water and sewer utilities, storm water fees, zoning administration, licensing, and regulation and general administrative services to its constituents.

The accompanying financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above. The Public Facilities Authority (PFA) of Richmond Hill was created for the purpose of promoting the public good and general welfare of the citizens of the city and of the state and financing and providing facilities, equipment and services within the city. The Public Facilities Authority is composed of the Mayor and City Council and as such the City appoints a voting majority and can impose its will on the Public Facilities Authority. The PFA issues debt for the City. The PFA did not have any transactions during the current year.

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.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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, 2018, the City paid \$24,131 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

B. Government-wide and Fund Financial Statements

Government-wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable, when applicable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. The City reports no nonmajor funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Major Funds

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *SPLOST VI Fund* is used to account for the 1% Special Purpose Local Option Sales Tax (SPLOST) funds collected by Bryan County and disbursed to the City. The funds are used for capital projects as approved by voter referendum.

The *SPLOST VII Fund* is used to account for the 1% Special Purpose Local Option Sales Tax (SPLOST) funds collected by Bryan County and disbursed to the City. The funds are used for capital projects as approved by voter referendum.

The *TSPLOST Fund* is used to account for collection of the transportation special purpose local option sales tax (TSPLOST) funds collected by Bryan County and disbursed to the City. These funds are used for transportation projects as approved by voter referendum.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* accounts for the operations and maintenance of the water and sewer distribution system owned by the City.

The *Storm Water Utility Fund* accounts for the collection of fees for upgrades to storm water infrastructure and related expenses.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Nonmajor Funds

Additionally, the City reports the following nonmajor funds:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds, when applicable) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at their gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. State-levied locally shared taxes are recognized as revenue in the year appropriated by the state.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are considered to be measurable if the amount is known or reasonably estimable at year-end. The following revenue sources are deemed both measurable and available if collected within 60 days of year-end: delinquent property taxes, investment earnings, fines and forfeitures, state-levied locally shared taxes, insurance taxes, certain charges for services, and grant revenues for which all eligibility requirements imposed by the provider have been met. Permits, vehicle and some franchise taxes, licenses, and miscellaneous revenues, although they may be available within 60 days of year-end are considered to be measurable only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund.

Proceeds of general long-term debt and proceeds for acquisitions under capital leases are reported as other financing sources.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the Georgia Local Government Investment Pool to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the Pool are reported as investments.

E. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables, i.e., the current portion of interfund loans, or advances to/from other funds, i.e., the noncurrent portion of interfund loans. All other outstanding balances between funds are reported as due to/from other funds.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

All trade and tax receivables are reported net of an allowance for the uncollectibles, where applicable. Unbilled water charges are accrued as receivables and revenue at December 31, 2018.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets and infrastructure are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Assets with individual values under \$5,000 are considered capital assets if purchased in bulk and acquired by issuance of capital lease obligations. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. These assets generally result from expenditures in the governmental fund. These 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. 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 financial statements.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of enterprise fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Interest incurred during construction of governmental-type activities is not capitalized.

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

| Asset | Years |
|-------------------------------------|-------|
| Utility plant and equipment | 20-50 |
| Buildings and improvements | 20-50 |
| Infrastructure and other structures | 10-50 |
| Machinery, equipment & vehicles | 3-20 |

G. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element 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. The City has two items that qualify for reporting in this category, which are related to pension obligations as follows:

1. Pension contributions made subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the subsequent year.
2. The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Deferred Outflows/Inflows of Resources (Continued)

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element 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 City has three items that qualify for reporting in this category, which are related to pension obligations as follows:

1. The net difference between the projected and actual earnings on pension plan investments which is deferred and amortized over a closed five-year period.
2. The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
3. Changes in actuarial assumptions adjust the net pension liability and are amortized into pension expense over the expected remaining service lives of plan members.

The government also has inflows which arise under the modified accrual basis of accounting that qualify for reporting in this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. As such, under the modified accrual basis of accounting, the governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amount became available.

H. 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 City of Richmond Hill Retirement Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Net Position and Fund Balance

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

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

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in a spendable form, or (b) legally or contractually required to be maintained intact.

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

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

Assigned – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by council or by an official or body to which Council delegates the authority. The City Council has not delegated such authority as of December 31, 2018.

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

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order: (1) committed, (2) assigned, and (3) unassigned.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Net Position and Fund Balance (Continued)

Net Position – Net position represents the difference between assets and deferred outflows, and liabilities and deferred inflows in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the City's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. 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.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statement and the proprietary fund financial statements. All current payables and accrued liabilities from the governmental fund are reported in the governmental fund financial statements.

In the government-wide financial statements for the primary government, long-term debt, and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are expensed when incurred.

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. Premiums received on debt issuances are 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 expenditures.

M. Proprietary Fund Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The City's business-type activities accounted for in the proprietary fund are chiefly water and sewer sales and services and storm water charges. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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.

For the fiscal year ending December 31, 2018, expenditures exceeded final amended budgets in the following funds:

| | <u>Excess</u> |
|---|---------------|
| General Fund | |
| General government | \$ 408,785 |
| Judicial | 926 |
| Public safety | 61,050 |
| Public works | 413,426 |
| City Center Fund - culture and recreation | 63,265 |
| Hotel/Motel Tax Fund - housing and development | 24,693 |
| Convention and Visitors Bureau - culture and recreation | 41,675 |

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 3. CASH AND INVESTMENTS

Total cash and cash equivalents as of December 31, 2018, are summarized as follows:

| | |
|--|----------------------|
| Statement of net position: | |
| Cash and cash equivalents | \$ 16,194,565 |
| Restricted cash | 2,156,582 |
| Component unit - cash and cash equivalents | 150,350 |
| | <u>\$ 18,501,497</u> |
| | |
| Cash deposited with financial institutions | \$ 14,391,520 |
| Cash deposited with Georgia Fund 1 | 4,109,977 |
| | <u>\$ 18,501,497</u> |

Certain cash and cash equivalents of the City are legally restricted for specified purposes. Restrictions at December 31, 2018, represented amounts owed back to customers for utility deposits and amounts in escrow.

In its investment of public funds, the City follows state statutes and adopted investment policies. As of December 31, 2018, the investments of the City were:

| Investment | Average Credit Rating | Fair Value | Average Maturity Days |
|----------------|-----------------------|--------------|-----------------------|
| Georgia Fund 1 | AAAf | \$ 4,109,977 | 21 |

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 investment in the Georgia Fund 1 represents the City's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in the Georgia Fund 1 is valued at fair market value.

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.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Credit Risk. State statutes authorize the City to invest in: obligations of the United States, the State of Georgia, and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1).

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2018, all of the deposits for the City were fully collateralized in accordance with the state statutes.

Interest Rate Risk. 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.

NOTE 4. RECEIVABLES

Receivables as of December 31, 2018, including the applicable allowances for uncollectible accounts, are as follows:

| | General Fund | SPLOST VII Fund | TSPLOST Fund | Non-Major Governmental Funds | Water and Sewer Fund | Storm Water Fund | Total |
|-----------------------------------|---------------------|-------------------|-------------------|------------------------------------|-------------------------|---------------------|---------------------|
| Receivables: | | | | | | | |
| Taxes | \$ 96,523 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 96,523 |
| Accounts | 884,748 | - | - | 54,186 | 841,813 | 54,983 | 1,835,730 |
| Due from other governments | 317,909 | 199,041 | 462,771 | - | - | - | 979,721 |
| Gross receivables | <u>1,299,180</u> | <u>199,041</u> | <u>462,771</u> | <u>54,186</u> | <u>841,813</u> | <u>54,983</u> | <u>2,911,974</u> |
| Less allowance for uncollectibles | <u>(63,570)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(306,826)</u> | <u>(20,051)</u> | <u>(390,447)</u> |
| Net receivables | <u>\$ 1,235,610</u> | <u>\$ 199,041</u> | <u>\$ 462,771</u> | <u>\$ 54,186</u> | <u>\$ 534,987</u> | <u>\$ 34,932</u> | <u>\$ 2,521,527</u> |

CITY OF RICHMOND HILL, GEORGIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4. RECEIVABLES (CONTINUED)

Property Taxes. Property taxes are assessed as of January 1 and taxes were levied on August 14, 2018. A millage rate of 4.132 mills was adopted on August 21, 2018. Tax bills were rendered on September 15, 2018 and are considered past due 60 days after the respective tax billing date at which time the applicable property is subject to lien and penalties and interest are assessed. An allowance is established for delinquent taxes to the extent their collection is improbable.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund receivable and payable balances as of December 31, 2018, is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---|---|------------------|
| General | Nonmajor governmental | \$ 23,218 |
| Nonmajor governmental | Nonmajor governmental | 33,968 |
| | | <u>\$ 57,186</u> |
| Discretely presented component unit - Convention and Visitors Bureau | Primary government - Nonmajor governmental | <u>\$ 33,952</u> |

These amounts represent short-term receivables and payables. The balances resulted from the time lag between 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.

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

| <u>Transfer in</u> | <u>Transfer out</u> | <u>Amount</u> |
|-----------------------|-----------------------|---------------------|
| General | Water and Sewer | \$ 500,000 |
| Storm water | Water and Sewer | 131,848 |
| General | Nonmajor governmental | 321,190 |
| Nonmajor governmental | Nonmajor governmental | 214,227 |
| | | <u>\$ 1,167,265</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.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 6. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2018, is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|--------------------|------------------|---------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 3,428,077 | \$ - | \$ - | \$ - | \$ 3,428,077 |
| Right of way | 310,000 | - | - | - | 310,000 |
| Construction in progress | 282,461 | 533,354 | (1,841) | - | 813,974 |
| Total | <u>4,020,538</u> | <u>533,354</u> | <u>(1,841)</u> | <u>-</u> | <u>4,552,051</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 10,084,169 | 17,900 | - | - | 10,102,069 |
| Infrastructure and other structures | 13,043,879 | 420,513 | - | - | 13,464,392 |
| Machinery, equipment and vehicles | 5,926,698 | 417,519 | (253,931) | - | 6,090,286 |
| Total | <u>29,054,746</u> | <u>855,932</u> | <u>(253,931)</u> | <u>-</u> | <u>29,656,747</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (3,261,243) | (311,414) | - | - | (3,572,657) |
| Infrastructure and other structures | (2,207,251) | (407,349) | - | - | (2,614,600) |
| Machinery, equipment and vehicles | (4,525,878) | (332,908) | 227,444 | - | (4,631,342) |
| Total | <u>(9,994,372)</u> | <u>(1,051,671)</u> | <u>227,444</u> | <u>-</u> | <u>(10,818,599)</u> |
| Total capital assets, being depreciated, net | <u>19,060,374</u> | <u>(195,739)</u> | <u>(26,487)</u> | <u>-</u> | <u>18,838,148</u> |
| Governmental activities capital assets, net | <u>\$ 23,080,912</u> | <u>\$ 337,615</u> | <u>\$ (28,328)</u> | <u>\$ -</u> | <u>\$ 23,390,199</u> |

Depreciation expense was charged to functions/programs of the governmental activities as follows:

| | |
|--|---------------------|
| General government | \$ 53,970 |
| Public safety | 315,144 |
| Public works | 447,624 |
| Culture and recreation | 69,969 |
| Housing and development | 164,964 |
| Total depreciation expense - governmental activities | <u>\$ 1,051,671</u> |

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the business-type activities for the year ended December 31, 2018, is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|-----------------------|---------------------|------------------|---------------------------|
| Business-type Activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,100,329 | \$ - | \$ - | \$ - | \$ 1,100,329 |
| Construction in progress | 1,011,850 | 317,400 | - | (994,319) | 334,931 |
| Total | <u>2,112,179</u> | <u>317,400</u> | <u>-</u> | <u>(994,319)</u> | <u>1,435,260</u> |
| Capital assets, being depreciated: | | | | | |
| Utility plant and equipment | 56,280,281 | - | - | 994,319 | 57,274,600 |
| Buildings | 124,464 | - | - | - | 124,464 |
| Machinery, equipment and vehicles | 1,136,842 | - | (286,930) | - | 849,912 |
| Total | <u>57,541,587</u> | <u>-</u> | <u>(286,930)</u> | <u>994,319</u> | <u>58,248,976</u> |
| Less accumulated depreciation for: | | | | | |
| Utility plant and equipment | (8,375,733) | (1,357,913) | | | (9,733,646) |
| Buildings | (124,467) | - | - | - | (124,467) |
| Machinery, equipment and vehicles | (738,286) | (39,885) | 28,693 | - | (749,478) |
| Total | <u>(9,238,486)</u> | <u>(1,397,798)</u> | <u>28,693</u> | <u>-</u> | <u>(10,607,591)</u> |
| Total capital assets, being depreciated, net | <u>48,303,101</u> | <u>(1,397,798)</u> | <u>(258,237)</u> | <u>994,319</u> | <u>47,641,385</u> |
| Business-type activities capital assets, net | <u>\$ 50,415,280</u> | <u>\$ (1,080,398)</u> | <u>\$ (258,237)</u> | <u>\$ -</u> | <u>\$ 49,076,645</u> |

Depreciation expense was charged to funds of the primary government as follows:

| <u>Business-type activities</u> | |
|---|---------------------|
| Water and Sewer Fund | \$ 1,280,322 |
| Storm Water Utility Fund | 117,476 |
| Total depreciation expense - business-type activities | <u>\$ 1,397,798</u> |

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 7. LONG-TERM DEBT

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 \$70,852.

The assets acquired through capital leases are as follows:

| Asset Class | Governmental Activities |
|--------------------------------|----------------------------|
| Machinery and equipment | \$ 649,242 |
| Less: Accumulated depreciation | <u>(212,557)</u> |
| Total | <u><u>\$ 436,685</u></u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

| Year ending December 31, | Governmental Activities |
|--|----------------------------|
| 2019 | \$ 51,280 |
| 2020 | 51,280 |
| 2021 | 51,280 |
| 2022 | 51,280 |
| 2023 | 51,280 |
| 2024-2026 | <u>115,383</u> |
| Total minimum lease payments | 371,783 |
| Less: Amounts representing interest | <u>(42,685)</u> |
| Present value of future minimum lease payments | 329,098 |
| Less current portion | <u>(40,828)</u> |
| Long-term portion of leases | <u><u>\$ 288,270</u></u> |

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

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% 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.

In 2017, the City entered into a contractual obligation with the Richmond Hill Public Facilities Authority (Authority) related to the Richmond Hill Public Facilities Authority Revenue Bond (City of Richmond Hill Projects), Series 2017. The Bond is being issued to provide funds needed to reimburse and finance the costs, in whole or in part, of: (i) the costs associated with the acquisition of the Ford Avenue property and certain improvements to the Sweet Shop Building for use as offices for the City's Convention and Visitors Bureau, and (ii) the fees and expenses to be incurred in connection with the issuance of this 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. The principal amount of the bond is \$3,500,000 at a rate of 2.72% and maturity of 15 years.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

The bond debt service requirements for the contractual obligations are as follows:

| Year | Principal | Interest | Total |
|-----------|--------------|------------|--------------|
| 2019 | \$ 515,609 | \$ 164,959 | \$ 680,568 |
| 2020 | 532,346 | 148,222 | 680,568 |
| 2021 | 550,507 | 130,061 | 680,568 |
| 2022 | 568,854 | 111,714 | 680,568 |
| 2023 | 587,821 | 92,747 | 680,568 |
| 2024-2028 | 1,736,884 | 249,328 | 1,986,212 |
| 2029-2032 | 1,074,702 | 61,849 | 1,136,551 |
| | \$ 5,566,723 | \$ 958,880 | \$ 6,525,603 |

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 to maturity is as follows:

| Year | Principal | Interest | Total |
|-----------|------------|------------|------------|
| 2019 | \$ 50,088 | \$ 19,593 | \$ 69,681 |
| 2020 | 51,864 | 17,816 | 69,680 |
| 2021 | 53,704 | 15,977 | 69,681 |
| 2022 | 55,608 | 14,073 | 69,681 |
| 2023 | 57,580 | 12,101 | 69,681 |
| 2024-2028 | 308,430 | 28,361 | 336,791 |
| | \$ 577,274 | \$ 107,921 | \$ 685,195 |

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 7. LONG-TERM DEBT (CONTINUED)

Intergovernmental Payable

The City entered into an intergovernmental agreement with Bryan County related to the County's issuance of \$4.65 million in General Obligation Transportation Sales Tax Bonds, Series 2018. In accordance with the agreement, the City's portion of the Transportation Sales Tax (TSPLOST) is deposited into a debt service account maintained by the County to fund payment of the Sales Tax Bonds. The County disbursed the proceeds of the bonds to the City upon issuance in October 2018. These bonds, while not issued in the name of the City, are paid by the City's portion of the TSPLOST. As such, an intergovernmental payable, due to the County for the bond payments was created. Principal is due in November of each year and interest is due semi-annually in May and November through 2023.

The intergovernmental payable bears interest at a rate of 3.365% per annum. Debt service to maturity requirements for the payable are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 2019 | \$ - | \$ 140,826 | \$ 140,826 |
| 2020 | 1,105,000 | 140,826 | 1,245,826 |
| 2021 | 1,143,000 | 119,290 | 1,262,290 |
| 2022 | 1,181,000 | 80,828 | 1,261,828 |
| 2023 | 1,221,000 | 41,086 | 1,262,086 |
| | <u>\$ 4,650,000</u> | <u>\$ 522,856</u> | <u>\$ 5,172,856</u> |

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 7. LONG-TERM DEBT (CONTINUED)

Georgia Environmental Finance Authority (GEFA) Loans

The City has obtained 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 loans outstanding at year end are as follows:

| <u>Purpose</u> | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Loan Payable</u> |
|--|-----------------------|----------------------|----------------------|
| GEFA - Pump station rehabilitation and force main replacement - construction loan | \$ 2,500,000 | 2.91% | \$ 2,035,330 |
| GEFA - Construction of new wastewater treatment facility and all necessary appurtenances - phase I | 3,500,000 | 3.00% | 3,040,607 |
| GEFA - Construction of new wastewater treatment facility and all necessary appurtenances - phase II | 10,000,000 | 1.40% | 8,095,385 |
| GEFA - Construction of new wastewater treatment facility and all necessary appurtenances - phase III | 10,500,000 | 1.03% | 9,297,021 |
| Total loans | | | <u>22,468,343</u> |
| Less: current portion | | | (1,170,813) |
| Total long-term debt | | | <u>\$ 21,297,530</u> |

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 7. LONG-TERM DEBT (CONTINUED)

Georgia Environmental Finance Authority (GEFA) Loans (Continued)

GEFA loans debt service requirements to maturity are as follows:

| Year | Principal | Interest | Total |
|-----------|---------------|--------------|---------------|
| 2019 | \$ 1,170,813 | \$ 351,096 | \$ 1,521,909 |
| 2020 | 1,189,431 | 332,478 | 1,521,909 |
| 2021 | 1,208,482 | 313,427 | 1,521,909 |
| 2022 | 1,227,842 | 294,067 | 1,521,909 |
| 2023 | 1,247,600 | 274,309 | 1,521,909 |
| 2024-2028 | 6,548,309 | 1,061,238 | 7,609,547 |
| 2029-2033 | 7,104,791 | 504,757 | 7,609,548 |
| 2034-2036 | 2,771,075 | 39,933 | 2,811,008 |
| | \$ 22,468,343 | \$ 3,171,305 | \$ 25,639,648 |

Water and Sewer Bond

During 2017, the City issued the Water and Sewer Refunding Bond, Series 2017 in the principal amount of \$2,135,400. The proceeds of the bond sale were used by the City to: (1) refund and redeem certain outstanding amounts of loans made to the City by GEFA, and (2) fund all expenses incidental to the issuance of the bond. The bond bears interest at a fixed rate of 2.44% with principal repayment beginning April 2017 and continuing monthly thereafter. The refunding was undertaken to reduce total future debt service payments. The transaction also resulted in an economic gain of \$32,340 and a reduction of \$217,772 in future debt service payments.

Debt service requirements to maturity are as follows:

| Year | Principal | Interest | Total |
|-----------|--------------|------------|--------------|
| 2019 | \$ 199,207 | \$ 41,659 | \$ 240,866 |
| 2020 | 204,122 | 36,744 | 240,866 |
| 2021 | 209,159 | 31,707 | 240,866 |
| 2022 | 214,320 | 26,546 | 240,866 |
| 2023 | 219,608 | 21,258 | 240,866 |
| 2024-2027 | 751,846 | 30,969 | 782,815 |
| | \$ 1,798,262 | \$ 188,883 | \$ 1,987,145 |

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 7. LONG-TERM DEBT (CONTINUED)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities | | | | | |
| Capital leases payable | \$ 427,727 | \$ - | \$ (98,629) | \$ 329,098 | \$ 40,828 |
| Bonds payable | 6,069,833 | - | (503,110) | 5,566,723 | 515,609 |
| Notes payable | 625,647 | - | (48,373) | 577,274 | 50,088 |
| Intergovernmental payable | - | 4,650,000 | - | 4,650,000 | - |
| Compensated absences | 161,899 | 74,872 | (80,725) | 156,046 | 82,705 |
| Net pension liability | 838,414 | 903,033 | (1,682,560) | 58,887 | - |
| Total long-term liabilities | <u>\$ 8,123,520</u> | <u>\$ 5,627,905</u> | <u>\$ (2,413,397)</u> | <u>\$ 11,338,028</u> | <u>\$ 689,230</u> |
| Business-type activities | | | | | |
| Capital leases payable | \$ 190,757 | \$ - | \$ (190,757) | \$ - | \$ - |
| Bonds payable | 1,992,671 | - | (194,409) | 1,798,262 | 199,207 |
| GEFA loans payable | 23,656,682 | - | (1,188,339) | 22,468,343 | 1,170,813 |
| Compensated absences | 13,282 | 21,165 | (11,595) | 22,852 | 12,111 |
| Net pension liability | 52,471 | 53,166 | (99,060) | 6,577 | - |
| Total long-term liabilities | <u>\$ 25,905,863</u> | <u>\$ 74,331</u> | <u>\$ (1,684,160)</u> | <u>\$ 24,296,034</u> | <u>\$ 1,382,131</u> |

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 8. 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.

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, 2018. No provisions have been made in the financial statements for the year ended December 31, 2018, for any estimate of potential unpaid claims.

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.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 9. COMMITMENTS AND CONTINGENCIES

The City receives a number of grants that 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 attorney is not aware of any pending or threatening claims of litigation of a material nature in relation to the overall financial statements.

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

NOTE 10. DEFINED BENEFIT 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 plan also includes the City's discretely presented component unit, the Convention and Visitors Bureau, employees.

The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. 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 Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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).

Plan Membership

As of July 1, 2018, the date of the most recent actuarial valuation, there were 162 participants consisting of the following:

| | |
|---|-------|
| Inactive plan members or beneficiaries currently receiving benefits | 29 |
| Inactive plan members entitled to but not receiving benefits | 41 |
| Active plan members | 92 |
| | <hr/> |
| | 162 |
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CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2018.

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--|
| Cost of living adjustments | 2.75% |
| Salary increases | 2.75% plus service based merit increases |
| Investment rate of return | 7.50% On-going basis, based on long-term expected rate of return of pension plan investments |

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with gender-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2010–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 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, 2018, are summarized in the following table:

CITY OF RICHMOND HILL, GEORGIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

| Asset Class | Target Allocation | Long-term expected real rate of return* |
|-----------------------|-------------------|---|
| Domestic equity | 45 % | 6.71 % |
| International equity | 20 | 7.71 |
| Real estate | 10 | 5.21 |
| Global fixed income | 5 | 3.36 |
| Domestic fixed income | 20 | 2.11 |
| Total | 100 % | |

* Rates shown are net of the 2.75% assumed rate of inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability of the City

The changes in the components of the net pension liability of the City for the year ended December 31, 2018, were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Balances at December 31, 2017 | \$ 8,982,849 | \$ 8,081,507 | \$ 901,342 |
| Changes for the year: | | | |
| Service cost | 255,469 | - | 255,469 |
| Interest | 684,447 | - | 684,447 |
| Differences between expected and actual experience | (252,797) | - | (252,797) |
| Assumption changes | (184,083) | - | (184,083) |
| Contributions - employer | - | 247,318 | (247,318) |
| Contributions - employee | - | 113,490 | (113,490) |
| Net investment income | - | 1,003,747 | (1,003,747) |
| Benefit payments, including refunds of employee contributions | (302,558) | (302,558) | - |
| Administrative expense | - | (26,917) | 26,917 |
| Net changes | <u>200,478</u> | <u>1,035,080</u> | <u>(834,602)</u> |
| Balances at December 31, 2018 | <u>\$ 9,183,327</u> | <u>\$ 9,116,587</u> | <u>\$ 66,740</u> |

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|------------------------------|------------------------|-------------------------------------|------------------------|
| City's net pension liability | \$ 1,414,292 | \$ 66,740 | \$ (1,027,754) |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2018, and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the City recognized pension expense of (\$10,703). At December 31, 2018, 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 |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 271,894 | \$ (212,233) |
| Changes in assumptions | - | (301,342) |
| Net difference between projected and actual earnings on pension plan investments | - | (327,210) |
| City contributions subsequent to the measurement date | 184,770 | - |
| Total | \$ 456,664 | \$ (840,785) |

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

City contributions subsequent to the measurement date of \$184,770 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending December 31: | |
|--------------------------|---------------------|
| 2019 | \$ (236,514) |
| 2020 | (83,270) |
| 2021 | (173,864) |
| 2022 | (75,243) |
| Total | <u>\$ (568,891)</u> |

NOTE 11. TAX ABATEMENTS

The City has entered into tax abatement agreements to promote economic development in the County and City through the Development Authority of Bryan County (Authority). The Authority can enter into agreements for industrial projects to encourage the creation of jobs and new capital investment through an "Investment Assistance Program." Georgia case law and statutory provisions, including the Development Authorities Law (Title 36 Chapter 62 of the Georgia Code Annotated), provide the Authority with the power to enter into such agreements with companies.

The Authority may accept title to real property (land and building) and personal property (machinery and equipment) assets from a company in return for job creation and/or capital investment and provide a tax benefit to the company through a lease agreement with the Authority. Agreements with respect to taxation of such assets under the lease provide the terms and conditions of any tax abatement. In general, failure to create jobs and/or investments as set forth in the agreements would result in a reduction (or claw back) of any tax abatements. The Authority monitors compliance with performance and accountability agreements to ensure the companies meet the agreed upon commitments.

For the City of Richmond Hill's fiscal year ending December 31, 2018, the cumulative property tax not collected by the City of Richmond Hill due to incentive agreements was \$168,827. Such agreements in effect for Richmond Hill resulted in over \$145 million in capital investment and 213 jobs.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 12. PRIOR PERIOD ADJUSTMENTS

The City and Convention and Visitors Bureau have determined that restatements to beginning net position of its governmental activities, business-type activities, Water and Sewer Fund, and the discretely presented component unit – Convention and Visitors Bureau were required to reflect corrections of errors in the December 31, 2017, financial report. Additionally, the City and Convention and Visitors Bureau determined that restatements to fund balance at the fund level for the General Fund and the Convention and Visitors Bureau were required to reflect corrections of errors in the December 31, 2017, financial report. These restatements are as follows:

| | Governmental Activities | Business-type Activities | Convention and Visitors Bureau - Component Unit |
|---|------------------------------------|-------------------------------------|--|
| Beginning net position, December 31, 2017, as previously reported | \$ 23,438,002 | \$ 32,401,966 | \$ 174,519 |
| Adjustment to record accrued payroll | (92,182) | (5,662) | (1,072) |
| Beginning net position, December 31, 2017, as restated | \$ 23,345,820 | \$ 32,396,304 | \$ 173,447 |
| | General Fund | Water and Sewer Fund | Convention and Visitors Bureau - Component Unit |
| Beginning fund balance/net position, December 31, 2017, as previously reported | \$ 6,228,833 | \$ 28,483,621 | \$ 182,979 |
| Adjustment to record accrued payroll | (92,182) | (5,662) | (1,072) |
| Beginning fund balance/net position, December 31, 2017, as restated | \$ 6,136,651 | \$ 28,477,959 | \$ 181,907 |

Adjustment to record accrued payroll. The City and the Convention and Visitors Bureau determined that they had not recorded accrued payroll in prior years in accordance with generally accepted accounting principles (GAAP). As it relates to governmental activities, business-type activities, and the Convention and Visitors Bureau (component unit), adjustments to increase accrued payroll and decrease net position in the amounts of \$92,182, \$5,662, and \$1,072, respectively, were required as of December 31, 2017.

CITY OF RICHMOND HILL, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 12. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Additionally, the City and the Convention and Visitors Bureau determined that they had not recorded accrued payroll in prior years in accordance with generally accepted accounting principles (GAAP). As it relates to the General Fund and Convention and Visitor's Bureau, an adjustment to increase accrued payroll and decrease fund balance in the amounts of \$92,182 and \$1,072, respectively, were required as of December 31, 2017. As it relates to the Water and Sewer Fund, an adjustment to decrease net position in the amount of \$5,662 was required as of December 31, 2017.

NOTE 13. HOTEL MOTEL TAX

The City has levied a 7% hotel motel tax. For the year ended December 31, 2018, \$749,568 of hotel/motel tax was collected. Of the total, 100% was used to promote tourism within the City (\$263,263 to the Convention and Visitors Bureau and \$214,227 to the City Center Fund).

NOTE 14. SUBSEQUENT EVENTS

In June of 2019, the Georgia Environmental Finance Authority (GEFA) approved a loan to the City in the amount of \$3,000,000 for the installation of a master lift station and a force main connection to the water reclamation facility, and related appurtenances.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF RICHMOND HILL, GEORGIA

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|--------------|--------------|--------------|
| Total pension liability | | | | |
| Service cost | \$ 255,469 | \$ 221,705 | \$ 224,265 | \$ 250,565 |
| Interest on total pension liability | 684,447 | 607,952 | 563,736 | 562,342 |
| Differences between expected and actual experience | (252,797) | 397,935 | (56,591) | 165,667 |
| Benefit payments, including refunds of employee contributions | (302,558) | (178,570) | (143,182) | (145,209) |
| Assumption changes | (184,083) | - | - | (816,396) |
| Net change in total pension liability | 200,478 | 1,049,022 | 588,228 | 16,969 |
| Total pension liability - beginning | 8,982,849 | 7,933,827 | 7,345,599 | 7,328,630 |
| Total pension liability - ending (a) | \$ 9,183,327 | \$ 8,982,849 | \$ 7,933,827 | \$ 7,345,599 |
| | | | | |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 247,318 | \$ 219,119 | \$ 322,297 | \$ 277,878 |
| Contributions - employee | 113,490 | 112,041 | 97,268 | 89,480 |
| Net investment income | 1,003,747 | 896,892 | 25,554 | 587,119 |
| Benefit payments, including refunds of employee contributions | (302,558) | (178,570) | (143,182) | (145,209) |
| Administrative expenses | (26,917) | (27,333) | (18,175) | (16,303) |
| Net change in plan fiduciary net position | 1,035,080 | 1,022,149 | 283,762 | 792,965 |
| Plan fiduciary net position - beginning | 8,081,507 | 7,059,358 | 6,775,596 | 5,982,631 |
| Plan fiduciary net position - ending (b) | \$ 9,116,587 | \$ 8,081,507 | \$ 7,059,358 | \$ 6,775,596 |
| | | | | |
| City's net pension liability (a) - (b) | \$ 66,740 | \$ 901,342 | \$ 874,469 | \$ 570,003 |
| | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 99.3% | 90.0% | 89.0% | 92.2% |
| | | | | |
| Covered payroll | \$ 4,042,212 | \$ 3,970,402 | \$ 3,446,777 | \$ 3,345,260 |
| | | | | |
| City's net pension liability as a percentage of covered payroll | 1.65% | 22.70% | 25.37% | 17.04% |

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

CITY OF RICHMOND HILL, GEORGIA

**SCHEDULE OF CITY CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED DECEMBER 31**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|---------------------|------------------|--------------------|
| Actuarially determined contribution | \$ 246,360 | \$ 222,145 | \$ 217,867 | \$ 346,287 |
| Contributions in relation to the actuarially determined contribution | <u>246,336</u> | <u>331,160</u> | <u>189,672</u> | <u>371,519</u> |
| Contribution deficiency (excess) | <u>\$ 24</u> | <u>\$ (109,015)</u> | <u>\$ 28,195</u> | <u>\$ (25,232)</u> |
| Covered payroll | \$ 4,042,212 | \$ 3,970,402 | \$ 3,446,777 | \$ 3,345,260 |
| Contributions as a percentage of covered payroll | 6.1% | 8.3% | 5.5% | 11.1% |

Notes to the Schedule

| | |
|---------------------------------------|---|
| Valuation date | July 1, 2018 |
| Cost method | Projected unit credit |
| Actuarial 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 amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Assumed rate of return on investments | 7.50% |
| Projected salary increases | 2.75% plus service based merit increases |
| Cost of living adjustments | 0.00% |
| Amortization method | Closed level dollar for remaining unfunded liability |
| Remaining amortization period | Remaining amortization period varies for the bases, with a net effective amortization period of 10 years. |

The schedule will present 10 years of information once it is accumulated.

SUPPLEMENTARY INFORMATION

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CITY OF RICHMOND HILL, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Confiscated Assets Fund – accounts for receipt and expenditure of condemned funds awarded to the City by court order.

Hotel Motel Tax Fund – accounts for the receipt and expenditure of the City's hotel motel tax.

City Center Fund – accounts for the 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.

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CITY OF RICHMOND HILL, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

| | Confiscated Assets Fund | Hotel/Motel Tax Fund | City Center Fund | Total Nonmajor Governmental Funds |
|---|--|---------------------------------|-----------------------------|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 39,990 | \$ 36,952 | \$ 148,074 | \$ 225,016 |
| Receivables, net of allowance | - | 54,186 | - | 54,186 |
| Due from other funds | - | - | 33,968 | 33,968 |
| Total assets | \$ 39,990 | \$ 91,138 | \$ 182,042 | \$ 313,170 |
| LIABILITIES | | | | |
| Accounts payable | \$ 26,139 | \$ - | \$ 10,447 | \$ 36,586 |
| Due to component unit | - | 33,952 | - | 33,952 |
| Due to other funds | - | 57,186 | - | 57,186 |
| Total liabilities | 26,139 | 91,138 | 10,447 | 127,724 |
| FUND BALANCE | | | | |
| Restricted for: | | | | |
| Public safety | 13,851 | - | - | 13,851 |
| Housing and development | - | - | 171,595 | 171,595 |
| Total fund balance | 13,851 | - | 171,595 | 185,446 |
| Total liabilities, deferred inflows of resources, and fund balance | \$ 39,990 | \$ 91,138 | \$ 182,042 | \$ 313,170 |

CITY OF RICHMOND HILL, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Confiscated Assets Fund | Hotel/Motel Tax Fund | City Center Fund | Total Nonmajor Governmental Funds |
|--|--|---------------------------------|-----------------------------|--|
| Revenues: | | | | |
| Taxes | \$ - | \$ 749,568 | \$ - | \$ 749,568 |
| Fines and forfeitures | 1,841 | - | - | 1,841 |
| Interest income | 181 | - | 1,213 | 1,394 |
| Total revenues | <u>2,022</u> | <u>749,568</u> | <u>1,213</u> | <u>752,803</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 2,151 | - | - | 2,151 |
| Culture and recreation | - | 214,151 | - | 214,151 |
| Housing and development | - | - | 263,263 | 263,263 |
| Total expenditures | <u>2,151</u> | <u>214,151</u> | <u>263,263</u> | <u>479,565</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(129)</u> | <u>535,417</u> | <u>(262,050)</u> | <u>273,238</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 214,227 | 214,227 |
| Transfers out | - | (535,417) | - | (535,417) |
| Total other financing sources (uses) | - | (535,417) | 214,227 | (321,190) |
| Net change in fund balances | (129) | - | (47,823) | (47,952) |
| Fund balances, beginning of year | <u>13,980</u> | <u>-</u> | <u>219,418</u> | <u>233,398</u> |
| Fund balance, end of year | <u><u>\$ 13,851</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 171,595</u></u> | <u><u>\$ 185,446</u></u> |

CITY OF RICHMOND HILL, GEORGIA

**BALANCE SHEET
CONVENTION AND VISITORS BUREAU
DECEMBER 31, 2018**

ASSETS

| | | |
|-------------------------------|----|-----------------------|
| Cash and cash equivalents | \$ | 150,350 |
| Receivables, net of allowance | | <u>33,952</u> |
| Total assets | \$ | <u><u>184,302</u></u> |

LIABILITIES

| | | |
|---------------------|----|--------------|
| Accounts payable | \$ | 4,201 |
| Accrued liabilities | | <u>1,284</u> |
| Total liabilities | | <u>5,485</u> |

FUND BALANCE

| | | |
|------------------------|--|----------------|
| Restricted for: | | |
| Culture and recreation | | <u>178,817</u> |
| Total fund balance | | <u>178,817</u> |

| | | |
|---|----|-----------------------|
| Total liabilities, deferred inflows of resources, and fund balance | \$ | <u><u>184,302</u></u> |
|---|----|-----------------------|

**Reconciliation of the Convention and Visitors Bureau Balance Sheet to the
Statement of Net Position**

| | | |
|--------------------|----|---------|
| Total fund balance | \$ | 178,817 |
|--------------------|----|---------|

Amounts reported for the Convention and Visitors Bureau in the Statement of Net Position are different because:

The net pension liability and related deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported at the fund level.

| | | | |
|--------------------------------------|----|----------------|----------------|
| Net pension liability | \$ | (1,276) | |
| Deferred outflows related to pension | | 5,330 | |
| Deferred inflows related to pension | | <u>(9,475)</u> | <u>(5,421)</u> |

| | | |
|--|----|-----------------------|
| Net position of the Convention and Visitors Bureau in the Statement of Net Position | \$ | <u><u>173,396</u></u> |
|--|----|-----------------------|

CITY OF RICHMOND HILL, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
CONVENTION AND VISITORS BUREAU
FOR THE YEAR ENDED DECEMBER 31, 2018

Revenues:

| | |
|-----------------|------------|
| Taxes | \$ 214,152 |
| Interest income | 833 |
| Miscellaneous | 500 |
| Total revenues | 215,485 |

Expenditures:

| | |
|------------------------|---------|
| Current: | |
| Culture and recreation | 218,575 |
| Total expenditures | 218,575 |

Net change in fund balances (3,090)

Fund balance, beginning of year, as restated 181,907

Fund balance, end of year \$ 178,817

Reconciliation of the Convention and Visitors Bureau Schedule of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

Net change in fund balance \$ (3,090)

Amounts reported for the Convention and Visitors Bureau in the Statement of Activities are different because:

In the Statement of Activities, pension expense represents the change in the net pension liability from the beginning of the year to the end of the year. At the fund level, however, pension expense is measured by the amount of financial resources used. This is the amount by which the net pension liability and related deferred outflows and inflows of resources changed during the current year. 3,039

Change in net position of the Convention and Visitors Bureau in the Statement of Activities \$ (51)

CITY OF RICHMOND HILL, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST 2012 - 2018
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures | | |
|---|-------------------------------|------------------------------|----------------|-----------------|--------------|
| | | | Prior Years | Current Year | Total |
| 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 | \$ - | \$ - | \$ - | \$ - |
| General administration equipment | | 44,865 | 44,865 | - | 44,865 |
| General administration software | | 240,830 | 240,830 | - | 240,830 |
| Equipment and signage DDA | | 167,660 | - | 87,013 | 87,013 |
| Sterling Creek Park | | 218,140 | 165,284 | 14,582 | 179,866 |
| JF Gregory Park | | 132,349 | 126,679 | - | 126,679 |
| Park equipment | | 130,938 | 42,287 | 32,000 | 74,287 |
| Storage facility | | 50,000 | - | - | - |
| Road improvements | | 300,000 | - | 246,903 | 246,903 |
| Traffic light - Mulberry/US 17 | | 68,455 | 68,455 | 226,883 | 295,338 |
| Longwood Drive | | 150,000 | 150,000 | - | 150,000 |
| Rushing Street Mast Arm | | 175,000 | 1,841 | - | 1,841 |
| Lexington Court | | - | 33,451 | - | 33,451 |
| Piercefield Drive | | - | 104,026 | - | 104,026 |
| Mulberry Drive | | - | 9,464 | - | 9,464 |
| Rice Gate | | - | 46,030 | - | 46,030 |
| Edsel Drive | | - | 35,650 | - | 35,650 |
| Ellis Drive | | - | 65,050 | - | 65,050 |
| Sidewalks - Timber Trail / Harris Trail / Casey Drive | | 615,000 | 607,212 | - | 607,212 |
| Sidewalks - Ivy Street | | 66,959 | 66,959 | - | 66,959 |
| Sidewalks | | 100,000 | 160,074 | - | 160,074 |
| Drainage master plan | | 8,478 | 8,478 | - | 8,478 |
| Drainage - Sandpiper Road / Piercefield Road | | 245,491 | 245,491 | - | 245,491 |
| Drainage canals - land purchase | | 73,154 | 73,154 | - | 73,154 |
| Streets equipment | | 408,674 | 253,674 | - | 253,674 |
| Streets - vehicle maintenance building | | 17,715 | 17,715 | - | 17,715 |
| Streets - Sommers Blvd. building renovations | | 52,975 | 52,975 | - | 52,975 |
| Streets - signal installation and upgrade landscaping Hwy 17 and 144 | | 325,000 | 344,178 | - | 344,178 |
| Water and sewer WWTP road access | | 353,522 | 353,522 | - | 353,522 |
| Water and sewer equipment | | 30,865 | 30,865 | - | 30,865 |
| Public safety - police department building | | 274,047 | 274,047 | - | 274,047 |
| Public safety - police department equipment | | 383,706 | 318,325 | 172,121 | 490,446 |
| Public safety - police department vehicle equipment | | 38,404 | 38,404 | 70,713 | 109,117 |
| Public safety - fire department building renovation | | 238,857 | 238,857 | - | 238,857 |
| Public safety - fire department equipment | | 378,983 | 198,810 | 87,650 | 286,460 |
| Public safety - fire department vehicles | | 31,810 | 31,810 | - | 31,810 |
| Public safety - fire truck | | 42,471 | 42,471 | - | 42,471 |
| Building and zoning equipment and vehicles | | 77,417 | 77,417 | - | 77,417 |
| Building and zoning equipment and vehicles | | 50,000 | - | - | - |
| Capital outlay total | \$ 11,000,000 | \$ 5,491,765 | \$ 4,568,350 | \$ 937,865 | \$ 5,506,215 |

CITY OF RICHMOND HILL, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST 2012 - 2018
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures | | Total |
|---|-------------------------------|------------------------------|----------------|-----------------|--------------|
| | | | Prior Years | Current Year | |
| Debt service: | | | | | |
| City Center | \$ | \$ 2,243,000 | \$ 2,078,221 | \$ 395,338 | \$ 2,473,559 |
| Sweet Shop | | - | - | 288,000 | 288,000 |
| Streets - backhoe | | 35,243 | 35,243 | - | 35,243 |
| Streets - excavator | | 78,249 | 78,249 | - | 78,249 |
| Water and sewer infrastructure - GEFA loans | | 400,000 | 400,000 | - | 400,000 |
| Sommers Boulevard land and buildings | | 1,034,000 | 278,723 | 69,681 | 348,404 |
| Fire truck | | 468,500 | 50,104 | 50,986 | 101,090 |
| Police vehicles | | 634,000 | 573,977 | 59,413 | 633,390 |
| Total debt service | | - | 4,892,992 | 863,418 | 4,357,935 |
| Totals | \$ 11,000,000 | \$ 10,384,757 | \$ 8,062,867 | \$ 1,801,283 | \$ 9,864,150 |

COMPLIANCE SECTION

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**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**

**The Honorable Mayor and Members
of the City Council
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 (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 29, 2019.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-002 to be a material weakness.

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. We consider the deficiency described in the accompany schedule of findings and responses as item 2018-001 to be a significant deficiency.

Compliance and Other Matters

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

City of Richmond Hill, Georgia's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Savannah, Georgia
July 29, 2019

CITY OF RICHMOND HILL, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Significant deficiencies identified not considered to be material weaknesses? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Noncompliance material to financial statements noted? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

Federal Awards

There was not an audit of major federal award programs as of December 31, 2018, due to the total amount expended being less than \$750,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001. Year-end Closeout Procedures

Criteria: Generally accepted accounting principles require certain accruals be recorded in order to accurately reflect the financial position of the City each year.

Condition/Context: During our audit, it was determined that as of December 31, 2018: (1) the General Fund accounts receivable and revenue were understated, and (2) accounts payable and expenditures/expenses were understated in the General, Water and Sewer, and Storm Water funds.

Effect: Audit adjustments were needed for each of the items noted below. The effect of each is as follows:

Accounts Receivable / Revenue

- An increase of \$23,600 in the General Fund

Accounts Payable / Expenditures/Expenses

- An increase of \$27,248 in the General Fund
- An increase of \$2,683 in the Water and Sewer Fund
- An increase of \$3,210 in the Storm Water Fund

CITY OF RICHMOND HILL, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-001. Year-end Closeout Procedures (Continued)

Cause: The City did not properly review all of the receivable and payable balances at year end in order to post adjustments to the financial information to reflect these amounts in the proper period.

Recommendation: We recommend that the City implement a more detailed review process at year end to ensure all account balances have been adjusted and are properly stated at the end of each reporting period.

Views of Responsible Officials and Planned Corrective Action: We concur. The City will work to implement the recommendation above to ensure all account balances are properly stated at each reporting period.

2018-002. Correction of Errors

Criteria: Generally accepted accounting principles (GAAP) require the reporting of accrued liabilities and related expenditures in the accounting period in which they were incurred.

Condition: As of December 31, 2017, accrued payroll was not recorded for the General Fund, Water and Sewer Fund, and the Convention and Visitors Bureau component unit.

Context: See above condition.

Effect: Prior period adjustments were required to decrease fund balance and increase accrued payroll in the General Fund in the amounts of \$92,182, as of December 31, 2017. Prior period adjustments were required to decrease net position and increase accrued payroll in the Water and Sewer Fund in the amounts of \$5,662, as of December 31, 2017. Prior period adjustments were required to decrease net position and increase accrued payroll for the Convention and Visitors Bureau component unit in the amounts of \$1,072, as of December 31, 2017.

Cause: Management did not consider the effects of payroll expenditures that had been incurred, but not yet paid as of the fiscal year-end.

Recommendation: We recommend the City implement procedures to consider and calculate the amount of payroll expenditures incurred but not yet paid as of the end of each fiscal year.

Views of Responsible Officials and Planned Corrective Action: The City will consider accrued payroll and the recording of the related expenditures in future periods.

CITY OF RICHMOND HILL, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

CITY OF RICHMOND HILL, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-001. Year-end Closeout Procedures

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

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

Auditee Response/Status: Unresolved – See current year financial audit finding 2018-001

2017-002. Project Budgets

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

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

Auditee Response/Status: Resolved

2017-003. Segregation of Duties

Criteria: Segregation of duties and internal controls should be established over the collection of fines and fees within the police department in order to detect errors or irregularities in a timely manner.

Condition: During audit fieldwork it was noted that there is a lack of segregation of duties over cash sufficient to detect fraud or errors in a timely manner.

Auditee Response/Status: Resolved