

City of Richmond Hill, Georgia

Financial Statements
And
Independent Auditors' Report

For the year ended December 31, 2016

CITY OF RICHMOND HILL, GEORGIA

TABLE OF CONTENTS

December 31, 2016

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

INDEPENDENT AUDITORS' REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond Hill, Georgia (City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2016, and the respective changes in financial position, and where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements and schedules and other supplementary information listed in the table of contents including the Schedule of Projects Constructed with Special One Percent Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and schedules and other supplementary information listed in the table of contents including the Schedule of Projects Constructed with Special One Percent Sales Tax Proceeds are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules and other supplementary information listed in the table of contents including the Schedule of Projects Constructed with Special One Percent Sales Tax Proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KRT, CPA&P.C.

Savannah, Georgia
May 19, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the financial performance of the City of Richmond Hill provides an overview of the City's financial activities for the calendar year ended December 31, 2016. 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, 2016 by \$50,331,938 (net position). Of this amount, \$7,497,994 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This is a decrease of \$301,256 from 2015. The CVB component unit has a balance of \$168,822 in net position, which is restricted for tourism-related expenses.
- The City's total net position increased \$73,873 from the previous year with a \$1,449,091 decrease resulting from governmental activities, and a \$1,522,964 increase from business-type activities.
- Key factors resulting in the increase in net position include:
 - a) The total net position of governmental activities decreased primarily due to the transfer of capital assets to the storm water utility fund in the amount of \$2.7 million.
 - b) The total net position of business-type activities increased primarily due to water and sewer rate increases during 2016 and the implementation of a new storm water utility fee. This resulted in an increase in charges for services of approximately \$2.1 million.
- At December 31, 2016, the City's governmental funds balance sheet reports combined ending fund balances of \$4,776,082, a decrease of \$311,816 over the previous calendar year. On October 8, 2016, the City was impacted by Hurricane Matthew which resulted in the City using reserves to fund the clean-up efforts and public safety concerns during and after the event. The decrease in the governmental funds is attributable to the hurricane.
- The SPLOST capital projects fund had a fund balance of \$1,292,147, an increase of \$127,921 from a year ago. The increase is due to SPLOST collections and capital lease proceeds exceeding expenditures. The Non-Major Governmental Funds ended the year with a fund balance of \$228,542. These funds include the Confiscated Assets Fund, the City Center Fund and the Hotel Motel Fund. These fund balances are reported as restricted due to the nature of the special revenue funds and the restriction on expenditure purposes.

- The General Fund reported an unassigned fund balance of \$3,255,393, a decrease from 2015 of \$460,239. This decrease occurred due to the effects of Hurricane Matthew discussed above. The City did have an increase in revenues of approximately 3.8%. A significant portion of the increase was from building permits. The City's General Fund enjoys a solid financial position, and is well positioned to improve overall in 2017 and beyond with no general fund debt. Currently, the SPLOST fund pays the debt related to the funds. The City has a diversified revenue base and is demonstrating a robust recovery in real estate activity.
- Total long-term liabilities of the City were \$32,667,253 at year-end, a decrease of \$727,478 from the previous calendar year. The Water/Sewer Enterprise Fund accounted for all of the net long-term liability decrease with a decrease of \$746,419 due to the City beginning payments on the debt of the wastewater treatment plant loans.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

The City's fund financial statements provide detailed information about the most significant funds – not the City as a whole. The majority of the City's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting approach, which measures cash and all other financial assets that can be readily 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 to account for the storm water utility fee which is in addition to its water and sewer enterprise fund. The City maintains and presents one type of proprietary fund which are the enterprise funds found on pages C-7 to C-9 of this report.

Enterprise funds report, in greater detail, the same information presented as business-type activities in the government-wide financial statements. The water and sewer 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 C-10 to C-36 of the report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position (government and business-type activities) totaled \$50.3 million at December 31, 2016.

The following table presents a summary of the City's net position at December 31, 2016:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 5,740,603	\$ 5,543,256	\$ 9,055,598	\$ 8,557,190	\$ 14,796,201	\$ 14,100,446
Capital assets, net	22,761,078	24,241,556	47,823,055	46,930,828	70,584,133	71,172,384
Total assets	28,501,681	29,784,812	56,878,653	55,488,018	85,380,334	85,272,830
Deferred outflow s of resources - pensions	556,901	370,772	37,714	16,283	594,615	387,055
Current liabilities	922,642	379,636	1,524,771	891,813	2,447,413	1,271,449
Noncurrent liabilities	5,086,144	5,067,203	27,581,109	28,327,528	32,667,253	33,394,731
Total liabilities	6,008,786	5,446,839	29,105,880	29,219,341	35,114,666	34,666,180
Deferred inflow s of resources - pensions	494,834	704,692	33,511	30,948	528,345	735,640
Net position:						
Net investment in capital assets	18,642,587	19,883,971	20,313,098	18,638,358	38,955,685	38,522,329
Restricted for:						
Capital projects	1,264,555	1,164,226	2,385,162	2,564,220	3,649,717	3,728,446
Other purposes	228,542	208,040	-	-	228,542	208,040
Unrestricted	2,419,278	2,747,816	5,078,716	5,051,434	7,497,994	7,799,250
Total net position	\$ 22,554,962	\$ 24,004,053	\$ 27,776,976	\$ 26,254,012	\$ 50,331,938	\$ 50,258,065

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

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

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

Changes in Net Position

The following table presents a summary of the changes in net position for the calendar year ended December 31, 2016:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,259,261	\$ 1,994,834	\$ 6,758,327	\$ 4,644,946	\$ 9,017,588	\$ 6,639,780
Operating grants and contributions	14,053	84,845	-	-	14,053	84,845
Capital grants and contributions	1,797,897	1,846,499	2,348,525	1,824,762	4,146,422	3,671,261
General revenues:						
Property taxes	2,016,944	1,980,588	-	-	2,016,944	1,980,588
Sales taxes	2,064,525	2,291,654	-	-	2,064,525	2,291,654
Other taxes	2,838,009	2,639,165	-	-	2,838,009	2,639,165
Unrestricted investment earnings	22,557	14,832	40,652	47,938	63,209	62,770
Miscellaneous	54,124	18,596	30,438	28,718	84,562	47,314
Transfers	(1,176,986)	-	1,176,986	-	-	-
Total revenues	9,890,384	10,871,013	10,354,928	6,546,364	20,245,312	17,417,377
Expenses:						
General government	1,398,615	1,312,884	-	-	1,398,615	1,312,884
Judiciary	37,434	36,081	-	-	37,434	36,081
Public safety	4,295,661	4,031,043	-	-	4,295,661	4,031,043
Public works	3,040,850	2,749,239	-	-	3,040,850	2,749,239
Culture and recreation	1,221,329	576,483	-	-	1,221,329	576,483
Housing and development	1,198,013	1,148,558	-	-	1,198,013	1,148,558
Interest on long-term debt	147,573	157,821	-	-	147,573	157,821
Water and sewer	-	-	8,528,365	4,525,632	8,528,365	4,525,632
Storm water	-	-	303,599	-	303,599	-
Total expenses	11,339,475	10,012,109	8,831,964	4,525,632	20,171,439	14,537,741
Change in net position	(1,449,091)	858,904	1,522,964	2,020,732	73,873	2,879,636
Net position-beginning, restated *	24,004,053	23,145,149	26,254,012	24,233,280	50,258,065	47,378,429
Net position-ending	\$22,554,962	\$ 24,004,053	\$27,776,976	\$26,254,012	\$50,331,938	\$50,258,065

Approximately 18% of the City's governmental activities revenue came from property taxes, while 20% of governmental activity revenue was generated from charges for various goods and services. Property tax revenue increased by \$36,356 over 2015 levels. Sales taxes provided 19% of governmental activity revenues, a decrease of \$227,129 over 2015.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds:

Governmental funds provide information on near-term inflows, outflows, and balances of available resources. The governmental fund types include the general fund, special revenues, and capital projects. The General and SPLOST funds are the City's major funds. As of December 31, 2016, the City's governmental funds reported combined fund balances of \$4,776,082 a decrease of \$311,816 over the prior year's balance. This was previously discussed. The restricted fund balance totals \$1,493,097 and represents funds set aside primarily for capital projects.

General Fund:

The general fund is the chief operating fund of the City. At December 31, 2016, the total fund balance in the general fund was \$3,282,985, a decrease of \$432,647 from 2015. The General Fund balance is strong, with funds available to support over four 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. The water and sewer fund is the only major enterprise fund reported. 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, 2016, total net position amounted to \$27,776,976 for the enterprise funds as compared to \$26,254,012 at December 31, 2015. This was a change in net position of \$1,522,964.

The water and sewer fund had a decrease in net position of \$1,267,217. Two factors contributed to the fund having the decrease. First, \$1,501,894 was transferred from the fund to cover the cost of streets at the property purchased in 2015 on Ford Avenue consisting of 51 acres. Second, the City's natural wetland waste water system was in substance taken out of service when the new mechanical waste water treatment plant became operational. This resulted in a loss reported of \$2,686,171.

The City incurred much higher operating costs within the water and sewer fund in 2016 for several reasons. The water/sewer operation contract and utility costs increased \$545,160 or 22.04%. Depreciation expense grew by \$371,175 or 33.28%. Also, interest on loans had a 69% increase in the amount of \$211,318.

In addition, the storm water utility enterprise fund had a positive change in net position of \$2,790,181 which was due primarily of the transfer of assets from the general capital assets in the amount of \$2,796,981.

The enterprise funds are reflected on pages C-7 to C-9.

CAPITAL ASSETS

The Statement of Net Position presents capital assets in two groups: those assets subject to depreciation, such as equipment or operational facilities and those assets not subject to depreciation such as land and construction-in-progress. At December 31, 2016, the City's capital assets for both governmental activities and business-type activities totaled \$70,584,133. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment. Capital assets increased \$588,251 or .83% between calendar year 2016 and 2015.

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

DEBT ADMINISTRATION

The long-term liabilities at December 31, 2016 totaled \$32,667,253. Of this amount, \$27,581,109 relates to the business-type activities and \$5,086,144 relates to the government-type activities.

Long-term debt of the business type activities decreased by \$746,419 from December 31, 2015 levels. The decrease resulted from the repayment of debt obligations exceeding new debt incurred during the year. Governmental activity related debt increased by \$18,941 from 2015. Additional information on the City's debt can be found in Note 2, Section G. on pages C-24 to C-28.

BUDGETARY HIGHLIGHTS

The budgetary comparison schedule of the General Fund is provided as required supplementary information and can be found on pages D-1 and D-2. Additional budgetary comparison schedules of the special revenue funds can be found within other supplementary information found on pages E-3 to E-5. Budget columns are provided for both the original budget adopted for calendar year 2016 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 \$10,372,389 which was \$1,882,389 higher than the original budgeted revenues. Transfers in accounted for \$1,556,036 over original budgeted estimates.

Expenditures and debt service recorded for the calendar year totaled \$10,805,036, which was \$2,315,036 higher than the original budget. The large variance is primarily due to the infrastructure project in process and costs associated with Hurricane Matthew as previously discussed. Council has approved amendments to the original budget for these costs.

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

The City continues to adopt conservative budgets in 2017 to address the challenges in a changing revenue environment. A modest growth is expected in 2017 general fund revenues with the rebound in real estate development. Rising health care costs could negatively impact operating expenses in the future as well as increased professional services expenditures. The overall revenue picture is enhanced by Richmond Hill's diversified revenue base as mentioned earlier. The City of Richmond Hill continues to expand infrastructure to encourage residential and commercial economic development. In addition, the industrial development established at the Belfast Commerce Centre in 2016 will provide a significant economic boost to the Richmond Hill area. The City is anticipating reimbursement from the Federal Emergency Management Agency (FEMA) during 2017 for some of the costs associated with Hurricane Matthew.

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 2017, 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.

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

REQUESTS FOR INFORMATION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total	Convention and Visitors' Bureau - Component Unit
Assets				
Cash and investments	\$ 4,137,736	\$ 5,420,883	\$ 9,558,619	\$ 164,219
Receivables	1,372,467	560,247	1,932,714	30,272
Prepaid	29,706	-	29,706	-
Restricted assets				
Cash and investments	200,694	2,629,713	2,830,407	-
Long-term note receivables	-	444,755	444,755	-
Capital assets				
Land, improvements, and construction in progress	5,108,228	4,392,174	9,500,402	-
Other capital assets, net of depreciation	17,652,850	43,430,881	61,083,731	-
Total assets	28,501,681	56,878,653	85,380,334	194,491
Deferred outflows of resources				
Related to pensions	556,901	37,714	594,615	7,613
Total assets and deferred outflows of resources	\$ 29,058,582	\$ 56,916,367	\$ 85,974,949	\$ 202,104
Liabilities				
Accounts payable	\$ 910,136	\$ 1,481,397	\$ 2,391,533	\$ 15,462
Accrued liabilities	12,506	43,374	55,880	-
Long-term liabilities				
Due within one year	576,217	1,676,442	2,252,659	-
Due in more than one year	3,701,272	25,849,905	29,551,177	-
Net pension liability	808,655	54,762	863,417	11,055
Total liabilities	6,008,786	29,105,880	35,114,666	26,517
Deferred inflows of resources				
Related to pensions	494,834	33,511	528,345	6,765
Net position				
Net investment in capital assets	18,642,587	20,313,098	38,955,685	-
Restricted for:				
Capital projects	1,264,555	2,385,162	3,649,717	-
Other purposes	228,542	-	228,542	168,822
Unrestricted	2,419,278	5,078,716	7,497,994	-
Total net position	22,554,962	27,776,976	50,331,938	168,822
Total liabilities, deferred inflows of resources and net position	\$ 29,058,582	\$ 56,916,367	\$ 85,974,949	\$ 202,104

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

CITY OF RICHMOND HILL, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Discretely Presented Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 1,398,615	\$ -	\$ -	\$ -	\$ (1,398,615)		\$ (1,398,615)	
Judiciary	37,434	-	-	-	(37,434)		(37,434)	
Public Safety	4,295,661	842,546	-	482	(3,452,633)		(3,452,633)	
Public Works	3,040,850	843,522	-	1,797,415	(399,913)		(399,913)	
Culture and Recreation	1,221,329	41,305	14,053	-	(1,165,971)		(1,165,971)	
Housing and Development	1,198,013	531,888	-	-	(666,125)		(666,125)	
Interest on Long-term debt	147,573	-	-	-	(147,573)		(147,573)	
Total governmental activities	<u>11,339,475</u>	<u>2,259,261</u>	<u>14,053</u>	<u>1,797,897</u>	<u>(7,268,264)</u>		<u>(7,268,264)</u>	
Business-type activities:								
Water & Sewer	8,528,365	6,461,528	-	2,280,644	-	\$ 213,807	213,807	
Storm Water Utility Fund	303,599	296,799	-	67,881	-	61,081	61,081	
Total business-type activities	<u>8,831,964</u>	<u>6,758,327</u>	<u>-</u>	<u>2,348,525</u>	<u>-</u>	<u>274,888</u>	<u>274,888</u>	
Total	<u>\$ 20,171,439</u>	<u>\$ 9,017,588</u>	<u>\$ 14,053</u>	<u>\$ 4,146,422</u>	<u>(7,268,264)</u>	<u>274,888</u>	<u>(6,993,376)</u>	
Component Unit								
Richmond Hill Convention and Visitors' Bureau	<u>\$ 199,665</u>	<u>\$ -</u>	<u>\$ 209,450</u>	<u>\$ -</u>				<u>\$ 9,785</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					2,016,944	-	2,016,944	\$ -
Sales taxes for general purposes					2,064,525	-	2,064,525	-
Selective taxes					1,033,810	-	1,033,810	-
Other taxes					1,804,199	-	1,804,199	-
Unrestricted investment earnings					22,557	40,652	63,209	489
Miscellaneous					54,124	30,438	84,562	-
Transfers					(1,176,986)	1,176,986	-	-
Total general revenues					<u>5,819,173</u>	<u>1,248,076</u>	<u>7,067,249</u>	<u>489</u>
Change in Net Position					(1,449,091)	1,522,964	73,873	10,274
Net position - beginning					24,004,053	26,254,012	50,258,065	158,548
Net position - ending					<u>\$ 22,554,962</u>	<u>\$ 27,776,976</u>	<u>\$ 50,331,938</u>	<u>\$ 168,822</u>

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

FUND FINANCIAL STATEMENTS

CITY OF RICHMOND HILL, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,751,795	\$ 1,125,181	\$ 260,760	\$ 4,137,736
Receivables	1,174,105	144,483	53,879	1,372,467
Due from other funds	23,088	-	30,283	53,371
Prepaid expenses	-	29,706	-	29,706
Restricted cash	200,694	-	-	200,694
Total assets	<u>\$ 4,149,682</u>	<u>\$ 1,299,370</u>	<u>\$ 344,922</u>	<u>\$ 5,793,974</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 839,904	\$ 7,223	\$ 63,009	\$ 910,136
Due to other funds	-	-	53,371	53,371
Total liabilities	<u>839,904</u>	<u>7,223</u>	<u>116,380</u>	<u>963,507</u>
Deferred Inflows of Resources:				
Unavailable property taxes	<u>54,385</u>	<u>-</u>	<u>-</u>	<u>54,385</u>
Fund balances:				
Restricted	-	1,292,147	228,542	1,520,689
Unassigned	3,255,393	-	-	3,255,393
Total fund balances	<u>3,255,393</u>	<u>1,292,147</u>	<u>228,542</u>	<u>4,776,082</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,149,682</u>	<u>\$ 1,299,370</u>	<u>\$ 344,922</u>	<u>\$ 5,793,974</u>

CITY OF RICHMOND HILL, GEORGIA

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

DECEMBER 31, 2016

Total fund balance, governmental funds	\$ 4,776,082
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	22,761,078
Deferrred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund financial statements.	62,067
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	54,385
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements	(808,655)
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(4,277,489)
Accrued interest not reflected on Governmental funds	(12,506)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 22,554,962</u>

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,222,685	\$ -	\$ 733,114	\$ 6,955,799
Licenses and permits	531,888	-	-	531,888
Intergovernmental	14,285	1,680,188	-	1,694,473
Charges for services	897,856	-	-	897,856
Fines and forfeitures	816,559	-	12,958	829,517
Investment	21,899	4,601	653	27,153
Miscellaneous	51,181	250	-	51,431
Total revenues	<u>8,556,353</u>	<u>1,685,039</u>	<u>746,725</u>	<u>10,988,117</u>
EXPENDITURES				
Current:				
General government	1,444,121	-	-	1,444,121
Judicial	37,434	-	-	37,434
Public Safety	3,994,305	-	6,685	4,000,990
Public Works	4,159,769	-	-	4,159,769
Culture and recreation	507,831	-	-	507,831
Housing and Development	656,278	-	405,396	1,061,674
Capital outlay	-	1,438,757	-	1,438,757
Debt Service:				
Principal	30,778	604,752	-	635,530
Interest and other charges	2,112	144,996	-	147,108
Total expenditures	<u>10,832,628</u>	<u>2,188,505</u>	<u>412,081</u>	<u>13,433,214</u>
Excess (deficiency) of revenues over expenditures	<u>(2,276,275)</u>	<u>(503,466)</u>	<u>334,644</u>	<u>(2,445,097)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,816,036	-	209,522	2,025,558
Transfers out	-	-	(523,664)	(523,664)
Capital lease	-	631,387	-	631,387
Total other financing sources and uses	<u>1,816,036</u>	<u>631,387</u>	<u>(314,142)</u>	<u>2,133,281</u>
Net change in fund balances	(460,239)	127,921	20,502	(311,816)
Fund balances - beginning	<u>3,715,632</u>	<u>1,164,226</u>	<u>208,040</u>	<u>5,087,898</u>
Fund balances - ending	<u>\$ 3,255,393</u>	<u>\$ 1,292,147</u>	<u>\$ 228,542</u>	<u>\$ 4,776,082</u>

CITY OF RICHMOND HILL, GEORGIA

BALANCE SHEETS
ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - total governmental funds: \$ (311,816)

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

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

This is the amount by which capital outlays \$3,021,523 and assets donated \$112,631 exceeded depreciation \$1,081,151 in the current period. 2,053,003

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in Net Position differs from the change in fund balance by the cost of the asset sold or transferred to business-type activities. (3,298,527)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (33,378)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 4,143

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:
Accrued interest not reflected on Governmental funds (465)
Compensated absences 11,821

In the statement of activities, pension expense represents the change in net pension liability from the beginning of the year to the end of the year. In the governmental funds, however, pension expense is measured by the amount of financial resources used (amount actually paid). This is the amount by which pension contributions paid in the current period exceeded the change in net pension liability 126,128

Change in Net Position of governmental activities \$ (1,449,091)

CITY OF RICHMOND HILL, GEORGIA

BALANCE SHEETS
ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Water and Sewer Fund	Storm Water Utility Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and investments	\$ 5,388,774	\$ 32,109	\$ 5,420,883
Receivables	513,750	46,497	560,247
Restricted cash and investments	2,629,713	-	2,629,713
Total current assets	<u>8,532,237</u>	<u>78,606</u>	<u>8,610,843</u>
Non-current assets:			
Long-term receivable	444,755	-	444,755
Capital Assets:			
Land, improvements, and construction in progress	4,392,174	-	4,392,174
Other capital assets, net of depreciation	40,484,352	2,946,529	43,430,881
Total non-current assets	<u>45,321,281</u>	<u>2,946,529</u>	<u>48,267,810</u>
Total assets	<u>53,853,518</u>	<u>3,025,135</u>	<u>56,878,653</u>
Deferred inflows of resources			
Related to pensions	37,714	-	37,714
Total assets and deferred outflows of resources	<u>\$ 53,891,232</u>	<u>\$ 3,025,135</u>	<u>\$ 56,916,367</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 1,236,846	\$ -	\$ 1,236,846
Accrued liabilities	43,374	-	43,374
Current portion of compensated absences	8,687	-	8,687
Payable from restricted assets:			
Customers' deposits	244,551	-	244,551
Current portion of long-term debt	1,623,557	44,198	1,667,755
Total current liabilities	<u>3,157,015</u>	<u>44,198</u>	<u>3,201,213</u>
Non-current liabilities:			
Compensated absences	7,703	-	7,703
Bonds, notes and loans payable	25,651,446	190,756	25,842,202
Net pension liability	54,762	-	54,762
Total non-current liabilities	<u>25,713,911</u>	<u>190,756</u>	<u>25,904,667</u>
Total liabilities	<u>28,870,926</u>	<u>234,954</u>	<u>29,105,880</u>
Deferred inflows of resources			
Related to pensions	33,511	-	33,511
Net position			
Net investment in capital assets	17,601,523	2,711,575	20,313,098
Restricted for capital projects	2,385,162	-	2,385,162
Unrestricted	5,000,110	78,606	5,078,716
Total net position	<u>24,986,795</u>	<u>2,790,181</u>	<u>27,776,976</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 53,891,232</u>	<u>\$ 3,025,135</u>	<u>\$ 56,916,367</u>

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Water and Sewer Fund</u>	<u>Storm Water Utility Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues			
Charges for services	\$ 6,461,528	\$ 296,799	\$ 6,758,327
Other	30,438	-	30,438
Total operating revenues	<u>6,491,966</u>	<u>296,799</u>	<u>6,788,765</u>
Operating Expenses			
Cost of sales and services	4,261,020	218,193	4,479,213
Asset taken out of service	2,686,171	-	2,686,171
Depreciation	1,115,477	85,406	1,200,883
Total Operating Expenses	<u>8,062,668</u>	<u>303,599</u>	<u>8,366,267</u>
Operating income (loss)	<u>(1,570,702)</u>	<u>(6,800)</u>	<u>(1,577,502)</u>
Nonoperating revenues (expenses)			
Investment income	40,652	-	40,652
Interest expense	<u>(515,917)</u>	<u>-</u>	<u>(515,917)</u>
Total non-operating revenue (expenses)	<u>(475,265)</u>	<u>-</u>	<u>(475,265)</u>
Income (loss) before contributions	(2,045,967)	(6,800)	(2,052,767)
Transfer out	(1,501,894)	-	(1,501,894)
Capital contributions	<u>2,280,644</u>	<u>2,796,981</u>	<u>5,077,625</u>
Change in net position	(1,267,217)	2,790,181	1,522,964
Total net position - beginning	<u>26,254,012</u>	<u>-</u>	<u>26,254,012</u>
Total net position - ending	<u>\$ 24,986,795</u>	<u>\$ 2,790,181</u>	<u>\$27,776,976</u>

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	Water and Sewer Fund	Storm Water Utility Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 6,537,647	\$ 250,302	\$ 6,787,949
Cash received from borrowers			
Cash payments to suppliers for goods and services	(4,040,318)	(218,193)	(4,258,511)
Cash payments to employees for services	(345,087)	-	(345,087)
Net cash provided (used) by operating activities	<u>2,152,242</u>	<u>32,109</u>	<u>2,184,351</u>
Cash flows from noncapital financing activities:			
Transfer to other funds	(1,501,894)	-	-
Net cash provided (used) by noncapital financing activities	<u>(1,501,894)</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Capital contributions	2,157,257	-	2,157,257
Proceeds from debt	336,638	-	336,638
Acquisitions and construction of capital assets	(807,524)	-	(807,524)
Principal payments on debt	(1,354,105)	-	(1,354,105)
Interest payments on debt	(511,183)	-	(511,183)
Net cash (used) by capital and related financing activities	<u>(178,917)</u>	<u>-</u>	<u>(178,917)</u>
Cash flows from investing activities:			
Interest earned on cash and investments	40,652	-	40,652
Net cash provided (used) by investing activities	<u>40,652</u>	<u>-</u>	<u>40,652</u>
Net increase (decrease) in cash and cash equivalents	<u>512,083</u>	<u>32,109</u>	<u>2,046,086</u>
Cash and cash equivalents, beginning of year	<u>7,506,404</u>	<u>-</u>	<u>7,506,404</u>
Cash and cash equivalents, end of year	<u>\$ 8,018,487</u>	<u>\$ 32,109</u>	<u>\$ 9,552,490</u>
Operating income (loss)	<u>\$ (1,570,702)</u>	<u>\$ (6,800)</u>	<u>\$ (1,577,502)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,115,477	85,406	1,200,883
Asset taken out of service	2,686,171	-	2,686,171
Change in assets and liabilities:			
Decrease (increase) in other/accounts receivables	92,281	(46,497)	45,784
(Increase) decrease in deferred outflows	(21,431)	-	(21,431)
(Decrease) Increase in accounts payable and accrued liabilities	(136,617)	-	(136,617)
(Decrease) increase in customer deposits	(46,600)	-	(46,600)
Increase (decrease) in net pension liability	31,100	-	31,100
Increase (decrease) in deferred inflows	2,563	-	2,563
Total adjustments	<u>3,722,944</u>	<u>38,909</u>	<u>3,761,853</u>
Net cash provided (used) by operating activities	<u>\$ 2,152,242</u>	<u>\$ 32,109</u>	<u>\$ 2,184,351</u>
Noncash Investing, Capital and Financing Activities:			
Contributions of capital assets from developers/ other entities	\$ 123,387	\$ 67,881	\$ 191,268
Contributions of capital assets from other funds	-	2,729,100	2,729,100

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

December 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

NOTE 3. OTHER INFORMATION

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

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

December 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Blended Component Units

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

Discretely Presented Component Units

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

Membership in Coastal Regional Commission

Under Georgia law, the City is a member of the Coastal Regional Commission (CRC) and is required to pay annual dues thereto. During its year ended December 31, 2016, the City paid \$12,761 in such dues. Membership in a Regional Commission (RC) is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The CRC Board membership of 37 is as follows: Bryan - 3, Bulloch - 5, Camden - 4, Chatham - 5, Effingham - 4, Glynn - 5, Liberty - 5, Long - 3 and McIntosh - 3. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RC. Management believes that the CRC is currently accumulating sufficient financial resources to meet its financial obligations. Separate financial statements may be obtained from:

Coastal Regional Commission
127 F Street
Brunswick, Georgia 31520

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

December 31, 2016

B. Basis of Presentation

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

December 31, 2016

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

Governmental Funds

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

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

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

Proprietary Fund

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

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

December 31, 2016

Basis of Accounting

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

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

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

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

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

D. Assets, Liabilities and Equity

1. Cash and Investments

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

2. Receivables and Payables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are included in the Deferred Inflows of Resources section in the fund financial statements in accordance with the modified accrual basis of accounting. The Deferred Inflows of Resources include unavailable property taxes totaling \$54,385. Accounts receivable comprise the majority of proprietary fund receivables.

Trade receivables are shown net of an allowance for uncollectibles. The water and sewer enterprise fund allowance for uncollectibles is \$228,000 at December 31, 2016. The allowance for uncollectibles for sanitation, shown in the general fund, is \$38,000 and for property tax is \$85,365 at December 31, 2016.

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

December 31, 2016

Property taxes are assessed as of January 1 and taxes were levied on August 21, 2016. Tax bills were rendered on September 15, 2016 and are considered past due 60 days after the tax billing date at which time the applicable property is subject to lien and interest is assessed. Penalties are assessed 90 days after the due date (the date interest is assessed).

3. Inventories and Prepaid Items

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

4. Restricted Assets

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

5. Capital Assets

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

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

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

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

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

December 31, 2016

6. Compensated Absences

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

7. Long-term Obligations

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

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

8. Equity Classifications

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

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

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

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

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

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

December 31, 2016

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

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

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

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

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

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

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense information about the fiduciary net position of the Georgia Municipal Employers Benefit System (GMEBS) and additions to/deductions from GMEBS' fiduciary net position have been determined on the same basis as they are reported by GMEBS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are recorded at fair value.

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

December 31, 2016

10. Deferred Outflows/Inflows of Resources

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

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

E. Revenues, Expenditures and Expenses

1. Operating and Non-operating Revenues and Expenses

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

2. Expenditures/Expenses

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

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

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

December 31, 2016

3. Interfund Transactions

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

4. Use of Estimates

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

NOTE 2. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

General:

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

Deposits:

Custodial Credit Risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. At December 31, 2016 all of the City's deposits were either covered by federal depository insurance, a line of credit or collateralized by pledged collateral.

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

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

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

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

December 31, 2016

Investments:

In its investment of public funds, the City follows state statutes and adopted investment policies. As of December 31, 2016 the investments of the City were:

Investment	Average Credit Rating	Fair Value	Average Maturity (Days)
Georgia Fund 1	AAAm	\$ 2,627,959	48

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

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

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

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

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

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

December 31, 2016

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

Reconciliation of financial statements to note:

Basic financial statements:

Cash and investments	\$ 9,558,619
Restricted cash	2,830,407
Total	<u><u>\$ 12,389,026</u></u>

Carrying Value:

Deposits	\$ 9,761,067
Investments	2,627,959
Total	<u><u>\$ 12,389,026</u></u>

B. Accounts Receivable

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

Receivables:	Taxes	Intergovern- mental	Accounts	Gross Receivables	Less: Allowance for uncollectibles	Net Receivables
General	\$ 176,989	\$ 311,788	\$ 808,693	\$ 1,297,470	\$ (123,365)	\$1,174,105
SPLOST	-	144,483	-	144,483	-	144,483
Non-major governmental	-	-	53,879	53,879	-	53,879
Water and Sewer	-	30,992	710,758	741,750	(228,000)	513,750
Non-major enterprise	-	-	46,497	46,497	-	46,497
Total	<u><u>\$ 176,989</u></u>	<u><u>\$ 487,263</u></u>	<u><u>\$ 1,619,827</u></u>	<u><u>\$ 2,284,079</u></u>	<u><u>\$ (351,365)</u></u>	<u><u>\$1,932,714</u></u>

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

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

December 31, 2016

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<i>Non-Depreciable Assets:</i>				
Land	\$ 3,428,077	\$ -	\$ -	\$ 3,428,077
Right of Way	310,000	-	-	310,000
Construction in Progress	980,768	1,951,778	1,212,512	1,720,034
<i>Depreciable Assets:</i>				
Buildings and Improvements	9,921,343	103,195	-	10,024,538
Infrastructure and other structures	13,114,419	1,041,338	3,824,626	10,331,131
Machinery, Equipment & Vehicles	5,361,839	1,250,354	782,356	5,829,837
	<u>33,116,446</u>	<u>4,346,665</u>	<u>5,819,494</u>	<u>31,643,617</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(2,634,023)	(311,622)	-	(2,945,645)
Infrastructure and other structures	(2,103,979)	(293,139)	(578,075)	(1,819,043)
Machinery, Equipment & Vehicles	(4,136,888)	(476,390)	(495,427)	(4,117,851)
	<u>(8,874,890)</u>	<u>(1,081,151)</u>	<u>(1,073,502)</u>	<u>(8,882,539)</u>
Total Governmental Activities	<u>24,241,556</u>	<u>3,265,514</u>	<u>4,745,992</u>	<u>22,761,078</u>
Business-Type Activities:				
<i>Non-Depreciable Assets:</i>				
Land	1,100,329	-	-	1,100,329
Construction in Progress	25,510,817	1,623,960	23,842,931	3,291,846
<i>Depreciable Assets:</i>				
Utility Plant and Equipment	27,793,738	26,711,323	4,331,246	50,173,815
Buildings	124,464	-	-	124,464
Machinery, Equipment & Vehicles	682,524	286,930	-	969,454
	<u>55,211,872</u>	<u>28,622,213</u>	<u>28,174,177</u>	<u>55,659,908</u>
<i>Accumulated Depreciation:</i>				
Utility Plant and Equipment	(7,509,096)	(1,178,656)	(1,645,074)	(7,042,678)
Buildings	(124,467)	-	-	(124,467)
Machinery, Equipment & Vehicles	(647,481)	(22,227)	-	(669,708)
	<u>(8,281,044)</u>	<u>(1,200,883)</u>	<u>(1,645,074)</u>	<u>(7,836,853)</u>
Total Business-Type Activities	<u>46,930,828</u>	<u>27,421,330</u>	<u>26,529,103</u>	<u>47,823,055</u>
Total Capital Assets	<u>\$71,172,384</u>	<u>\$ 30,686,844</u>	<u>\$31,275,095</u>	<u>\$70,584,133</u>

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

December 31, 2016

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 49,291
Public Safety	402,560
Public Works	382,976
Culture and Recreation	69,935
Development	176,389
Total depreciation	<u>\$ 1,081,151</u>

During the current year, the City took out of service the natural wetland waste water treatment plant because it reached its maximum capacity several years ago of 1.5 million per day. The new plant design and method is required by EPD. They would not allow the prior natural wetland mitigation system to be utilized in treating waste through the spray fields and filtered through the designated wetlands and out to Sterling Creek/Ogeechee River. Stricter clean water discharge requirements mandated by EPD forced the city to build the current mechanical system. The net book value of the plant totaled \$2,686,171.

D. Interfund Transactions and Balances

Interfund receivable and payable balances at December 31, 2016 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major governmental	\$ 23,088
Non-major governmental	Non-major governmental	30,283
	Total fund financial statements	<u>\$ 53,371</u>

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

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

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Non-major governmental	General	\$ 314,142
Non-major governmental	Non-major governmental	209,522
Water and sewer	General	<u>1,501,894</u>
	Total fund financial statements	<u>\$2,025,558</u>

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

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

December 31, 2016

E. Long-term receivables

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

The following is the repayment schedule:

	Year	Principal	Interest	Total
	2017	\$ 30,992	\$ 19,112	\$ 50,104
	2018	32,300	17,804	50,104
	2019	33,662	16,442	50,104
	2020	35,083	15,021	50,104
	2021	36,563	13,541	50,104
	2022-2026	207,302	43,221	250,523
	2027-2029	99,844	4,540	104,384
Total Intergovernmental Receivable		475,746	\$ 129,681	\$ 605,427
Less: Current Portion		(30,992)		
Long-term Intergovernmental Receivable		\$ 444,754		

F. Short-term Debt

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

G. Leases

Capital Leases: The City has entered into lease agreements as lessee for financing the acquisition of land, buildings, vehicles, and other equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, the assets have been recorded at the present value of the future minimum lease payments as of the inception date in the general capital assets. The amortization of assets recorded under capital leases is included with depreciation expense in the amount of \$88,876.

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

December 31, 2016

The assets acquired through capital leases are as follows:

Asset Class	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 739,360	\$ 286,930
Less: accumulated depreciation	(99,716)	-
Total	<u>\$ 639,644</u>	<u>\$ 286,930</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016, were as follows:

Year Ending December 31	Governmental Activities	Business-type Activities
2017	\$ 170,381	\$ 50,818
2018	106,215	50,818
2019	46,802	50,818
2020	46,803	50,817
2021	46,803	50,817
2022-2026	234,009	-
Total minimum lease payments	<u>651,013</u>	<u>254,088</u>
Less: amount representing interest	71,746	19,134
Present value of minimum lease payments	<u>\$ 579,267</u>	<u>\$ 234,954</u>

H. Long-term Liabilities

Changes in Long-term Liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 170,819	\$ 147,745	\$ 159,566	\$ 158,998	\$ 84,270
Contractual obligation	3,153,099	-	286,238	2,866,861	297,027
Notes	717,479	-	45,116	672,363	46,716
Capital leases	487,010	631,387	539,130	579,267	148,204
Total Governmental Activities	<u>\$ 4,528,407</u>	<u>\$ 779,132</u>	<u>\$1,030,050</u>	<u>\$ 4,277,489</u>	<u>\$ 576,217</u>
Business-Type Activities:					
Compensated absences	\$ 11,396	\$ 16,017	\$ 11,023	\$ 16,390	\$ 8,687
Capital leases	-	234,954	-	234,954	44,198
GEFA loans	28,292,470	336,638	1,354,105	27,275,003	1,623,557
Total Business-Type Activities	<u>\$ 28,303,866</u>	<u>\$ 587,609</u>	<u>\$1,365,128</u>	<u>\$ 27,526,347</u>	<u>\$1,676,442</u>

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

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

December 31, 2016

Governmental Activities:

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

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

Year	Principal	Interest	Total
2017	\$ 297,027	\$ 98,311	\$ 395,338
2018	307,897	87,441	395,338
2019	319,163	76,175	395,338
2020	330,651	64,687	395,338
2021	342,942	52,396	395,338
2022-2025	1,269,181	81,558	1,350,739
Total	<u>\$ 2,866,861</u>	<u>\$ 460,568</u>	<u>\$ 3,327,429</u>

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

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

Year	Principal	Interest	Total
2017	\$ 46,716	\$ 22,965	\$ 69,681
2018	48,372	21,309	69,681
2019	50,088	19,593	69,681
2020	51,864	17,816	69,680
2021	53,704	15,977	69,681
2022-2026	298,474	49,930	348,404
2027-2028	123,145	4,604	127,749
Total	<u>\$ 672,363</u>	<u>\$ 152,194</u>	<u>\$ 824,557</u>

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

December 31, 2016

Business-Type Activities:

Georgia Environmental Facilities Authority (GEFA) Loans: The City has obtained seven GEFA loans for the development and expansion of its water and sewer systems and for the construction of the wastewater treatment facility and for a Floridian Aquifer well. The City has pledged its full faith and credit and revenue-raising power including its taxing power, for repayment of these obligations. The City has one loan in the construction phase. Phase I of the construction of a new wastewater treatment facility and all necessary appurtenances loan (CWSRF-10-008) has a total project amount of \$4,000,000. Of this amount, \$3,500,000 is the loan portion. The City has expended \$4,000,000 on the project of which \$3,500,000 is the construction loan amount. Phase II of the construction of a new wastewater treatment facility and all necessary appurtenances loan (CWSRF-10-003(2)) has a total project amount of \$10,000,000. The city has expended \$10,000,000 on the project of which \$9,500,000 is the construction loan amount. Phase III of the Construction of a new wastewater treatment facility and all necessary appurtenances loan (CWSRF-10-008(3)) has a total project amount of \$10,500,000. The City has expended \$10,493,644 on this part of the project.

The loans outstanding at year end are as follows:

Purpose	Original Issue	Interest Rate	Loan Payable
GEFA-Water and Sewer Expansion	\$ 225,470	4.24%	\$ 50,681
GEFA-Wastewater Treatment Facility and Improvements	4,924,203	3.00%	334,600
GEFA-Water and Sewer Lower Floridan Well, Tank and Water Main Extension	3,376,000	4.00%	2,134,250
GEFA- Pump Station Rehab- ilitation and Force Main Replacement - Construction Loan	2,500,000	2.91%	2,237,298
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase I	3,500,000	3.00%	3,315,394
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase II	10,000,000	1.40%	8,946,003
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase III	10,500,000	1.03%	10,256,777
Total loans			<u>27,275,003</u>
Less: current portion			1,623,557
Total long-term debt			<u><u>\$ 25,651,446</u></u>

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

December 31, 2016

GEFA loans debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2017	\$ 1,623,557	\$ 481,021	\$ 2,104,578
2018	1,313,029	450,321	1,763,350
2019	1,338,088	425,261	1,763,349
2020	1,351,022	399,745	1,750,767
2021	1,372,589	373,983	1,746,572
2022-2026	7,270,782	1,462,081	8,732,863
2027-2031	7,322,897	754,141	8,077,038
2032-2036	5,683,039	171,789	5,854,828
	-	-	-
Total	<u>\$ 27,275,003</u>	<u>\$ 4,518,342</u>	<u>\$ 31,793,345</u>

I. Segments of Enterprise Activities

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

J. Fund Balances/Restricted Net position

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

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted for:				
Public Safety	\$ -	\$ -	\$ 12,167	\$ 12,167
Trade shows and conferences	-	-	216,375	216,375
Construction and capital outlay	-	1,292,147	-	1,292,147
Unassigned:	3,255,393	-	-	3,255,393
Total Fund Balances	<u>\$ 3,255,393</u>	<u>\$ 1,292,147</u>	<u>\$ 228,542</u>	<u>\$ 4,776,082</u>

Of the unassigned fund balance in the general fund, \$323,000 has been designated as an economic uncertainty reserve.

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

December 31, 2016

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

	Governmental Activities	Business-Type Activities	
Net Capital Assets	\$ 22,761,078	\$ 47,823,055	
Capital related debt and payables	(4,118,491)	(27,509,957)	
Net investment in capital assets	\$ 18,642,587	\$ 20,313,098	

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

Governmental Activities

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

Restricted for other purposes – This restriction represents \$228,542 in the nonmajor special revenue funds.

Business-type Activities

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

Restricted for system construction – Water and Sewer Enterprise Fund – This restriction (\$2,385,162) represents funds to be used for water and sewer system construction.

NOTE 3. OTHER INFORMATION

A. Employee Pension Plan

Plan Description. The City of Richmond Hill Pension Plan, covering all full-time employees, has a noncontributory plan for class 0 and 1 employees; however, employees who have elected for the enhanced retirement option must contribute 3% of their salary to the plan. These employees are considered class 2 and 3. Effective February 1, 2008, new hires and re-hired regular employees will be required to make contributions. Class 1 and 2 employees are police officers who do not contribute to social security under the plan provisions. Class 0 and 3 employees are all other employees of the City. The employees contributed \$109,240 to the plan during 2016.

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

December 31, 2016

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

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

The following is the plan membership at July 1, 2016:

Active Plan Participants	84
Retirees and Beneficiaries	23
Terminated plan participants entitled to, but not yet receiving benefits	35
Total	<u>142</u>

Contributions: The City's policy is to contribute the actuarially determined amount as recommended by GMEBS. The Board of Trustees of GMEBS has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual recommended contribution is the sum of 1) the normal cost, 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). Well-funded plans may have a full credit applied to reduce the recommended contributions. This credit insures that contributions are not required if a plan's assets exceed the present value of future benefits. The contributions meet the estimated minimum annual contribution under Public Retirement Systems Standards Law (Georgia Code Section 47-20-10).

Net pension liability. The City's net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

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

December 31, 2016

Actuarial assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial method	Entry age normal
Investment rate of return	7.75%
Projected salary increases	3.25%, plus service based merit increases
Cost of living adjustment	3.25%

Source of mortality assumptions are as follows:

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

The mortality and economic actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45.0%	6.75%
International equity	20.0%	7.45%
Global fixed income	5.0%	3.30%
Domestic fixed income	20.0%	1.75%
Real estate	10.0%	4.55%
Cash	0.0%	
Total	<u>100.0%</u>	

Plan termination basis: 2.86% (30-year Treasury Securities Rate as of August, 2015, published in September, 2015; 3.20% last year).

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

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

December 31, 2016

long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances - beginning of year	\$ 7,345,599	\$ 6,775,596	\$ 570,003
Service cost	224,265	-	224,265
Interest	563,736	-	563,736
Difference between expected and actual experience	(56,591)		(56,591)
Contributions - employer	-	322,297	(322,297)
Contributions - employee		97,268	(97,268)
Net investment income	-	25,554	(25,554)
Benefit payments	(143,182)	(143,182)	-
Administrative expense	-	(18,178)	18,178
Other	-	-	-
Net changes	588,228	283,759	304,469
Balances - end of year	\$ 7,933,827	\$ 7,059,355	\$ 874,472

At December 31, 2016, the City (primary government) and the CVB (discretely presented component unit) reported their proportionate share of the net pension liability as follows:

	Total	Primary Government	Discretely Presented Component Unit
Net pension liability	\$ 874,472	\$ 863,417	\$ 11,055

The balances at March 31, 2015 and 2016 include entry age normal liabilities calculated using ages and service amounts as of July 1, 2015 and 2016, respectively, and constitute measurements of the net pension liability for the years ending December 31, 2015 and 2016, respectively.

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Plan's net pension liability (asset)	\$ 2,122,254	\$ 874,472	\$ (137,306)

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

December 31, 2016

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

Pension expense: Pension expense for the year ended December 31, 2016:

	Total	Primary Government	Discretely Presented Component Unit
Service cost	\$ 224,265	\$ 221,439	\$ 2,826
Interest on total pension liability (TPL)	563,736	556,633	7,103
Employee contributions	(97,268)	(96,042)	(1,226)
Administrative expenses	18,178	17,949	229
Expected return on assets	(535,114)	(528,372)	(6,742)
Expensed portion of current year period differences between expected and actual experience in TPL	(11,319)	(11,176)	(143)
Expensed portion of current year period differences between projected and actual investment earnings	101,907	100,618	1,289
Current year recognition of deferred inflows and outflows established in prior years	(153,244)	(151,313)	(1,931)
Total pension expense	\$ 111,141	\$ 109,736	\$ 1,405

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

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Primary Government	Discretely Presented Component Unit	Total	Primary Government	Discretely Presented Component Unit	Total
Differences between expected and actual experience	\$ 98,142	\$ 1,257	\$ 99,399	\$ (44,700)	\$ (573)	\$ (45,273)
Net difference between projected and actual earnings on pension plan investments	334,077	4,277	338,354	-	-	-
Changes in assumptions	-	-	-	(483,645)	(6,192)	(489,837)
The City's contribution to the pension plan subsequent to the measurement date	162,396	2,079	164,475	-	-	-
Proportionate share of net position	\$ 594,615	\$ 7,613	\$ 602,228	\$ (528,345)	\$ (6,765)	\$ (535,110)

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

December 31, 2016

The contributions subsequent to the measurement date in the amount of \$164,475 is not included in the schedule below but will be expensed in the next calendar year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	Primary Government	Discretely Presented Component Unit	Total
December 31:			
2017	\$ (62,342)	\$ (308)	\$ (62,650)
2018	(62,342)	(308)	(62,650)
2019	(62,342)	(308)	(62,650)
2020	90,900	(307)	90,593
	<u>\$ (96,126)</u>	<u>\$ (1,231)</u>	<u>\$ (97,357)</u>

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

B. Pensions with a Special Funding Situation

The City participates in two pension plans that are considered to have a special funding situation. The two plans are the Georgia Firefighters’ pension plan and the Peace Officers’ Annuity and Benefit Fund of Georgia (POAB). The pension plans are all cost-sharing, multiple employer defined benefit plans and the employer contributions are funded by the State on behalf of the City. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* requires participating employers and nonemployers contributing entities to recognize their proportional share of collective net pension liability and pension expense. Since the City does not contribute directly to the plans, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the City. The State’s proportionate share of the collective net pension liability (asset) of the Georgia Firefighters’ plan totals \$105,499 and the POAB plan totals \$15,120. The State revenue and pension expense of the plans total \$14,541 for the Georgia Firefighters’ plan and \$5,708 for the POAB.

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

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

December 31, 2016

C. Risk Management

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

Risk Pools

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

Self-Insurance

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

D. Commitments and Contingencies

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

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

Contractual Obligations:

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

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

December 31, 2016

E. 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 City has determined that these agreements will promote and expand for the public good and welfare, industry and trade within the City and reduce unemployment to the greatest extent possible, and will be acting in furtherance of the public purposes for which it was created. Under these agreements, a participating company has a community jobs goal and community investment goal that will have to be met or will be subject to recapture of the abated taxes. A shortfall percentage will be incorporated into the agreement and a methodology on the calculation of the recapture.

For the fiscal year ended December 31, 2016, the City abated property taxes totaling \$155,692. The agreements resulted in an estimated \$138 million in new capital investment and 175 new jobs.

REQUIRED SUPPLEMENTARY INFORMATION OTHER
THAN MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF RICHMOND HILL, GEORGIA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
RESOURCES (Inflows):				
Taxes	\$ 6,189,000	\$ 6,219,000	\$ 6,222,685	\$ 3,685
Licenses and permits	346,000	526,000	531,888	5,888
Intergovernmental revenues	-	-	14,285	14,285
Charges for services	946,000	896,000	897,856	1,856
Fines and forfeitures	740,000	740,000	816,559	76,559
Investment income	5,000	5,000	21,899	16,899
Miscellaneous revenue	4,000	4,000	51,181	47,181
Transfers in	260,000	1,817,000	1,816,036	(964)
Total revenues	8,490,000	10,207,000	10,372,389	165,389
CHARGES TO APPROPRIATIONS (Outflows)				
Current				
City council	60,000	61,000	60,487	513
General administration	910,500	1,130,500	1,116,493	14,007
Finance department	224,000	234,000	228,766	5,234
General government buildings	36,000	41,000	38,375	2,625
Municipal court	40,000	40,000	37,434	2,566
Police department	2,975,000	3,025,000	3,013,876	11,124
Custody of prisoners	35,000	35,000	25,252	9,748
Fire protection	855,000	965,000	955,177	9,823
Streets	1,400,000	1,450,000	1,442,145	7,855
Sanitation	865,000	865,000	825,510	39,490
Building inspection	556,000	606,000	601,779	4,221
Code enforcement	51,000	56,000	54,499	1,501
Park	438,000	476,000	472,668	3,332
Special public works infrastructure projects	-	1,502,000	1,501,894	106
Special public works projects - hurricane	-	400,000	390,220	9,780
Special recreation projects	35,000	36,000	35,163	837
Total Expenditures	8,480,500	10,922,500	10,799,738	122,762
Debt service				
Principal	8,000	31,000	30,778	222
Interest and fiscal agent fees	1,500	2,500	2,112	388
Total Debt Service	9,500	33,500	32,890	610
Total charges to appropriations	8,490,000	10,956,000	10,832,628	123,372
Excess (deficiency) of resources over charges to appropriations	-	(749,000)	(460,239)	288,761
Fund balance, beginning of year	3,715,632	3,715,632	3,715,632	-
Fund balance, end of year	\$ 3,715,632	\$ 2,966,632	\$ 3,255,393	\$ 288,761

CITY OF RICHMOND HILL, GEORGIA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 December 31, 2016

A. Budgets and Budgetary Accounting

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

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

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

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

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

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

Supplemental increases in budget appropriations were properly approved by the City Council. For the year ended December 31, 2016, the following supplemental appropriations were approved:

<u>Fund Type</u>	<u>Original Appropriations</u>	<u>Supplemental Appropriations</u>	<u>Supplemental Decreases</u>	<u>Final Appropriations</u>
General	<u>\$ 8,490,000</u>	<u>\$ 2,466,000</u>	<u>\$ -</u>	<u>\$ 10,956,000</u>

CITY OF RICHMOND HILL, GEORGIA

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

DECEMBER 31, 2016

	2016	2015
Total pension liability		
Service cost	\$ 224,265	\$ 250,565
Interest	563,736	562,342
Difference between expected and actual experience	(56,591)	165,667
Changes in assumptions	-	-
Benefit payments	(143,182)	(145,209)
Other	-	(816,396)
Net change in total pension liability	588,228	16,969
Total pension liability - beginning	7,345,599	7,328,630
Total pension liability - ending (a)	<u>\$ 7,933,827</u>	<u>\$ 7,345,599</u>
Plan net position		
Contributions - employer	\$ 322,297	\$ 277,878
Contributions - employee	97,268	89,480
Net investment income	25,554	587,119
Benefit payments	(143,182)	(145,209)
Administrative expense	(18,175)	(16,303)
Net change in plan net position	283,762	792,965
Plan net position - beginning	6,775,596	5,982,631
Plan net position - ending (b)	<u>7,059,358</u>	<u>6,775,596</u>
Net pension liability - ending (a) - (b)	<u>\$ 874,469</u>	<u>\$ 570,003</u>
Ratio of plan net position to total pension liability	88.98%	92.24%
Covered-employee payroll	\$ 3,446,777	\$ 3,345,260
Net pension liability as a percentage of covered-employee payroll	25.37%	17.04%

Notes to Schedule:

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

The total pension liability was measured using the entry age normal method.

Changes of assumptions

There were no changes in plan provisions, methods, or assumptions in the current year valuation.

Benefit changes

None

CITY OF RICHMOND HILL, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION – PENSION SCHEDULES
SCHEDULE OF EMPLOYER CONTRIBUTIONS

DECEMBER 31, 2016

	2016	2015
Actuarially determined contribution	*	\$ 346,287
Contributions in relation to the actuarially determined contribution	*	371,519
Contribution deficiency (excess)	*	<u>\$ (25,232)</u>
Covered-employee payroll	*	\$ 3,345,260
Contributions as a percentage of covered-employee payroll	*	11.11%

* - 2016 information will be determined after fiscal year end and will be included in the 2017 valuation report.

Notes to Schedule

Valuation date:

The actuarially determined contribution rate was determined as of July 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2017.

Method and assumptions used in calculations of actuarially determined contributions:

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

Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	N/A
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, to be within 20% of market value.
Inflation	3.25 percent
Salary increase	3.25 percent, average, plus service based merit increases
Investment rate of return	7.75 percent

COMBINING FUND FINANCIAL STATEMENTS AND
SCHEDULES AND OTHER SUPPLEMENTARY
INFORMATION

Non-major Funds

Non-major Governmental Funds

Special Revenue Funds:

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

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

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

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

CITY OF RICHMOND HILL, GEORGIA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

Special Revenue Funds

	Confiscated Assets	Hotel/Motel Tax	City Center Fund	Total
ASSETS				
Cash and cash equivalents	\$ 22,158	\$ 29,764	\$ 208,838	\$ 260,760
Receivables	-	53,879	-	53,879
Due from other funds	-	-	30,283	30,283
Total assets	<u>\$ 22,158</u>	<u>\$ 83,643</u>	<u>\$ 239,121</u>	<u>\$ 344,922</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,991	\$ 30,272	\$ 22,746	\$ 63,009
Due to other funds	-	53,371	-	53,371
Total liabilities	<u>9,991</u>	<u>83,643</u>	<u>22,746</u>	<u>116,380</u>
Fund balances:				
Restricted	12,167	-	216,375	228,542
Total fund balances	<u>12,167</u>	<u>-</u>	<u>216,375</u>	<u>228,542</u>
Total liabilities and fund balances	<u>\$ 22,158</u>	<u>\$ 83,643</u>	<u>\$ 239,121</u>	<u>\$ 344,922</u>

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Special Revenue Funds</u>			
	<u>Confiscated Assets</u>	<u>Hotel/Motel Tax</u>	<u>City Center Fund</u>	<u>Total</u>
REVENUES				
Taxes	\$ -	\$ 733,114	\$ -	\$ 733,114
Fines and forfeitures	12,958	-	-	12,958
Investment	81	-	572	653
Total revenues	<u>13,039</u>	<u>733,114</u>	<u>572</u>	<u>746,725</u>
EXPENDITURES				
Current:				
Public Safety	6,685	-	-	6,685
Housing and Development	-	209,450	195,946	405,396
Total expenditures	<u>6,685</u>	<u>209,450</u>	<u>195,946</u>	<u>412,081</u>
Excess (deficiency) of revenues over expenditures	<u>6,354</u>	<u>523,664</u>	<u>(195,374)</u>	<u>334,644</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	209,522	209,522
Transfers out	-	(523,664)	-	(523,664)
Total other financing sources and uses	<u>-</u>	<u>(523,664)</u>	<u>209,522</u>	<u>(314,142)</u>
Net change in fund balances	6,354	-	14,148	20,502
Fund balances - beginning	<u>5,813</u>	<u>-</u>	<u>202,227</u>	<u>208,040</u>
Fund balances - ending	<u>\$ 12,167</u>	<u>\$ -</u>	<u>\$ 216,375</u>	<u>\$ 228,542</u>

CITY OF RICHMOND HILL, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND – CONFISCATED ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 12,958	\$ 2,958
Total fines and forfeitures	<u>10,000</u>	<u>10,000</u>	<u>12,958</u>	<u>2,958</u>
Investment income				
Interest income	-	-	81	81
Total investment income	<u>-</u>	<u>-</u>	<u>81</u>	<u>81</u>
TOTAL REVENUES	<u>10,000</u>	<u>10,000</u>	<u>13,039</u>	<u>3,039</u>
EXPENDITURES				
Current				
Police department	10,000	10,000	6,685	3,315
TOTAL EXPENDITURES	<u>10,000</u>	<u>10,000</u>	<u>6,685</u>	<u>3,315</u>
Net change in fund balance	-	-	6,354	6,354
Fund balance at beginning of year	<u>5,813</u>	<u>5,813</u>	<u>5,813</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,813</u>	<u>\$ 5,813</u>	<u>\$ 12,167</u>	<u>\$ 6,354</u>

CITY OF RICHMOND HILL, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND – HOTEL/MOTEL TAX
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Hotel/motel	\$ 591,400	\$ 736,400	\$ 733,114	\$ (3,286)
Total taxes	591,400	736,400	733,114	(3,286)
TOTAL REVENUES	591,400	736,400	733,114	(3,286)
EXPENDITURES				
Current				
Housing and Development	166,400	211,400	209,450	1,950
TOTAL EXPENDITURES	166,400	211,400	209,450	1,950
Excess revenues over (under) expenditures	425,000	525,000	523,664	(1,336)
OTHER FINANCING SOURCES (USES)				
Transfers out	(425,000)	(525,000)	(523,664)	1,336
TOTAL OTHER FINANCING SOURCES (USES)	(425,000)	(525,000)	(523,664)	1,336
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RICHMOND HILL, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND – CITY CENTER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ -	\$ -	\$ 572	\$ 572
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>572</u>	<u>572</u>
EXPENDITURES				
Current				
Housing and Development	165,000	210,000	195,946	14,054
TOTAL EXPENDITURES	<u>165,000</u>	<u>210,000</u>	<u>195,946</u>	<u>14,054</u>
Excess revenues over (under) expenditures	<u>(165,000)</u>	<u>(210,000)</u>	<u>(195,374)</u>	<u>14,626</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	165,000	210,000	209,522	(478)
TOTAL OTHER FINANCING SOURCES (USES)	<u>165,000</u>	<u>210,000</u>	<u>209,522</u>	<u>(478)</u>
Net change in fund balance	-	-	14,148	14,148
Fund balance at beginning of year	<u>202,227</u>	<u>202,227</u>	<u>202,227</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 202,227</u></u>	<u><u>\$ 202,227</u></u>	<u><u>\$ 216,375</u></u>	<u><u>\$ 14,148</u></u>

COMPONENT UNIT

CITY OF RICHMOND HILL, GEORGIA

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

DECEMBER 31, 2016

ASSETS

Cash and cash equivalents	\$ 164,219
Receivables	30,272
Total assets	<u>\$ 194,491</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 15,462
Total liabilities	<u>15,462</u>

Fund balances:

Restricted	179,029
Total fund balances	<u>179,029</u>
Total liabilities and fund balances	<u>\$ 194,491</u>

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

Total fund balances	\$ 179,029
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Amounts reported for the component unit in the Statement of Net Position are different because:

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund financial statements.	848
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements	(11,055)

Net Position of component unit in the Statement of Net Position	<u>\$ 168,822</u>
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CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUES

Intergovernmental	\$ 209,450
Investment	<u>489</u>
Total revenues	<u>209,939</u>

EXPENDITURES

Current:

Housing and Development	<u>201,679</u>
Total expenditures	<u>201,679</u>

Excess (deficiency) of revenues over expenditures	<u>8,260</u>
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Net change in fund balances	8,260
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Fund balances - beginning	<u>170,769</u>
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Fund balances - ending	<u><u>\$ 179,029</u></u>
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Reconciliation of the Component Unit Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

Net change in fund balances	\$ 8,260
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Amounts reported for the component unit in the Statement of Activities are different because:

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

2,014

Net Position of component unit in the Statement of Net Position	<u><u>\$ 10,274</u></u>
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CITY OF RICHMOND HILL, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 DISCRETELY PRESENTED COMPONENT UNIT – CONVENTION AND VISITORS BUREAU
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
Intergovernmental	\$ 166,400	\$ 211,400	\$ 209,450	\$ (1,950)
Total investment income	<u>166,400</u>	<u>211,400</u>	<u>209,450</u>	<u>(1,950)</u>
Investment income				
Interest income	-	-	489	489
Total investment income	<u>-</u>	<u>-</u>	<u>489</u>	<u>489</u>
TOTAL REVENUES	<u>166,400</u>	<u>211,400</u>	<u>209,939</u>	<u>(1,461)</u>
EXPENDITURES				
Current				
Economic Development and Assistance	166,400	211,400	201,679	9,721
TOTAL EXPENDITURES	<u>166,400</u>	<u>211,400</u>	<u>201,679</u>	<u>9,721</u>
Net change in fund balance	-	-	8,260	8,260
Fund balance at beginning of year	<u>170,769</u>	<u>170,769</u>	<u>170,769</u>	<u>-</u>
Fund balance at end of year	<u>\$ 170,769</u>	<u>\$ 170,769</u>	<u>\$ 179,029</u>	<u>\$ 8,260</u>

STATE MANDATED PROGRAM INFORMATION

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL ONE PERCENT SALES TAX PROCEEDS

For the Year Ended December 31, 2016

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total
SPLOST 12-18:					
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	-	-	-
Sterling Creek Park		218,140	-	118,140	118,140
JF Gregory Park		132,349	-	82,349	82,349
Park Equipment		130,938	32,938	-	32,938
Storage Facility		50,000	-	-	-
Road Paving		300,000	-	-	-
Traffic Light - Mulberry/US 17		68,455	68,455	-	68,455
Longwood Drive		150,000	150,000	-	150,000
Rushing Street Mast Arm		175,000	-	-	-
Sidewalks:					
Sidewalks - Timber Trail / Harris Trail / Casey Drive		615,000	541,577	65,635	607,212
Sidewalks - Ivy Street		66,959	66,959	-	66,959
Sidewalks		100,000	-	-	-
Drainage - Master Plan		8,478	8,478	-	8,478
Drainage - Sandpiper Rd / Piercefield Dr		245,491	245,491	-	245,491
Drainage canals - land purchase		73,154	73,154	-	73,154
Streets Equipment		408,674	110,160	143,514	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 and landscaping at Hwy 17 and 144		325,000	5,592	166,109	171,701
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 Dept Building		274,047	274,047	-	274,047
Public Safety - Police Dept Equipment		383,706	283,706	-	283,706
Public Safety - Police Dept Vehicle Equipment		38,404	-	38,404	38,404
Public Safety - Fire Dept Building Renovation		238,857	238,857	-	238,857
Public Safety - Fire Dept Equipment		378,983	100,000	93,983	193,983
Public Safety - Fire Dept Vehicle		31,810	-	31,810	31,810
Public Safety - Fire Truck		42,471	-	42,471	42,471
Building and Zoning Equipment / Vehicles		77,417	52,462	24,955	77,417
Building and Zoning Building Improvements		50,000	-	-	-
Debt Service:					
City Center		2,243,000	1,287,545	395,338	1,682,883
Streets - Backhoe		35,243	35,243	-	35,243
Streets - Excavator		78,249	50,817	27,432	78,249
Water/Sewer Infrastructure - GEFA Loans		400,000	400,000	-	400,000
Sommers Blvd Land and Buildings		1,034,000	139,361	69,681	209,042
Fire Truck		468,500	-	-	-
Police Vehicles		634,000	197,855	257,297	455,152
Total	\$ 11,000,000	\$ 10,384,757	\$ 5,103,469	\$ 1,557,118	\$ 6,660,587

Note 1

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

Current year expenditures reported	\$ 1,438,757
Debt service	749,748
Activity not reported on SPLOST Schedules:	
Purchase of equipment through a capital lease	(631,387)
Total SPLOST Fund Expenditures	\$ 1,557,118

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

For the year ended December 31, 2016

Revenue:	
Hotel/motel taxes	<u>\$ 733,114</u>
Expenditures:	
Tourism expenditures - Richmond Hill Convention and Visitors Bureau	\$ 209,450
Transfer to City Center Fund	<u>209,522</u>
Total expenditures	<u>\$ 418,972</u>
Percentage of expenditures to revenues	<u>57%</u>

SUPPLEMENTAL REPORT



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond Hill, Georgia (City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 19, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See findings 2016-001 through 2016-005.

Compliance and Other Matters

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

We also noted certain matters that we reported to management of the City in a separate letter dated May 19, 2017.

City of Richmond Hill's Response to Findings

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

Purpose of this Report

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

KRT, CPA&P.C.

Savannah, Georgia

May 19, 2017

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Auditors' Results

Financial Statements

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the City of Richmond Hill, Georgia (City).
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? _____ yes X no
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes X no

B. Findings – Financial Statement Audit

Finding 2016-001 (Repeat)

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

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

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

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

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

Response: Management concurs with this finding.

Finding 2016-002 (Repeat)

Condition: Business licenses tested continued to have incorrect business classification NAICS code per state law. Also, there was no indication on the documentation kept by the city of when licenses were paid, making payments difficult to trace.

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

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

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

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

Response: Management concurs with this finding.

Finding 2016-003 (Repeat)

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

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

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

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

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

Response: Management concurs with this finding.

Finding 2016-004

Condition: The following exceptions were noted during testing of disbursements:

1. Multiple invoices were processed for payment by AP without approval of the invoice
2. Several receipts were missing for purchases on the City's credit card
3. There was no documentation on receipts for the purchase of food of the business purpose
4. Two checks were disbursed without an invoice based upon a verbal request of a department head
5. One check was paid off of a purchase order rather than an invoice
6. There were several checks and invoices that could not be located in LaserFishe, the City's electronic filing system. Additionally, there was difficulty locating information in LaserFishe due to the disorganized nature of the files.

Criteria: Disbursements, including credit card payments, should be supported by properly approved invoices or receipts. Additionally, the official records of the City should be kept in an organized

fashion and controls should be implemented to ensure all checks and invoices are scanned into the electronic filing cabinet.

Cause: Failure to follow City policy.

Effect: The City could pay unauthorized expenditures.

Recommendation: We recommend the City review and strengthen their internal controls over disbursements to ensure all disbursements are properly approved and supported prior to payment and records be kept in an organized fashion.

Response: Management concurs with this finding.

Finding 2016-005

Condition: During audit fieldwork it was noted there is a lack of controls over cash collections of fines and fees. The following issues were noted:

1. There is a lack of segregation of duties over cash sufficient to detect fraud or errors in a timely manner
2. There is no monitoring of the probation services contract to ensure adequate payments are received or warrants issued

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 and third party administrators should be monitored by the City and their internal controls should be documented to ensure the City is receiving all funds.

Cause: Lack of segregation of duties and adequate internal controls

Effect: Errors or irregularities could occur without timely detection

Recommendation: We recommend the City review and strengthen their internal controls over cash collections of fines and fees, and monitor 3rd party contracts.

Response: Management concurs with this finding.