

City of Richmond Hill, Georgia

Financial Statements
And
Independent Auditors' Report

For the year ended December 31, 2017

CITY OF RICHMOND HILL, GEORGIA

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December 31, 2017

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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, 2017, 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, 2017, and the respective changes in financial position, and where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (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 31, 2018, 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 31, 2018

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, 2017. 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, 2017 by \$55,839,968 (net position). Of this amount, \$10,370,982 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of \$2,872,988 from 2016. The CVB component unit has a balance of \$174,519 in net position, which is restricted for tourism-related expenses.
- The City's total net position increased \$5,508,030 from the previous year with a \$883,040 increase resulting from governmental activities, and a \$4,624,990 increase from business-type activities.
- Key factors resulting in the increase in net position include:
 - a) The total net position of governmental activities increased primarily due to contributions of streets and sidewalks from developers.
 - b) The total net position of business-type activities increased primarily due to water and sewer and storm water utility capital contributions from developers.
- At December 31, 2017, the City's governmental funds balance sheet reports combined ending fund balances of \$8,267,733, an increase of \$3,491,651 over the previous calendar year. On December 27, 2017, the City issued bonds in amount of \$3.5 million to reimburse and finance the costs, in whole or in part, of the costs associated with the acquisition of the Ford Avenue property and certain improvements to the Sweet Shop Building for use as offices for the City's Convention and the fees and expenses to be incurred in connection with the issuance of the bond. The bond issuance financing source was directly related to the positive increase in fund balance.
- The SPLOST capital projects fund had a fund balance of \$1,805,502, an increase of \$513,355 from a year ago. The increase is due to SPLOST collections exceeding expenditures. The Non-Major Governmental Funds ended the year with a fund balance of \$233,398. 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 \$5,828,833, an increase from 2016 of \$2,573,440. This increase occurred due to the issuance of bonds as discussed above. The City did have an increase in revenues of approximately 10.4%. A significant portion of the increase was from reimbursement from the Federal Emergency Management Agency (FEMA) for hurricane related costs. The City's General Fund enjoys a solid financial position, and is well positioned to improve overall in 2018 and beyond. 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 \$34,029,383 at year-end, an increase of \$1,362,130 from the previous calendar year. A majority of the increase was due to the issuance of bonds discussed above.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

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

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

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

Governmental activities reported in the statements include General Government, Judiciary, Public Safety, Public Works, Culture and Recreation, Housing and Development. Business-type activities in the City include water and sewer services, in the W/S Enterprise Fund Fund, and Storm Water in the Storm Water Enterprise Fund.

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

Fund Financial Statements

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

Governmental funds- Governmental funds, presented on pages C-3 to C-6, essentially account for the same functions as those reported under the Government-wide Statement of Net Position and Statement of Activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the calendar year,

and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating the City's near-term financing requirements and available resources.

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

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

Proprietary funds – During 2016, the City established a storm water enterprise fund as mentioned previously to account for the storm water utility fee, which is the other enterprise fund along with the Water and Sewer Enterprise fund. These enterprise funds are found on pages 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, 2017. 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 \$55.8 million at December 31, 2017.

The following table presents a summary of the City's net position at December 31, 2017:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 9,037,738	\$ 5,420,769	\$ 8,806,533	\$ 9,055,598	\$ 17,844,271	\$ 14,476,367
Capital assets, net	23,080,912	23,080,912	50,415,280	47,823,055	73,496,192	70,903,967
Total assets	<u>32,118,650</u>	<u>28,501,681</u>	<u>59,221,813</u>	<u>56,878,653</u>	<u>91,340,463</u>	<u>85,380,334</u>
Deferred outflow s of resources - pensions	<u>522,463</u>	<u>556,901</u>	<u>22,390</u>	<u>37,714</u>	<u>544,853</u>	<u>594,615</u>
Current liabilities	728,982	922,642	914,432	1,524,771	1,643,414	2,447,413
Noncurrent liabilities	<u>8,123,520</u>	<u>5,086,144</u>	<u>25,905,863</u>	<u>27,581,109</u>	<u>34,029,383</u>	<u>32,667,253</u>
Total liabilities	<u>8,852,502</u>	<u>6,008,786</u>	<u>26,820,295</u>	<u>29,105,880</u>	<u>35,672,797</u>	<u>35,114,666</u>
Deferred inflow s of resouces - pensions	<u>350,609</u>	<u>494,834</u>	<u>21,942</u>	<u>33,511</u>	<u>372,551</u>	<u>528,345</u>
Net position:						
Net investment in capital assets	16,357,705	18,642,587	24,575,170	20,313,098	40,932,875	38,955,685
Restricted for:						
Capital projects	2,205,502	1,264,555	2,097,211	2,385,162	4,302,713	3,649,717
Other purposes	233,398	228,542	-	-	233,398	228,542
Unrestricted	<u>4,641,397</u>	<u>2,419,278</u>	<u>5,729,585</u>	<u>5,078,716</u>	<u>10,370,982</u>	<u>7,497,994</u>
Total net position	<u>\$ 23,438,002</u>	<u>\$ 22,554,962</u>	<u>\$ 32,401,966</u>	<u>\$ 27,776,976</u>	<u>\$ 55,839,968</u>	<u>\$ 50,331,938</u>

The largest portion of the City's net position (73.3%) 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 (8.1%) represents resources that are subject to external restrictions on how they may be used. The remaining 18.6% 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, 2017:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,991,859	\$ 2,259,261	\$ 6,978,473	\$ 6,758,327	\$ 8,970,332	\$ 9,017,588
Operating grants and contributions	657,375	14,053	-	-	657,375	14,053
Capital grants and contributions	2,929,789	1,797,897	4,499,283	2,348,525	7,429,072	4,146,422
General revenues:						
Property taxes	2,134,862	2,016,944	-	-	2,134,862	2,016,944
Sales taxes	2,319,033	2,064,525	-	-	2,319,033	2,064,525
Other taxes	2,910,363	2,838,009	-	-	2,910,363	2,838,009
Unrestricted investment earnings	41,761	22,557	20,745	40,652	62,506	63,209
Miscellaneous	175,793	54,124	56,735	30,438	232,528	84,562
Transfers	-	(1,176,986)	-	1,176,986	-	-
Total revenues	<u>13,160,835</u>	<u>9,890,384</u>	<u>11,555,236</u>	<u>10,354,928</u>	<u>24,716,071</u>	<u>20,245,312</u>
Expenses:						-
General government	2,146,481	1,398,615	-	-	2,146,481	1,398,615
Judiciary	41,703	37,434	-	-	41,703	37,434
Public safety	4,671,762	4,295,661	-	-	4,671,762	4,295,661
Public works	3,397,099	3,040,850	-	-	3,397,099	3,040,850
Culture and recreation	574,358	1,221,329	-	-	574,358	1,221,329
Housing and development	1,265,567	1,198,013	-	-	1,265,567	1,198,013
Interest on long-term debt	180,825	147,573	-	-	180,825	147,573
Water and sewer	-	-	6,260,332	8,528,365	6,260,332	8,528,365
Storm water	-	-	669,914	303,599	669,914	303,599
Total expenses	<u>12,277,795</u>	<u>11,339,475</u>	<u>6,930,246</u>	<u>8,831,964</u>	<u>19,208,041</u>	<u>20,171,439</u>
Change in net position	883,040	(1,449,091)	4,624,990	1,522,964	5,508,030	73,873
Net position-beginning, restated *	22,554,962	24,004,053	27,776,976	26,254,012	50,331,938	50,258,065
Net position-ending	<u>\$ 23,438,002</u>	<u>\$ 22,554,962</u>	<u>\$ 32,401,966</u>	<u>\$ 27,776,976</u>	<u>\$ 55,839,968</u>	<u>\$ 50,331,938</u>

Approximately 16% of the City's governmental activities revenue came from property taxes, while 15% of governmental activity revenue was generated from charges for various goods and services. Property tax revenue increased by \$117,918 over 2016 levels. Sales taxes provided 18% of governmental activity revenues, an increase of \$72,354 over 2016.

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, 2017, the City's governmental funds reported combined fund balances of \$8,267,733 a large increase over the prior year's balance, due primarily to bond proceeds. The restricted fund balance totals \$2,438,900 and represents funds set aside primarily for capital projects, including \$400,000 for a renovation for a historic building that was once a Sweet Shop in the Henry Ford era.

General Fund:

The general fund is the chief operating fund of the City. At December 31, 2017, the total fund balance in the general fund was \$6,228,833, an increase of \$2,973,440 from 2016. The General Fund balance is strong, with funds available to support over seven months of operating expenses.

Proprietary Funds:

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

At December 31, 2017, total net position amounted to \$32,401,966 for the enterprise funds as compared to \$27,776,976 at December 31, 2016. This was a change in net position of \$4,624,990.

The water and sewer fund had an increase in net position of \$3,496,826. The majority of the increase is due to connection fees collected during the year and contribution of systems by developers.

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, 2017, the City's capital assets for both governmental activities and business-type activities totaled \$73,496,192. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment. Capital assets increased about \$3 million in 2017 due to subdivisions taken in by the city and infrastructure added during the year.

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, 2017 totaled \$34,029,383. Of this amount, \$25,905,863 relates to the business-type activities and \$8,123,520 relates to the government-type activities.

Long-term debt of the business type activities decreased in 2017 compared to 2016 levels as no new business debt was issued, and the GEFA debt paid down from normal principal retirement. Governmental activity related debt increased due to the additional debt that occurred from the Richmond Hill Public Facility bond, which was \$3,500,000, for the reimbursement of funds expended on a development and for the previously mentioned Sweet Shop to be used by the CVB upon completion of renovation. 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 2017 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 \$13,254,160 which was significantly higher 2016 levels due to the bond proceeds, and additional grant revenue from the 2016 hurricane FEMA reimbursement.

Expenditures and debt service recorded for the calendar year totaled \$10,280,720, which was higher than the original budget. The large variance is primarily due to the costs associated with Hurricane Irma, as well as repairs associated with building and equipment that exceeded the original budget. 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 2018 to address the challenges in a changing revenue environment. A modest growth is expected in 2018 general fund revenues with the rebound in real estate development. 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, a major tract (5,000 +) acres was annexed into the Richmond Hill city limits in 2017 that will bring residential, commercial, and industrial growth to the area. Infrastructure will take place over the next three years to provide water, sewer, roads, and reuse water to the site. There will be major transportation improvements to the Richmond Hill south Bryan County area as well, due to the recent approval of a T SPLOST referendum. The city has pledged to provide this infrastructure before construction to better plan the desired master development.

Management believes the potential challenges to the fiscal health of Richmond Hill can be met by controlling spending on a City-wide basis. In addition, revenues and expenses in the water and sewer enterprise fund will be carefully monitored to ensure the operating costs are covered, and adequate debt service coverage is maintained. The City intends to maintain the water and sewer rates at their current level for 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, 2017

	Governmental Activities	Business-type Activities	Total	Convention and Visitors' Bureau - Component Unit
Assets				
Cash and investments	\$ 7,095,392	\$ 5,522,911	\$ 12,618,303	\$ 149,221
Receivables	1,357,852	572,530	1,930,382	33,891
Restricted assets				
Cash and investments	584,494	2,309,537	2,894,031	-
Long-term note receivables	-	401,555	401,555	-
Capital assets				
Land, improvements, and construction in progress	4,020,538	2,112,179	6,132,717	-
Other capital assets, net of depreciation	19,060,374	48,303,101	67,363,475	-
Total assets	32,118,650	59,221,813	91,340,463	183,112
Deferred outflows of resources				
Related to pensions	522,463	22,390	544,853	6,370
Total assets and deferred outflows of resources	\$ 32,641,113	\$ 59,244,203	\$ 91,885,316	\$ 189,482
Liabilities				
Accounts payable	\$ 719,068	\$ 880,580	\$ 1,599,648	\$ 133
Accrued liabilities	9,914	33,852	43,766	-
Long-term liabilities				
Due within one year	732,217	1,415,028	2,147,245	-
Due in more than one year	6,552,889	24,438,364	30,991,253	-
Net pension liability	838,414	52,471	890,885	10,457
Total liabilities	8,852,502	26,820,295	35,672,797	10,590
Deferred inflows of resources				
Related to pensions	350,609	21,942	372,551	4,373
Net position				
Net investment in capital assets	16,357,705	24,575,170	40,932,875	-
Restricted for:				
Capital projects	2,205,502	2,097,211	4,302,713	-
Other purposes	233,398	-	233,398	174,519
Unrestricted	4,641,397	5,729,585	10,370,982	-
Total net position	23,438,002	32,401,966	55,839,968	174,519
Total liabilities, deferred inflows of resources and net position	\$ 32,641,113	\$ 59,244,203	\$ 91,885,316	\$ 189,482

CITY OF RICHMOND HILL, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

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	\$ 2,146,481	\$ 525	\$ -	\$ -	\$ (2,145,956)		\$ (2,145,956)	
Judiciary	41,703	-	-	-	(41,703)		(41,703)	
Public Safety	4,671,762	588,719	-	50,000	(4,033,043)		(4,033,043)	
Public Works	3,397,099	860,251	-	2,879,789	342,941		342,941	
Culture and Recreation	574,358	46,782	657,375	-	129,799		129,799	
Housing and Development	1,265,567	495,582	-	-	(769,985)		(769,985)	
Interest on Long-term debt	180,825	-	-	-	(180,825)		(180,825)	
Total governmental activities	12,277,795	1,991,859	657,375	2,929,789	(6,698,772)		(6,698,772)	
Business-type activities:								
Water & Sewer	6,260,332	6,463,195	-	3,216,483	-	\$ 3,419,346	3,419,346	
Storm Water Utility Fund	669,914	515,278	-	1,282,800	-	1,128,164	1,128,164	
Total business-type activities	6,930,246	6,978,473	-	4,499,283	-	4,547,510	4,547,510	
Total	\$19,208,041	\$8,970,332	\$ 657,375	\$ 7,429,072	(6,698,772)	4,547,510	(2,151,262)	
Component Unit								
Richmond Hill Convention and Visitors' Bureau								
	\$ 213,040	\$ -	\$ 208,371	\$ -				\$ (4,669)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					2,134,862	-	2,134,862	\$ -
Sales taxes for general purposes					2,319,033	-	2,319,033	-
Selective taxes					1,047,391	-	1,047,391	-
Other taxes					1,862,972	-	1,862,972	-
Unrestricted investment earnings					41,761	20,745	62,506	458
Miscellaneous					175,793	56,735	232,528	8,000
Total general revenues					7,581,812	77,480	7,659,292	8,458
Change in Net Position					883,040	4,624,990	5,508,030	3,789
Net position - beginning					22,554,962	27,776,976	50,331,938	170,730
Net position - ending					\$ 23,438,002	\$ 32,401,966	\$ 55,839,968	\$ 174,519

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, 2017

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,027,208	\$ 1,697,414	\$ 370,770	\$ 7,095,392
Receivables	1,144,497	159,383	53,972	1,357,852
Due from other funds	23,127	-	33,907	57,034
Restricted cash	584,494	-	-	584,494
Total assets	<u>\$ 6,779,326</u>	<u>\$ 1,856,797</u>	<u>\$ 458,649</u>	<u>\$ 9,094,772</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 499,556	\$ 51,295	\$ 168,217	\$ 719,068
Due to other funds	-	-	57,034	57,034
Total liabilities	<u>499,556</u>	<u>51,295</u>	<u>225,251</u>	<u>776,102</u>
Deferred Inflows of Resources:				
Unavailable property taxes	50,937	-	-	50,937
Fund balances:				
Restricted	400,000	1,805,502	233,398	2,438,900
Unassigned	5,828,833	-	-	5,828,833
Total fund balances	<u>6,228,833</u>	<u>1,805,502</u>	<u>233,398</u>	<u>8,267,733</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,779,326</u>	<u>\$ 1,856,797</u>	<u>\$ 458,649</u>	<u>\$ 9,094,772</u>

CITY OF RICHMOND HILL, GEORGIA

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

DECEMBER 31, 2017

Total fund balance, governmental funds	\$ 8,267,733
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.	23,080,912
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.	171,854
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.	50,937
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements	(838,414)
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.	(7,285,106)
Accrued interest not reflected on Governmental funds	(9,914)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 23,438,002</u>

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,641,046	\$ -	\$ 729,335	\$ 7,370,381
Licenses and permits	495,582	-	-	495,582
Intergovernmental	656,925	1,879,078	-	2,536,003
Charges for services	918,770	-	-	918,770
Fines and forfeitures	571,878	-	5,629	577,507
Investment	39,886	5,012	1,875	46,773
Miscellaneous	117,553	31,545	24,470	173,568
Total revenues	9,441,640	1,915,635	761,309	12,118,584
EXPENDITURES				
Current:				
General government	2,103,481	-	-	2,103,481
Judicial	41,703	-	-	41,703
Public Safety	4,342,915	-	5,040	4,347,955
Public Works	2,514,277	-	-	2,514,277
Culture and recreation	511,058	-	-	511,058
Housing and Development	722,533	-	438,893	1,161,426
Capital outlay	-	768,332	-	768,332
Debt Service:				
Principal	4,697	490,587	-	495,284
Interest and other charges	56	143,361	-	143,417
Bond issuance costs	40,000	-	-	40,000
Total expenditures	10,280,720	1,402,280	443,933	12,126,933
Excess (deficiency) of revenues over expenditures	(839,080)	513,355	317,376	(8,349)
OTHER FINANCING SOURCES (USES)				
Transfers in	312,520	-	208,444	520,964
Transfers out	-	-	(520,964)	(520,964)
Debt issuance	3,500,000	-	-	3,500,000
Total other financing sources and uses	3,812,520	-	(312,520)	3,500,000
Net change in fund balances	2,973,440	513,355	4,856	3,491,651
Fund balances - beginning	3,255,393	1,292,147	228,542	4,776,082
Fund balances - ending	\$ 6,228,833	\$ 1,805,502	\$ 233,398	\$ 8,267,733

CITY OF RICHMOND HILL, GEORGIA

BALANCE SHEETS
ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds: \$ 3,491,651

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 \$926,197 and assets donated \$1,045,699 exceeded depreciation \$1,135,054 in the current period. 836,842

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. (517,008)

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. (3,448)

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. (3,004,716)

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 2,592
Compensated absences (2,901)

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 the change in pension contributions paid exceeded net pension liability in the current period. 80,028

Change in Net Position of governmental activities \$ 883,040

CITY OF RICHMOND HILL, GEORGIA

BALANCE SHEETS
ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Water and Sewer Fund	Storm Water Utility Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and investments	\$ 5,448,472	\$ 74,439	\$ 5,522,911
Receivables	524,849	47,681	572,530
Restricted cash and investments	2,309,537	-	2,309,537
Total current assets	<u>8,282,858</u>	<u>122,120</u>	<u>8,404,978</u>
Non-current assets:			
Long-term receivable	401,555	-	401,555
Capital Assets:			
Land, improvements, and construction in progress	2,112,179	-	2,112,179
Other capital assets, net of depreciation	44,219,941	4,083,160	48,303,101
Total non-current assets	<u>46,733,675</u>	<u>4,083,160</u>	<u>50,816,835</u>
Total assets	<u>55,016,533</u>	<u>4,205,280</u>	<u>59,221,813</u>
Deferred inflows of resources			
Related to pensions	22,390	-	22,390
Total assets and deferred outflows of resources	<u>\$ 55,038,923</u>	<u>\$ 4,205,280</u>	<u>\$59,244,203</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 572,075	\$ 96,179	\$ 668,254
Accrued liabilities	33,852	-	33,852
Current portion of compensated absences	7,039	-	7,039
Current portion of long-term debt	1,362,437	45,552	1,407,989
Payable from restricted assets:			
Customers' deposits	212,326	-	212,326
Total current liabilities	<u>2,187,729</u>	<u>141,731</u>	<u>2,329,460</u>
Non-current liabilities:			
Compensated absences	6,243	-	6,243
Bonds, notes and loans payable	24,286,917	145,204	24,432,121
Net pension liability	52,471	-	52,471
Total non-current liabilities	<u>24,345,631</u>	<u>145,204</u>	<u>24,490,835</u>
Total liabilities	<u>26,533,360</u>	<u>286,935</u>	<u>26,820,295</u>
Deferred inflows of resources			
Related to pensions	21,942	-	21,942
Net position			
Net investment in capital assets	20,682,767	3,892,403	24,575,170
Restricted for capital projects	2,097,211	-	2,097,211
Unrestricted	5,703,643	25,942	5,729,585
Total net position	<u>28,483,621</u>	<u>3,918,345</u>	<u>32,401,966</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 55,038,923</u>	<u>\$ 4,205,280</u>	<u>\$59,244,203</u>

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

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Water and Sewer Fund	Storm Water Utility Fund	Total Enterprise Funds
Operating Revenues			
Charges for services	\$ 6,463,195	\$ 515,278	\$ 6,978,473
Other	56,735	-	56,735
Total operating revenues	<u>6,519,930</u>	<u>515,278</u>	<u>7,035,208</u>
Operating Expenses			
Cost of sales and services	4,523,673	517,125	5,040,798
Depreciation	1,255,464	146,169	1,401,633
Total Operating Expenses	<u>5,779,137</u>	<u>663,294</u>	<u>6,442,431</u>
Operating income (loss)	<u>740,793</u>	<u>(148,016)</u>	<u>592,777</u>
Nonoperating revenues (expenses)			
Investment income	20,745	-	20,745
Interest expense	(449,675)	(6,620)	(456,295)
Issuance cost	(31,520)	-	(31,520)
Total non-operating revenue (expenses)	<u>(460,450)</u>	<u>(6,620)</u>	<u>(467,070)</u>
Income (loss) before contributions	280,343	(154,636)	125,707
Capital contributions	<u>3,216,483</u>	<u>1,282,800</u>	<u>4,499,283</u>
Change in net position	3,496,826	1,128,164	4,624,990
Total net position - beginning	<u>24,986,795</u>	<u>2,790,181</u>	<u>27,776,976</u>
Total net position - ending	<u><u>\$28,483,621</u></u>	<u><u>\$ 3,918,345</u></u>	<u><u>\$32,401,966</u></u>

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUND

FOR THE YEAR ENDED DECEMBER 31, 2017

	Water and Sewer Fund	Storm Water Utility Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 6,519,806	\$ 514,094	\$ 7,033,900
Cash received from borrowers			
Cash payments to suppliers for goods and services	(4,258,096)	(420,946)	(4,679,042)
Cash payments to employees for services	(355,855)	-	(355,855)
Net cash provided (used) by operating activities	<u>1,905,855</u>	<u>93,148</u>	<u>1,999,003</u>
Cash flows from capital and related financing activities:			
Capital contributions	1,890,831	-	1,890,831
Proceeds from debt	2,135,400	-	2,135,400
Acquisitions and construction of capital assets	(1,961,542)	-	(1,961,542)
Principal payments on debt	(3,761,050)	(44,198)	(3,805,248)
Interest payments on debt	(490,717)	(6,620)	(497,337)
Net cash (used) by capital and related financing activities	<u>(2,187,078)</u>	<u>(50,818)</u>	<u>(2,237,896)</u>
Cash flows from investing activities:			
Interest earned on cash and investments	20,745	-	20,745
Net cash provided (used) by investing activities	<u>20,745</u>	<u>-</u>	<u>20,745</u>
Net increase (decrease) in cash and cash equivalents	<u>(260,478)</u>	<u>42,330</u>	<u>(218,148)</u>
Cash and cash equivalents, beginning of year	8,018,487	32,109	8,050,596
Cash and cash equivalents, end of year	<u>\$ 7,758,009</u>	<u>\$ 74,439</u>	<u>\$ 7,832,448</u>
Operating income (loss)	<u>\$ 740,793</u>	<u>\$ (148,016)</u>	<u>\$ 592,777</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,255,464	146,169	1,401,633
Change in assets and liabilities:			
Decrease (increase) in other/accounts receivables	32,101	(1,184)	30,917
(Increase) decrease in deferred outflows	15,324	-	15,324
(Decrease) Increase in accounts payable and accrued liabilities	(91,742)	96,179	4,437
(Decrease) increase in customer deposits	(32,225)	-	(32,225)
Increase (decrease) in net pension liability	(2,291)	-	(2,291)
Increase (decrease) in deferred inflows	(11,569)	-	(11,569)
Total adjustments	<u>1,165,062</u>	<u>241,164</u>	<u>1,406,226</u>
Net cash provided (used) by operating activities	<u>\$ 1,905,855</u>	<u>\$ 93,148</u>	<u>\$ 1,999,003</u>
Noncash Investing, Capital and Financing Activities:			
Contributions of capital assets from developers/ other entities	\$ 1,325,652	\$ 1,282,800	\$ 2,608,452

NOTES TO BASIC FINANCIAL STATEMENTS

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

December 31, 2017

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
- F. Subsequent Events

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

December 31, 2017

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. The Public Facilities Authority "PFA" of Richmond Hill was created for the purpose of promoting the public good and general welfare of the citizens of the city and of the state and financing and providing facilities, equipment and services within the city. The Public Facilities Authority is composed of the Mayor and City Council and as such the City appoints a voting majority and can impose its will on the Public Facilities Authority. The PFA issued conduit revenue bonds during 2017 for the City. The City has contractual obligations with the PFA relating to a bond issue which funded capital projects of the City. Under the contract, the City is obligated to make payments sufficient to pay principal and interest on the bonds when due. This contractual obligation is described in the long-term liabilities note. The PFA did not have any other transactions during the year.

Discretely Presented Component Units

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

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, 2017, the City paid \$12,065 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

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

December 31, 2017

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

Downtown Development Authority

The Downtown Development Authority (DDA) is composed of a board of five members selected by the City Council. The City's accountability for the DDA does not extend beyond making the appointments, and, accordingly, the DDA is not considered a part of the City entity for financial reporting purposes.

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.

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

December 31, 2017

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.

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.

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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.

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.

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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 \$50,937. 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 \$264,348. The storm water fund allowance for uncollectibles is \$5,000. The allowance for uncollectibles for sanitation, shown in the general fund, is \$43,547 and for property tax is \$11,302.

Property taxes are assessed as of January 1 and taxes were levied on August 21, 2017. Tax bills were rendered on September 15, 2017 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.

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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

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.

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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:

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.

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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.

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.

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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.

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, 2017 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.

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- 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).

Investments:

In its investment of public funds, the City follows state statutes and adopted investment policies. As of December 31, 2017 the investments of the City were:

Investment	Average Credit Rating	Fair Value	Average Maturity (Days)
Georgia Fund 1	AAAm	\$ 3,486,633	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.

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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	\$ 12,618,303
Restricted cash	2,894,031
Total	<u><u>\$ 15,512,334</u></u>

Carrying Value:

Deposits	\$ 12,025,701
Investments	3,486,633
Total	<u><u>\$ 15,512,334</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	\$ 101,340	\$ 279,607	818,399	\$ 1,199,346	\$ (54,849)	\$1,144,497
SPLOST	-	159,383	-	159,383	-	159,383
Non-major governmental	-	-	53,972	53,972	-	53,972
Water and Sewer	-	42,933	746,264	789,197	(264,348)	524,849
Non-major enterprise	-	-	52,681	52,681	(5,000)	47,681
Total	<u><u>\$ 101,340</u></u>	<u><u>\$ 481,923</u></u>	<u><u>\$ 1,671,316</u></u>	<u><u>\$ 2,254,579</u></u>	<u><u>\$ (324,197)</u></u>	<u><u>\$1,930,382</u></u>

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

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C. Capital Assets

Capital asset activity for the year ended December 31, 2017 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	1,720,034	64,322	1,501,895	282,461
Total non-depreciable assets	<u>5,458,111</u>	<u>64,322</u>	<u>1,501,895</u>	<u>4,020,538</u>
<i>Depreciable Assets:</i>				
Buildings and Improvements	10,024,538	59,631	-	10,084,169
Infrastructure and other structures	10,331,131	2,712,748	-	13,043,879
Machinery, Equipment & Vehicles	5,829,837	131,692	34,831	5,926,698
Total depreciable assets	<u>26,185,506</u>	<u>2,904,071</u>	<u>34,831</u>	<u>29,054,746</u>
	<u>31,643,617</u>	<u>2,968,393</u>	<u>1,536,726</u>	<u>33,075,284</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(2,945,645)	(315,598)	-	(3,261,243)
Infrastructure and other structures	(1,819,043)	(388,208)	-	(2,207,251)
Machinery, Equipment & Vehicles	(4,117,851)	(431,248)	(23,221)	(4,525,878)
	<u>(8,882,539)</u>	<u>(1,135,054)</u>	<u>(23,221)</u>	<u>(9,994,372)</u>
Total Governmental Activities	<u>22,761,078</u>	<u>1,833,339</u>	<u>1,513,505</u>	<u>23,080,912</u>
Business-Type Activities:				
<i>Non-Depreciable Assets:</i>				
Land	1,100,329	-	-	1,100,329
Construction in Progress	3,291,846	1,181,235	3,461,231	1,011,850
Total non-depreciable assets	<u>4,392,175</u>	<u>1,181,235</u>	<u>3,461,231</u>	<u>2,112,179</u>
<i>Depreciable Assets:</i>				
Utility Plant and Equipment	50,173,815	6,106,466	-	56,280,281
Buildings	124,464	-	-	124,464
Machinery, Equipment & Vehicles	969,454	167,388	-	1,136,842
Total depreciable assets	<u>51,267,733</u>	<u>6,273,854</u>	<u>-</u>	<u>57,541,587</u>
	<u>55,659,908</u>	<u>7,455,089</u>	<u>3,461,231</u>	<u>59,653,766</u>
<i>Accumulated Depreciation:</i>				
Utility Plant and Equipment	(7,042,678)	(1,333,055)	-	(8,375,733)
Buildings	(124,467)	-	-	(124,467)
Machinery, Equipment & Vehicles	(669,708)	(68,578)	-	(738,286)
	<u>(7,836,853)</u>	<u>(1,401,633)</u>	<u>-</u>	<u>(9,238,486)</u>
Total Business-Type Activities	<u>47,823,055</u>	<u>6,053,456</u>	<u>3,461,231</u>	<u>50,415,280</u>
Total Capital Assets	<u>\$70,584,133</u>	<u>\$ 7,886,795</u>	<u>\$ 4,974,736</u>	<u>\$73,496,192</u>

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Depreciation expense was charged to governmental activities as follows:

General Government	\$ 56,182
Public Safety	401,095
Public Works	437,055
Culture and Recreation	70,156
Development	170,566
Total depreciation	<u>\$ 1,135,054</u>

D. Interfund Transactions and Balances

Interfund receivable and payable balances at December 31, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major governmental	\$ 23,127
Non-major governmental	Non-major governmental	33,907
	Total fund financial statements	<u>\$ 57,034</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	\$ 312,520
Non-major governmental	Non-major governmental	208,444
	Total fund financial statements	<u>\$ 520,964</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.

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

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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 \$4,442 over 10 years at an interest rate of 2.44%.

The following is the repayment schedule:

	Year	Principal	Interest	Total
	2018	\$ 42,933	\$ 10,367	\$ 53,300
	2019	43,992	9,308	53,300
	2020	45,078	8,223	53,301
	2021	46,190	7,110	53,300
	2022	47,330	5,971	53,301
	2023-2027	218,965	12,002	230,967
Total Intergovernmental Receivable		444,488	\$ 52,981	\$ 497,469
Less: Current Portion		(42,933)		
Long-term Intergovernmental Receivable		\$ 401,555		

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.

The assets acquired through capital leases are as follows:

Asset Class	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 712,260	\$ 286,930
Less: accumulated depreciation	(166,912)	(28,693)
Total	\$ 545,348	\$ 258,237

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The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

Year Ending December 31	Governmental Activities	Business-type Activities
2018	\$ 109,517	\$ 50,818
2019	50,104	50,818
2020	50,104	50,817
2021	50,104	50,818
2022	50,103	-
2023-2026	162,837	-
Total minimum lease payments	<u>472,769</u>	<u>203,271</u>
Less: amount representing interest	45,042	12,514
Present value of minimum lease payments	<u>\$ 427,727</u>	<u>\$ 190,757</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	\$ 158,998	\$ 91,597	\$ 88,696	\$ 161,899	\$ 85,808
Contractual obligation	2,866,861	3,500,000	297,028	6,069,833	498,741
Notes	672,363	-	46,716	625,647	48,373
Capital leases	579,267	-	151,540	427,727	99,295
Total Governmental Activities	<u>\$ 4,277,489</u>	<u>\$ 3,591,597</u>	<u>\$ 583,980</u>	<u>\$ 7,285,106</u>	<u>\$ 732,217</u>
Business-Type Activities:					
Compensated absences	\$ 16,390	\$ 3,226	\$ 6,334	\$ 13,282	\$ 7,039
Capital leases	234,954	-	44,197	190,757	45,552
GEFA loans	27,275,003	-	3,618,321	23,656,682	1,168,027
Bonds	-	2,135,400	142,729	1,992,671	194,410
Total Business-Type Activities	<u>\$ 27,526,347</u>	<u>\$ 2,138,626</u>	<u>\$ 3,811,581</u>	<u>\$ 25,853,392</u>	<u>\$ 1,415,028</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.

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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.

In 2017, the City entered into a contractual obligation with the Richmond Hill Public Facilities Authority (Authority) related to the Richmond Hill Public Facilities Authority Revenue Bond (City of Richmond Hill Projects), Series 2017. The Bond is being issued to provide funds needed to reimburse and finance the costs, in whole or in part, of (i) the costs associated with the acquisition of the Ford Avenue property and certain improvements to the Sweet Shop Building for use as offices for the City's Convention and Visitors Bureau and (ii) the fees and expenses to be incurred in connection with the issuance of this Bond. The Bonds are limited obligations of the Authority, payable from payments made by the City to the Authority under the contractual obligation. The City is unconditionally obligated to make the payments required. The obligation of the City to make payments constitutes a general obligation of the City for which the full faith and credit of the City is pledged. The principal amount of the bond is \$3,500,000 at a rate of 2.72 percent and maturity of 15 years.

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

Year	Principal	Interest	Total
2018	\$ 498,741	\$ 181,826	\$ 680,567
2019	515,609	164,959	680,568
2020	532,346	148,222	680,568
2021	550,507	130,061	680,568
2022	568,854	111,714	680,568
2023-2027	2,627,486	324,524	2,952,010
2028-2030	776,290	79,400	855,690
Total	<u>\$ 6,069,833</u>	<u>\$ 1,140,706</u>	<u>\$ 7,210,539</u>

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

December 31, 2017

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
2018	\$ 48,373	\$ 21,308	\$ 69,681
2019	50,088	19,593	69,681
2020	51,864	17,816	69,680
2021	53,704	15,977	69,681
2022	55,608	14,073	69,681
2023-2027	309,059	39,345	348,404
2028	56,951	1,117	58,068
Total	<u>\$ 625,647</u>	<u>\$ 129,229</u>	<u>\$ 754,876</u>

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.

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

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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%	\$ 35,815
GEFA- Pump Station Rehab- ilitation and Force Main Replacement - Construction Loan	2,500,000	2.91%	2,137,782
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase I	3,500,000	3.00%	3,180,047
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase II	10,000,000	1.40%	8,523,669
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase III	10,500,000	1.03%	9,779,369
Total loans			<u>23,656,682</u>
Less: current portion			1,168,027
Total long-term debt			<u><u>\$ 22,488,655</u></u>

GEFA loans debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2018	\$ 1,168,027	\$ 370,660	\$ 1,538,687
2019	1,186,984	351,703	1,538,687
2020	1,193,581	332,522	1,526,103
2021	1,208,482	313,428	1,521,910
2022	1,227,842	294,068	1,521,910
2023-2027	6,443,506	1,166,042	7,609,548
2028-2032	6,988,992	620,555	7,609,547
2033-2036	4,239,277	93,640	4,332,917
Total	<u><u>\$ 23,656,691</u></u>	<u><u>\$ 3,542,618</u></u>	<u><u>\$ 27,199,309</u></u>

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

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

December 31, 2017

transaction also resulted in an economic gain of \$32,340 and a reduction of \$217,772 in future debt service payments.

Debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2018	\$ 194,410	\$ 46,457	\$ 240,867
2019	199,207	41,660	240,867
2020	204,122	36,744	240,866
2021	209,159	31,707	240,866
2022	214,320	26,547	240,867
2023-2027	971,454	52,227	1,023,681
Total	<u>\$1,992,672</u>	<u>\$235,342</u>	<u>\$ 2,228,014</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	\$ -	\$ -	\$ 13,980	\$ 13,980
Trade shows and conferences	-	-	219,418	219,418
Construction and capital outlay	400,000	1,805,502	-	2,205,502
Unassigned:	5,828,833	-	-	5,828,833
Total Fund Balances	<u>\$ 6,228,833</u>	<u>\$ 1,805,502</u>	<u>\$ 233,398</u>	<u>\$ 8,267,733</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, 2017

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

	Governmental Activities	Business-Type Activities
Net Capital Assets	\$ 23,080,912	\$ 50,415,280
Capital related debt and payables	(6,723,207)	(25,840,110)
Net investment in capital assets	\$ 16,357,705	\$ 24,575,170

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 \$233,398 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 (\$2,097,211) 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 \$111,943 to the plan during 2017.

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

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

December 31, 2017

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, 2017:

Active Plan Participants	84
Retirees and Beneficiaries	25
Terminated plan participants entitled to, but not yet receiving benefits	35
Total	<u>144</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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017.

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

December 31, 2017

Actuarial assumptions. The total pension liability in the July 1, 2017 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, 2017 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%	6.71%
International equity	20.0%	7.71%
Global fixed income	5.0%	3.36%
Domestic fixed income	20.0%	2.11%
Real estate	10.0%	5.21%
Cash	0.0%	
Total	<u>100.0%</u>	

Plan termination basis: 2.26% (30-year Treasury Securities Rate as of August, 2016, published in September, 2016; 2.86% 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, 2017

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	\$ 7,933,827	\$ 7,059,355	\$ 874,472
Service cost	221,705	-	221,705
Interest	607,952	-	607,952
Difference between expected and actual experience	397,935		397,935
Contributions - employer	-	219,119	(219,119)
Contributions - employee		112,041	(112,041)
Net investment income	-	896,895	(896,895)
Benefit payments	(178,570)	(178,570)	-
Administrative expense	-	(27,333)	27,333
Other	-	-	-
Net changes	1,049,022	1,022,152	26,870
Balances - end of year	\$ 8,982,849	\$ 8,081,507	\$ 901,342

At December 31, 2017, 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	\$ 901,342	\$ 890,885	\$ 10,457

The balances at March 31, 2016 and 2017 include entry age normal liabilities calculated using ages and service amounts as of July 1, 2016 and 2017, respectively, and constitute measurements of the net pension liability for the years ending December 31, 2016 and 2017, 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)	\$ 2,280,139	\$ 901,342	\$ (221,726)

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

December 31, 2017

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, 2017:

	Total	Primary Government	Discretely Presented Component Unit
Service cost	\$ 221,705	\$ 219,133	\$ 2,572
Interest on total pension liability (TPL)	607,952	600,899	7,053
Employee contributions	(112,041)	(110,741)	(1,300)
Administrative expenses	27,333	27,016	317
Expected return on assets	(551,954)	(545,550)	(6,404)
Expensed portion of current year period differences between expected and actual experience in TPL	79,587	78,664	923
Expensed portion of current year period differences between projected and actual investment earnings	(68,986)	(68,191)	(795)
Current year recognition of deferred inflows and outflows established in prior years	(62,650)	(61,923)	(727)
Total pension expense	\$ 140,946	\$ 139,306	\$ 1,640

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	\$ 380,152	\$ 4,462	\$ 384,614	\$ 33,560	\$ 394	\$ 33,954
Net difference between projected and actual earnings on pension plan investments	-	-	-	16,222	190	16,412
Changes in assumptions	-	-	-	322,769	3,789	326,558
The City's contribution to the pension plan subsequent to the measurement date	164,701	1,908	166,609	-	-	-
Proportionate share of net position	\$ 544,853	\$ 6,370	\$ 551,223	\$ 372,551	\$ 4,373	\$ 376,924

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

December 31, 2017

The contributions subsequent to the measurement date in the amount of \$166,609 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:			
2018	\$ (51,447)	\$ (604)	\$ (52,051)
2019	(51,447)	(604)	(52,051)
2020	100,019	1,174	101,193
2021	10,476	123	10,599
	<u>\$ 7,601</u>	<u>\$ 89</u>	<u>\$ 7,690</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 \$137,910 and the POAB plan totals \$71,893. The State revenue and pension expense of the plans total \$31,022 for the Georgia Firefighters’ plan and \$20,996 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, 2017

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

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, 2017, the City abated property taxes totaling \$156,236. The agreements resulted in an estimated \$141 million in new capital investment and 211 new jobs.

F. Subsequent Events

In May of 2018, the Georgia Environmental Financing Authority (GEFA) approved a loan to the City in the amount of \$2,900,000 for the construction of water and sewer systems.

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
RESOURCES (Inflows):				
Taxes	\$ 6,545,000	\$ 6,545,000	\$ 6,641,046	\$ 96,046
Licenses and permits	369,500	369,500	495,582	126,082
Intergovernmental revenues	120,000	620,000	656,925	36,925
Charges for services	926,000	926,000	918,770	(7,230)
Fines and forfeitures	765,000	765,000	571,878	(193,122)
Investment income	10,000	10,000	39,886	29,886
Miscellaneous revenue	1,500	1,500	117,553	116,053
Debt issuance	-	3,500,000	3,500,000	-
Transfers in	300,000	313,000	312,520	(480)
Total revenues	9,037,000	13,050,000	13,254,160	204,160
CHARGES TO APPROPRIATIONS (Outflows)				
Current				
City council	60,000	70,000	68,809	1,191
General administration	897,642	1,742,642	1,742,442	200
Finance department	238,000	268,000	266,796	1,204
General government buildings	36,000	36,000	25,434	10,566
Municipal court	40,000	42,000	41,703	297
Police department	3,120,000	3,120,000	3,085,289	34,711
Custody of prisoners	40,000	40,000	24,139	15,861
Fire protection	1,122,000	1,297,000	1,233,487	63,513
Streets	1,400,000	1,700,000	1,693,445	6,555
Sanitation	875,000	875,000	820,832	54,168
Building inspection	645,000	700,000	696,644	3,356
Code enforcement	48,000	48,000	25,889	22,111
Park	468,000	474,000	473,905	95
Special recreation projects	45,000	45,000	37,153	7,847
Total Expenditures	9,034,642	10,457,642	10,235,967	221,675
Debt service				
Principal	2,358	4,698	4,697	1
Interest and fiscal agent fees	-	60	56	4
Total Debt Service	2,358	4,758	4,753	5
Total charges to appropriations	9,037,000	10,462,400	10,240,720	221,680
Excess (deficiency) of resources over charges to appropriations	-	2,587,600	3,013,440	425,840
Fund balance, beginning of year	3,255,393	3,255,393	3,255,393	-
Fund balance, end of year	\$ 3,255,393	\$ 5,842,993	\$ 6,268,833	\$ 425,840

CITY OF RICHMOND HILL, GEORGIA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 December 31, 2017

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, 2017, 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>\$ 9,037,000</u>	<u>\$ 1,425,400</u>	<u>\$ -</u>	<u>\$ 10,462,400</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, 2017

	2017	2016	2015
Total pension liability			
Service cost	\$ 221,705	\$ 224,265	\$ 250,565
Interest	607,952	563,736	562,342
Difference between expected and actual experience	397,935	(56,591)	165,667
Changes in assumptions	-	-	-
Benefit payments	(178,570)	(143,182)	(145,209)
Other	-	-	(816,396)
Net change in total pension liability	1,049,022	588,228	16,969
Total pension liability - beginning	7,933,827	7,345,599	7,328,630
Total pension liability - ending (a)	<u>\$ 8,982,849</u>	<u>\$ 7,933,827</u>	<u>\$ 7,345,599</u>
Plan net position			
Contributions - employer	\$ 219,119	\$ 322,297	\$ 277,878
Contributions - employee	112,041	97,268	89,480
Net investment income	896,892	25,554	587,119
Benefit payments	(178,570)	(143,182)	(145,209)
Administrative expense	(27,333)	(18,175)	(16,303)
Net change in plan net position	1,022,149	283,762	792,965
Plan net position - beginning	7,059,358	6,775,596	5,982,631
Plan net position - ending (b)	<u>8,081,507</u>	<u>7,059,358</u>	<u>6,775,596</u>
Net pension liability - ending (a) - (b)	<u>\$ 901,342</u>	<u>\$ 874,469</u>	<u>\$ 570,003</u>
Ratio of plan net position to total pension liability	89.97%	88.98%	92.24%
Covered-employee payroll	\$ 3,970,402	\$ 3,446,777	\$ 3,345,260
Net pension liability as a percentage of covered-employee payroll	22.70%	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

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

Benefit changes

None

CITY OF RICHMOND HILL, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION – PENSION SCHEDULES
SCHEDULE OF EMPLOYER CONTRIBUTIONS

DECEMBER 31, 2017

	2017	2016	2015
Actuarially determined contribution	*	\$ 217,867	\$ 346,287
Contributions in relation to the actuarially determined contribution	*	189,672	371,519
Contribution deficiency (excess)	*	<u>\$ 28,195</u>	<u>\$ (25,232)</u>
Covered-employee payroll	*	\$ 3,446,777	\$ 3,345,260
Contributions as a percentage of covered-employee payroll	*	5.50%	11.11%

* - 2017 information will be determined after fiscal year end and will be included in the 2018 valuation report.

Notes to Schedule

Valuation date:

The actuarially determined contribution rate was determined as of July 1, 2017, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2018.

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 investment return, adjusted by 10% of the amount that the value exceeds or is less than market value at end of year. The actuarial value is adjusted, to be within 20% of market value at end of year.
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, 2017

Special Revenue Funds

	Confiscated Assets	Hotel/Motel Tax	City Center Fund	Total
ASSETS				
Cash and cash equivalents	\$ 130,331	\$ 36,953	\$ 203,486	\$ 370,770
Receivables	-	53,972	-	53,972
Due from other funds	-	-	33,907	33,907
Total assets	<u>\$ 130,331</u>	<u>\$ 90,925</u>	<u>\$ 237,393</u>	<u>\$ 458,649</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 116,351	\$ 33,891	\$ 17,975	\$ 168,217
Due to other funds	-	57,034	-	57,034
Total liabilities	<u>116,351</u>	<u>90,925</u>	<u>17,975</u>	<u>225,251</u>
Fund balances:				
Restricted	<u>13,980</u>	<u>-</u>	<u>219,418</u>	<u>233,398</u>
Total fund balances	<u>13,980</u>	<u>-</u>	<u>219,418</u>	<u>233,398</u>
Total liabilities and fund balances	<u>\$ 130,331</u>	<u>\$ 90,925</u>	<u>\$ 237,393</u>	<u>\$ 458,649</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, 2017

	Special Revenue Funds			
	Confiscated Assets	Hotel/Motel Tax	City Center Fund	Total
REVENUES				
Taxes	\$ -	\$ 729,335	\$ -	\$ 729,335
Fines and forfeitures	5,629	-	-	5,629
Investment	1,224	-	651	1,875
Miscellaneous	-	-	24,470	24,470
Total revenues	<u>6,853</u>	<u>729,335</u>	<u>25,121</u>	<u>761,309</u>
EXPENDITURES				
Current:				
Public Safety	5,040	-	-	5,040
Housing and Development	-	208,371	230,522	438,893
Total expenditures	<u>5,040</u>	<u>208,371</u>	<u>230,522</u>	<u>443,933</u>
Excess (deficiency) of revenues over expenditures	<u>1,813</u>	<u>520,964</u>	<u>(205,401)</u>	<u>317,376</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	208,444	208,444
Transfers out	-	(520,964)	-	(520,964)
Total other financing sources and uses	<u>-</u>	<u>(520,964)</u>	<u>208,444</u>	<u>(312,520)</u>
Net change in fund balances	1,813	-	3,043	4,856
Fund balances - beginning	<u>12,167</u>	<u>-</u>	<u>216,375</u>	<u>228,542</u>
Fund balances - ending	<u>\$ 13,980</u>	<u>\$ -</u>	<u>\$ 219,418</u>	<u>\$ 233,398</u>

CITY OF RICHMOND HILL, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND – CONFISCATED ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<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	\$ 5,629	\$ (4,371)
Total fines and forfeitures	<u>10,000</u>	<u>10,000</u>	<u>5,629</u>	<u>(4,371)</u>
Investment income				
Interest income	-	-	1,224	1,224
Total investment income	<u>-</u>	<u>-</u>	<u>1,224</u>	<u>1,224</u>
TOTAL REVENUES	<u>10,000</u>	<u>10,000</u>	<u>6,853</u>	<u>(3,147)</u>
EXPENDITURES				
Current				
Police department	10,000	10,000	5,040	4,960
TOTAL EXPENDITURES	<u>10,000</u>	<u>10,000</u>	<u>5,040</u>	<u>4,960</u>
Net change in fund balance	-	-	1,813	1,813
Fund balance at beginning of year	<u>12,167</u>	<u>12,167</u>	<u>12,167</u>	<u>-</u>
Fund balance at end of year	<u>\$ 12,167</u>	<u>\$ 12,167</u>	<u>\$ 13,980</u>	<u>\$ 1,813</u>

CITY OF RICHMOND HILL, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND – HOTEL/MOTEL TAX
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Hotel/motel	\$ 653,800	\$ 730,800	\$ 729,335	\$ (1,465)
Total taxes	<u>653,800</u>	<u>730,800</u>	<u>729,335</u>	<u>(1,465)</u>
TOTAL REVENUES	<u>653,800</u>	<u>730,800</u>	<u>729,335</u>	<u>(1,465)</u>
EXPENDITURES				
Current				
Housing and Development	176,900	208,900	208,371	529
TOTAL EXPENDITURES	<u>176,900</u>	<u>208,900</u>	<u>208,371</u>	<u>529</u>
Excess revenues over (under) expenditures	<u>476,900</u>	<u>521,900</u>	<u>520,964</u>	<u>(936)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(476,900)</u>	<u>(521,900)</u>	<u>(520,964)</u>	<u>936</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(476,900)</u>	<u>(521,900)</u>	<u>(520,964)</u>	<u>936</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RICHMOND HILL, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND – CITY CENTER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ -	\$ -	\$ 651	\$ 651
Miscellaneous	-	-	24,470	24,470
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>25,121</u>	<u>25,121</u>
EXPENDITURES				
Current				
Housing and Development	176,900	231,900	230,522	1,378
TOTAL EXPENDITURES	<u>176,900</u>	<u>231,900</u>	<u>230,522</u>	<u>1,378</u>
Excess revenues over (under) expenditures	<u>(176,900)</u>	<u>(231,900)</u>	<u>(205,401)</u>	<u>26,499</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	176,900	208,900	208,444	(456)
TOTAL OTHER FINANCING SOURCES (USES)	<u>176,900</u>	<u>208,900</u>	<u>208,444</u>	<u>(456)</u>
Net change in fund balance	-	(23,000)	3,043	26,043
Fund balance at beginning of year	216,375	216,375	216,375	-
Fund balance at end of year	<u>\$ 216,375</u>	<u>\$ 193,375</u>	<u>\$ 219,418</u>	<u>\$ 26,043</u>

COMPONENT UNIT

CITY OF RICHMOND HILL, GEORGIA

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

DECEMBER 31, 2017

ASSETS

Cash and cash equivalents	\$ 149,221
Receivables	33,891

Total assets	<u>\$ 183,112</u>
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LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 133
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Total liabilities	<u>133</u>
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Fund balances:

Restricted	<u>182,979</u>
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Total fund balances	<u>182,979</u>
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Total liabilities and fund balances	<u>\$ 183,112</u>
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Reconciliation of the Component Unit Balance Sheet to the Statement of Net Position

Total fund balances	\$ 182,979
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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.	1,997
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Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements	(10,457)
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Net Position of component unit in the Statement of Net Position	<u>\$ 174,519</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, 2017

REVENUES	
Intergovernmental	\$ 208,371
Investment	458
Total revenues	<u>216,829</u>
EXPENDITURES	
Current:	
Housing and Development	<u>212,879</u>
Total expenditures	<u>212,879</u>
Excess (deficiency) of revenues over expenditures	<u>3,950</u>
Net change in fund balances	3,950
Fund balances - beginning	<u>179,029</u>
Fund balances - ending	<u><u>\$ 182,979</u></u>
Reconciliation of the Component Unit Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	
Net change in fund balances	\$ 3,950
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	(161)
Net Position of component unit in the Statement of Net Position	<u><u>\$ 3,789</u></u>

CITY OF RICHMOND HILL, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 DISCRETELY PRESENTED COMPONENT UNIT – CONVENTION AND VISITORS BUREAU
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
Intergovernmental	\$ 176,900	\$ 208,900	\$ 208,371	\$ (529)
Total investment income	<u>176,900</u>	<u>208,900</u>	<u>208,371</u>	<u>(529)</u>
Investment income				
Interest income	-	-	458	458
Total investment income	<u>-</u>	<u>-</u>	<u>458</u>	<u>458</u>
Miscellaneous	-	8,000	8,000	-
Total miscellaneous revenue	<u>-</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
TOTAL REVENUES	<u>176,900</u>	<u>216,900</u>	<u>216,829</u>	<u>(71)</u>
EXPENDITURES				
Current				
Economic Development and Assistance	176,900	216,900	212,879	4,021
TOTAL EXPENDITURES	<u>176,900</u>	<u>216,900</u>	<u>212,879</u>	<u>4,021</u>
Net change in fund balance	-	-	3,950	3,950
Fund balance at beginning of year	<u>179,029</u>	<u>179,029</u>	<u>179,029</u>	<u>-</u>
Fund balance at end of year	<u>\$ 179,029</u>	<u>\$ 179,029</u>	<u>\$ 182,979</u>	<u>\$ 3,950</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, 2017

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	47,144	165,284
JF Gregory Park		132,349	82,349	44,330	126,679
Park Equipment		130,938	32,938	9,349	42,287
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	-	1,841	1,841
Lexington Court		-	-	33,451	33,451
Piercefield Drive		-	-	104,026	104,026
Mulberry Drive		-	-	9,464	9,464
Rice Gate		-	-	46,030	46,030
Edsel Drive		-	-	35,650	35,650
Ellis Drive		-	-	65,050	65,050
Sidewalks:					
Sidewalks - Timber Trail / Harris Trail / Casey Drive		615,000	607,212	-	607,212
Sidewalks - Ivy Street		66,959	66,959	-	66,959
Sidewalks		100,000	-	160,074	160,074
Drainage - Master Plan		8,478	8,478	-	8,478
Drainage - Sandpiper Rd / Piercefield Dr		245,491	245,491	-	245,491
Drainage canals - land purchase		73,154	73,154	-	73,154
Streets Equipment		408,674	253,674	-	253,674
Streets - Vehicle Maintenance Building		17,715	17,715	-	17,715
Streets - Sommers Blvd Building Renovations		52,975	52,975	-	52,975
Streets - Signal installation and upgrade and landscaping at Hwy 17 and 144		325,000	171,701	172,477	344,178
Water and Sewer WWTP Road Access		353,522	353,522	-	353,522
Water and Sewer Equipment		30,865	30,865	-	30,865
Public Safety - Police Dept Building		274,047	274,047	-	274,047
Public Safety - Police Dept Equipment		383,706	283,706	34,619	318,325
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	193,983	4,827	198,810
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	77,417	-	77,417
Building and Zoning Building Improvements		50,000	-	-	-
Debt Service:					
City Center		2,243,000	1,682,883	395,338	2,078,221
Streets - Backhoe		35,243	35,243	-	35,243
Streets - Excavator		78,249	78,249	-	78,249
Water/Sewer Infrastructure - GEFA Loans		400,000	400,000	-	400,000
Sommers Blvd Land and Buildings		1,034,000	209,042	69,681	278,723
Fire Truck		468,500	-	50,104	50,104
Police Vehicles		634,000	455,152	118,825	573,977
Total	\$ 11,000,000	\$ 10,384,757	\$ 6,660,587	\$ 1,402,280	\$ 8,062,867

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	\$ 768,332
Debt service	633,948
Total SPLOST Fund Expenditures	\$ 1,402,280

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

For the year ended December 31, 2017

Revenue:	
Hotel/motel taxes	<u>\$ 729,335</u>
Expenditures:	
Tourism expenditures - Richmond Hill Convention and Visitors Bureau	\$ 208,371
Transfer to City Center Fund	<u>208,444</u>
Total expenditures	<u>\$ 416,815</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 7, 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 31, 2018.

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 2017-001 through 2017-003.

Compliance and Other Matters

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

We also noted certain matters that we reported to management of the City in a separate letter dated May 31, 2018.

City of Richmond Hill's Response to Findings

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

Purpose of this Report

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

KRT, CPA&P.C.

Savannah, Georgia

May 31, 2018

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 2017-001 (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 year-end closes. There should be a year-end plan, identifying deliverables as well as the responsible individuals, which is followed at year-end.

Response: Management concurs with this finding.

Finding 2017-002 (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 2017-003 (Repeat)

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

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.

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.

Response: Management concurs with this finding.

C. Status of Prior Year Findings – Financial Statement Audit

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.

Status: During 2017, all disbursements tested had been approved by a City official but in several instances the department head in charge of the project had not approved the invoice for payment. Also, there were instances where the charge appeared to have been coded to the incorrect department. Except for these exceptions, the above items were not noted in our 2017 sample.