

**CITY OF RICHMOND HILL, GEORGIA**

**ANNUAL FINANCIAL REPORT  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

# CITY OF RICHMOND HILL, GEORGIA

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

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**ANNUAL FINANCIAL REPORT  
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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Richmond Hill, Georgia** (the "City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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**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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 11), the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions (on pages 54 and 55) 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 and individual nonmajor fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of special purpose local option sales tax proceeds and the schedule of transportation special purpose local option sales tax proceeds, as required by the Official Code of Georgia Annotated §48-8-121, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The combining and individual nonmajor fund financial statements and schedules, the schedules of expenditures of special purpose local option sales tax proceeds, and the schedule of transportation special purpose local option sales tax proceeds (the “supplementary information”) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, on our consideration of the City of Richmond Hill, Georgia’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Richmond Hill, Georgia’s internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Savannah, Georgia  
October 8, 2020

**CITY OF RICHMOND HILL, GEORGIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**INTRODUCTION**

Our discussion and analysis of the financial performance of the City of Richmond Hill (the “City”) provides an overview of the City’s financial activities for the calendar year ended December 31, 2019. 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2019, by \$61,746,717 (net position). Of this amount, \$10,917,627 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.
- The City’s total net position increased \$5,915,424 from the previous year with a \$2,158,852 increase resulting from governmental activities, and a \$3,756,572 increase from business–type activities.
- At December 31, 2019, the City’s governmental funds balance sheet reports combined ending fund balances of \$11,196,284, an increase of \$1,286,543 over the previous calendar year.
- The Special Purpose Local Option Sales Tax (“SPLOST VII”) capital projects fund had a fund balance of \$2,328,624, an increase of \$892,199 from a year ago. The increase is due to SPLOST collections exceeding expenditures, and conservative spending on projects.
- The Transportation Special Purpose Local Option Sales Tax (“TSPLOST”) Fund reported fund balance of \$2,257,996, an increase of \$555,225 from the prior year. This increase is the result of TSPLOST collections exceeding project expenditures during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- The Nonmajor Governmental Funds ended the year with a fund balance of \$255,973. These funds include the Confiscated Assets Fund, the City Center Fund, the Hotel/Motel Fund, the Downtown Development Authority Fund, and the SPLOST VI 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 \$6,293,607, an increase from 2018 of \$715,197.
- Total long-term liabilities of the City were \$37,540,321 at year-end, an increase of \$1,906,259 from the previous calendar year. The increase was due to two new leases during 2019, as well as additional draws on Georgia Environmental Finance Authority ("GEFA") loans.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### Government-wide Financial Statements

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

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

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Fund Financial Statements

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

**Governmental funds** – Governmental funds, presented on pages 14 – 17, essentially account for the same functions as those reported under the Government-wide Statement of Net Position and Statement of Activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the calendar year, and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating the City's near-term financing requirements and available resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 15 and 17, respectively.

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

**Proprietary funds** – During 2016, the City established a Storm Water Enterprise Fund as mentioned previously to account for the storm water utility fee, which is the other enterprise fund along with the Water and Sewer Enterprise Fund. These enterprise funds are found on pages 19 – 22 of this report.

Enterprise funds report, in greater detail, the same information presented as business-type activities in the government-wide financial statements. The water and sewer and storm water utility enterprise funds are the City's major proprietary funds.

**Notes to the Financial Statements** - The notes provide additional information that are essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes are presented on pages 23 – 53 of the report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements presented are for the calendar year ended December 31, 2019. 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 \$61.7 million at December 31, 2019.

The following table presents a summary of the City's net position at December 31, 2019:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current assets	<b>\$ 14,052,519</b>	\$ 11,222,850	<b>\$ 13,617,204</b>	\$ 10,124,533	<b>\$ 27,669,723</b>	\$ 21,347,383
Capital assets, net	<b>24,245,459</b>	23,390,199	<b>50,577,078</b>	49,076,645	<b>74,822,537</b>	72,466,844
Total assets	<b><u>38,297,978</u></b>	<u>34,613,049</u>	<b><u>64,194,282</u></b>	<u>59,201,178</u>	<b><u>102,492,260</u></b>	<u>93,814,227</u>
Deferred outflows of resources - pensions	<b>587,612</b>	434,144	<b>25,485</b>	17,190	<b>613,097</b>	451,334
Current liabilities	<b>2,813,136</b>	1,309,009	<b>776,664</b>	659,887	<b>3,589,800</b>	1,968,896
Non-current liabilities	<b>12,085,327</b>	11,338,028	<b>25,454,994</b>	24,296,034	<b>37,540,321</b>	35,634,062
Total liabilities	<b><u>14,898,463</u></b>	<u>12,647,037</u>	<b><u>26,231,658</u></b>	<u>24,955,921</u>	<b><u>41,130,121</u></b>	<u>37,602,958</u>
Deferred inflows of resources - pensions	<b>211,979</b>	783,860	<b>16,540</b>	47,450	<b>228,519</b>	831,310
Net position						
Net investment in capital assets	<b>17,803,365</b>	16,917,104	<b>25,193,212</b>	24,810,040	<b>42,996,577</b>	41,727,144
Restricted for:						
Capital projects	<b>4,646,704</b>	4,072,907	<b>2,688,970</b>	1,555,074	<b>7,335,674</b>	5,627,981
Other purposes	<b>255,973</b>	185,446	<b>240,866</b>	240,866	<b>496,839</b>	426,312
Unrestricted	<b>1,069,106</b>	440,839	<b>9,848,521</b>	7,609,017	<b>10,917,627</b>	8,049,856
Total net position	<b><u>\$ 23,775,148</u></b>	<u>\$ 21,616,296</u>	<b><u>\$ 37,971,569</u></b>	<u>\$ 34,214,997</u>	<b><u>\$ 61,746,717</u></b>	<u>\$ 55,831,293</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest portion of the City's net position (69.6%) 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 (12.7%) represents resources that are subject to external restrictions on how they may be used. The remaining 17.7% (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.

### Changes in Net Position

The following table presents a summary of the changes in net position for the calendar year ended December 31, 2019:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,235,319	\$ 1,905,411	\$ 8,220,422	\$ 7,593,868	\$ 11,455,741	\$ 9,499,279
Operating grants and contributions	265,520	55,788	-	-	265,520	55,788
Capital grants and contributions	2,922,427	2,305,833	2,383,506	1,410,996	5,305,933	3,716,829
General revenues:						
Property taxes	2,499,883	2,300,561	-	-	2,499,883	2,300,561
Sales taxes	2,780,960	2,724,826	-	-	2,780,960	2,724,826
Other taxes	3,287,916	3,014,016	-	-	3,287,916	3,014,016
Unrestricted investment earnings	152,094	95,544	55,321	33,693	207,415	129,237
Miscellaneous	414,647	93,695	-	-	414,647	93,695
Transfers	81,805	500,000	(81,805)	(500,000)	-	-
<b>Total revenues</b>	<b>15,640,571</b>	<b>12,995,674</b>	<b>10,577,444</b>	<b>8,538,557</b>	<b>26,218,015</b>	<b>21,534,231</b>
<b>Expenses</b>						
General government	1,637,430	1,349,127	-	-	1,637,430	1,349,127
Judiciary	165,305	40,926	-	-	165,305	40,926
Public safety	6,035,013	4,764,148	-	-	6,035,013	4,764,148
Public works	3,220,143	5,988,448	-	-	3,220,143	5,988,448
Culture and recreation	946,990	1,242,712	-	-	946,990	1,242,712
Housing and development	1,115,464	1,044,435	-	-	1,115,464	1,044,435
Interest on long-term debt	361,374	295,402	-	-	361,374	295,402
Water and sewer	-	-	6,164,843	5,912,160	6,164,843	5,912,160
Storm water	-	-	656,029	807,704	656,029	807,704
<b>Total expenses</b>	<b>13,481,719</b>	<b>14,725,198</b>	<b>6,820,872</b>	<b>6,719,864</b>	<b>20,302,591</b>	<b>21,445,062</b>
<b>Change in net position</b>	<b>2,158,852</b>	<b>(1,729,524)</b>	<b>3,756,572</b>	<b>1,818,693</b>	<b>5,915,424</b>	<b>89,169</b>
<b>Net position-beginning, as restated</b>	<b>21,616,296</b>	<b>23,345,820</b>	<b>34,214,997</b>	<b>32,396,304</b>	<b>55,831,293</b>	<b>55,742,124</b>
<b>Net position-ending</b>	<b>\$ 23,775,148</b>	<b>\$ 21,616,296</b>	<b>\$ 37,971,569</b>	<b>\$ 34,214,997</b>	<b>\$ 61,746,717</b>	<b>\$ 55,831,293</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Approximately 16% of the City's governmental activities revenue came from property taxes, while 21% of governmental activities revenue was generated from charges for various goods and services. Property tax revenue increased by \$199,322 over 2018 levels. Local Option and Title Ad Valorem Tax ("TAVT") sales taxes provided \$2.8 million of governmental activity revenues in 2019.

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 Fund, SPLOST VII Fund, and TSPLOST Fund are the City's major funds.

#### **General Fund:**

The General Fund is the chief operating fund of the City. At December 31, 2019, the total unassigned fund balance in the General Fund was \$6,293,607, an increase of \$715,197 from 2018. The General Fund balance continues to be in a strong position.

#### **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, 2019, total net position amounted to \$37,971,569 for the enterprise funds as compared to \$34,214,997 at December 31, 2018. This was a positive change in net position of \$3,756,572.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **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, 2019, the City's capital assets for both governmental activities and business-type activities totaled \$74,822,537. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment. Capital assets increased approximately \$2.4 million in 2019 due to current year additions exceeding depreciation expense. The City has committed to the water/sewer infrastructure on the I-95 Belfast Keller interchange that will promote future economic growth.

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

### **DEBT ADMINISTRATION**

The long-term liabilities at December 31, 2019, totaled \$37,540,321. Of this amount, \$25,454,994 relates to the business-type activities and \$12,085,327 relates to the government-type activities.

Long-term debt of the business type activities increased in 2019 compared to 2018 levels due to additional draws on GEFA loans. Governmental activities related debt increased due to the additional debt incurred from two new leases entered into during 2019.

Additional information on the City's debt can be found in Note 7.

### **BUDGETARY HIGHLIGHTS**

The budgetary comparison schedule of the General Fund is provided in the basic financial statements and can be found on page 18. Budget columns are provided for both the original budget adopted for calendar year 2019 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 \$12,172,012 which was significantly higher than 2018 levels primarily due to increased revenue from licenses and permits mainly due to the new fire user fees.

Expenditures and debt service recorded for the calendar year totaled \$11,423,581, which was higher than the original budget. The largest variance was the result of the construction costs associated with street upgrades.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES

The City continues to adopt conservative budgets in 2020 to address the challenges in a changing revenue environment. A modest growth is expected in 2020 General Fund revenues with the continued growth in residential real estate development, and solid increases in property taxes, and other major revenue sources. The overall revenue picture is enhanced by the City's diversified revenue base as mentioned earlier. The City continues to expand infrastructure to encourage residential and commercial economic development. The infrastructure investment at the I-95 interchange will continue in 2020 and 2021 as water, sewer, roads, and reuse water will be added to promote development by the private sector, and school construction projects. The City has pledged to provide this infrastructure before construction to better plan the desired master development.

Management believes the potential challenges to the fiscal health of the City 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 2020, 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.

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

**CITY OF RICHMOND HILL, GEORGIA**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Convention and Visitor's Bureau
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,369,891	\$ 9,657,300	\$ 20,027,191	\$ 89,686
Restricted cash	137,931	3,038,530	3,176,461	-
Receivables, net of allowance:				
Taxes	107,640	-	107,640	-
Accounts	931,792	563,458	1,495,250	-
Due from primary government	-	-	-	41,627
Due from other governments	2,505,265	-	2,505,265	-
Notes receivable	-	357,916	357,916	-
Capital assets:				
Non-depreciable	4,266,146	4,255,082	8,521,228	-
Depreciable, net of accumulated depreciation	19,979,313	46,321,996	66,301,309	-
Total assets	<u>38,297,978</u>	<u>64,194,282</u>	<u>102,492,260</u>	<u>131,313</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	587,612	25,485	613,097	7,540
Total deferred outflows of resources	<u>587,612</u>	<u>25,485</u>	<u>613,097</u>	<u>7,540</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 38,885,590</u>	<u>\$ 64,219,767</u>	<u>\$ 103,105,357</u>	<u>\$ 138,853</u>
<b>LIABILITIES</b>				
Accounts payable	763,415	568,428	1,331,843	11,130
Accrued liabilities	89,064	33,825	122,889	-
Due to component unit	41,627	-	41,627	-
Customer deposits	119,126	174,411	293,537	-
Accrued interest payable	48,762	-	48,762	-
Unearned revenue	1,751,142	-	1,751,142	-
Non-current liabilities				
Due within one year	1,941,041	1,405,536	3,346,577	-
Due in more than one year	9,309,399	24,000,939	33,310,338	-
Net pension liability - due in more than one year	834,887	48,519	883,406	12,451
Total liabilities	<u>14,898,463</u>	<u>26,231,658</u>	<u>41,130,121</u>	<u>23,581</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	211,979	16,540	228,519	1,239
Total deferred inflows of resources	<u>211,979</u>	<u>16,540</u>	<u>228,519</u>	<u>1,239</u>
<b>NET POSITION</b>				
Net investment in capital assets	17,803,365	25,193,212	42,996,577	-
Restricted for:				
Public safety	26,525	-	26,525	-
Housing and development	229,448	-	229,448	114,033
Capital projects	4,646,704	2,688,970	7,335,674	-
Debt service	-	240,866	240,866	-
Unrestricted	1,069,106	9,848,521	10,917,627	-
Total net position	<u>23,775,148</u>	<u>37,971,569</u>	<u>61,746,717</u>	<u>114,033</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 38,885,590</u>	<u>\$ 64,219,767</u>	<u>\$ 103,105,357</u>	<u>\$ 138,853</u>

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

**CITY OF RICHMOND HILL, GEORGIA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Convention and Visitor's Bureau
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,637,430	\$ -	\$ -	\$ -	\$ (1,637,430)	\$ -	\$ (1,637,430)	\$ -
Judicial	165,305	-	-	-	(165,305)	-	(165,305)	-
Public safety	6,035,013	764,505	-	-	(5,270,508)	-	(5,270,508)	-
Public works	3,220,143	922,790	-	2,922,427	625,074	-	625,074	-
Culture and recreation	946,990	23,100	265,520	-	(658,370)	-	(658,370)	-
Housing and development	1,115,464	1,524,924	-	-	409,460	-	409,460	-
Interest and fees	361,374	-	-	-	(361,374)	-	(361,374)	-
Total governmental activities	<u>\$ 13,481,719</u>	<u>\$ 3,235,319</u>	<u>\$ 265,520</u>	<u>\$ 2,922,427</u>	<u>\$ (7,058,453)</u>	<u>\$ -</u>	<u>\$ (7,058,453)</u>	<u>\$ -</u>
Business-type activities:								
Water and Sewer Utilities	\$ 6,164,843	\$ 7,671,075	\$ -	\$ 2,383,506	-	3,889,738	3,889,738	-
Storm Water Utility	656,029	549,347	-	-	-	(106,682)	(106,682)	-
Total business-type activities	<u>\$ 6,820,872</u>	<u>\$ 8,220,422</u>	<u>\$ -</u>	<u>\$ 2,383,506</u>	<u>\$ -</u>	<u>\$ 3,783,056</u>	<u>\$ 3,783,056</u>	<u>\$ -</u>
Component unit:								
Convention and Visitor's Bureau	\$ 317,878	\$ -	\$ -	\$ -	-	-	-	(317,878)
General revenues								
Taxes:								
Property taxes					2,499,883	-	2,499,883	-
Sales taxes					2,780,960	-	2,780,960	-
Other taxes					3,287,916	-	3,287,916	245,873
Unrestricted investment earnings					152,094	55,321	207,415	1,207
Miscellaneous revenues					414,647	-	414,647	11,435
Transfers					81,805	(81,805)	-	-
Total general revenues and transfers					<u>9,217,305</u>	<u>(26,484)</u>	<u>9,190,821</u>	<u>258,515</u>
Change in net position					<u>2,158,852</u>	<u>3,756,572</u>	<u>5,915,424</u>	<u>(59,363)</u>
Net position, beginning of year, as restated					<u>21,616,296</u>	<u>34,214,997</u>	<u>55,831,293</u>	<u>173,396</u>
Net position, end of year					<u>\$ 23,775,148</u>	<u>\$ 37,971,569</u>	<u>\$ 61,746,717</u>	<u>\$ 114,033</u>

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

**CITY OF RICHMOND HILL, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<u>General Fund</u>	<u>SPLOST VII Fund</u>	<u>TSPLOST Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,513,653	\$ 2,047,108	\$ 2,257,996	\$ 551,134	\$ 10,369,891
Receivables, net of allowance:					
Taxes	107,640	-	-	-	107,640
Accounts	870,833	-	-	60,959	931,792
Due from other governments	362,501	391,622	1,751,142	-	2,505,265
Due from other funds	50,035	-	-	41,646	91,681
Restricted cash	137,931	-	-	-	137,931
<b>Total assets</b>	<b>\$ 7,042,593</b>	<b>\$ 2,438,730</b>	<b>\$ 4,009,138</b>	<b>\$ 653,739</b>	<b>\$ 14,144,200</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 388,851	\$ 86,192	\$ -	\$ 288,372	\$ 763,415
Accrued salaries and related liabilities	89,064	-	-	-	89,064
Unearned revenue	-	-	1,751,142	-	1,751,142
Due to component unit	-	-	-	41,627	41,627
Due to other funds	-	23,914	-	67,767	91,681
Deposits payable	119,126	-	-	-	119,126
<b>Total liabilities</b>	<b>597,041</b>	<b>110,106</b>	<b>1,751,142</b>	<b>397,766</b>	<b>2,856,055</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	91,861	-	-	-	91,861
<b>Total deferred inflows of resources</b>	<b>91,861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,861</b>
<b>FUND BALANCE</b>					
Restricted for:					
Public safety	-	-	-	26,525	26,525
Housing and development	-	-	-	229,448	229,448
Capital projects	60,084	2,328,624	2,257,996	-	4,646,704
Unassigned	6,293,607	-	-	-	6,293,607
<b>Total fund balance</b>	<b>6,353,691</b>	<b>2,328,624</b>	<b>2,257,996</b>	<b>255,973</b>	<b>11,196,284</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 7,042,593</b>	<b>\$ 2,438,730</b>	<b>\$ 4,009,138</b>	<b>\$ 653,739</b>	<b>\$ 14,144,200</b>

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

**CITY OF RICHMOND HILL, GEORGIA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

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Total governmental fund balances: \$ 11,196,284

Amounts reported for governmental activities in the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds:

Cost of assets	\$	36,314,596	
Accumulated depreciation		<u>(12,069,137)</u>	24,245,459

Other long term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.

91,861

Deferred outflows of resources related to the recording of the net pension liability are recognized as expense over time and, therefore, are not reported in the funds.

587,612

Deferred inflows of resources related to the recording of the net pension liability do not consume current financial resources and are therefore, not reported in the funds.

(211,979)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Capital leases payable	\$	(867,344)	
Bonds payable		(5,047,564)	
Notes payable		(527,186)	
Intergovernmental payable		(4,650,000)	
Net pension liability		(834,887)	
Compensated absences payable		(158,346)	
Accrued interest payable		<u>(48,762)</u>	
			<u>(12,134,089)</u>

Net position of governmental activities	\$	<u>23,775,148</u>	
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The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND HILL, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>General Fund</b>	<b>SPLOST VII Fund</b>	<b>TSPLOST Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Taxes	\$ 7,659,408	\$ -	\$ -	\$ 860,600	\$ 8,520,008
Licenses and permits	1,524,924	-	-	-	1,524,924
Intergovernmental revenues	265,520	2,191,876	694,999	-	3,152,395
Charges for services	955,552	-	-	-	955,552
Fines and forfeitures	729,598	-	-	25,245	754,843
Interest income	149,901	15,816	15,574	6,355	187,646
Miscellaneous	261,787	-	-	152,860	414,647
Total revenues	<u>11,546,690</u>	<u>2,207,692</u>	<u>710,573</u>	<u>1,045,060</u>	<u>15,510,015</u>
<b>Expenditures</b>					
Current:					
General government	1,713,875	-	-	-	1,713,875
Judicial	164,292	-	-	-	164,292
Public safety	5,258,496	-	-	12,709	5,271,205
Public works	2,967,868	-	4,750	-	2,972,618
Culture and recreation	624,399	-	-	245,873	870,272
Housing and development	666,091	-	-	416,000	1,082,091
Capital outlay	-	1,315,427	-	532,874	1,848,301
Debt service:					
Principal retirement	24,404	345,260	-	286,085	655,749
Interest	4,156	104,804	150,598	92,064	351,622
Total expenditures	<u>11,423,581</u>	<u>1,765,491</u>	<u>155,348</u>	<u>1,585,605</u>	<u>14,930,025</u>
Excess (deficiency) of revenues over (under) expenditures	<u>123,109</u>	<u>442,201</u>	<u>555,225</u>	<u>(540,545)</u>	<u>579,990</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from capital leases	174,750	449,998	-	-	624,748
Transfers in	450,572	-	-	279,194	729,766
Transfers out	<u>(33,234)</u>	<u>-</u>	<u>-</u>	<u>(614,727)</u>	<u>(647,961)</u>
Total other financing sources (uses)	<u>592,088</u>	<u>449,998</u>	<u>-</u>	<u>(335,533)</u>	<u>706,553</u>
Net change in fund balances	715,197	892,199	555,225	(876,078)	1,286,543
<b>Fund balances, beginning of year</b>	<u>5,638,494</u>	<u>1,436,425</u>	<u>1,702,771</u>	<u>1,132,051</u>	<u>9,909,741</u>
<b>Fund balances, end of year</b>	<u>\$ 6,353,691</u>	<u>\$ 2,328,624</u>	<u>\$ 2,257,996</u>	<u>\$ 255,973</u>	<u>\$ 11,196,284</u>

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

# CITY OF RICHMOND HILL, GEORGIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds	\$	1,286,543
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>		
Capital outlay	\$	2,154,031
Depreciation expense		<u>(1,264,319)</u>
		889,712
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(34,452)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes deferred at December 31, 2019	\$	91,861
Property taxes deferred at December 31, 2018		<u>(43,110)</u>
		48,751
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Capital lease proceeds	\$	(624,748)
Principal payments - notes payable		50,088
Principal payments - bonds payable		519,159
Principal payments - capital leases payable		<u>86,502</u>
		31,001
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	\$	(2,300)
Net pension liability, net of pension related deferred outflows and inflows of resources		(50,651)
Accrued interest		<u>(9,752)</u>
		<u>(62,703)</u>
Change in net position of governmental activities	\$	<u><u>2,158,852</u></u>

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

**CITY OF RICHMOND HILL, GEORGIA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 7,139,000	\$ 7,489,000	\$ 7,659,408	\$ 170,408
Licenses and permits	1,157,051	1,457,051	1,524,924	67,873
Intergovernmental revenues	120,000	245,000	265,520	20,520
Charges for services	966,000	966,000	955,552	(10,448)
Fines and forfeitures	697,000	697,000	729,598	32,598
Interest income	77,000	152,000	149,901	(2,099)
Miscellaneous	8,000	8,000	261,787	253,787
Total revenues	<u>10,164,051</u>	<u>11,014,051</u>	<u>11,546,690</u>	<u>532,639</u>
<b>Expenditures</b>				
Current				
General government:				
City council	94,850	69,850	62,381	7,469
General administration	1,185,584	1,185,584	1,104,007	81,577
Finance department	265,850	320,850	316,010	4,840
General government buildings	71,000	71,000	66,820	4,180
Human resources	160,355	160,355	164,657	(4,302)
Judicial:				
Municipal Court	182,509	182,509	164,292	18,217
Public safety:				
Police department	3,287,885	3,512,885	3,475,035	37,850
Custody of prisoners	30,000	30,000	25,552	4,448
Fire protection	1,504,321	1,754,321	1,757,909	(3,588)
Public works:				
Streets	1,532,900	1,954,000	2,020,538	(66,538)
Sanitation	925,000	925,000	947,330	(22,330)
Culture and recreation:				
Park	508,390	553,390	545,403	7,987
Special recreation projects	58,500	83,500	78,996	4,504
Housing and development:				
Planning and zoning	694,565	694,565	666,091	28,474
Debt service:				
Principal retirement	-	24,450	24,404	46
Interest	-	4,200	4,156	44
Total expenditures	<u>10,501,709</u>	<u>11,526,459</u>	<u>11,423,581</u>	<u>102,878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(337,658)</u>	<u>(512,408)</u>	<u>123,109</u>	<u>635,517</u>
<b>Other financing sources</b>				
Proceeds from capital leases	-	174,750	174,750	-
Transfers in	337,658	337,658	450,572	112,914
Transfers out	-	-	(33,234)	(33,234)
Total other financing sources	<u>337,658</u>	<u>512,408</u>	<u>592,088</u>	<u>79,680</u>
Net change in fund balances	-	-	715,197	715,197
<b>Fund balance, beginning of year</b>	<u>5,638,494</u>	<u>5,638,494</u>	<u>5,638,494</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 5,638,494</u>	<u>\$ 5,638,494</u>	<u>\$ 6,353,691</u>	<u>\$ 715,197</u>

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

# CITY OF RICHMOND HILL, GEORGIA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2019

	Water and Sewer Fund	Storm Water Utility Fund	Total Enterprise Funds
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 9,608,008	\$ 49,292	\$ 9,657,300
Accounts receivable, net of allowance	525,858	37,600	563,458
Note receivable, current portion	45,431	-	45,431
Restricted cash	3,038,530	-	3,038,530
Total current assets	13,217,827	86,892	13,304,719
<b>NON-CURRENT ASSETS</b>			
Long-term receivable	312,485	-	312,485
Capital assets			
Non-depreciable	4,255,082	-	4,255,082
Depreciable, net of accumulated depreciation	42,732,025	3,589,971	46,321,996
Total non-current assets	47,299,592	3,589,971	50,889,563
Total assets	60,517,419	3,676,863	64,194,282
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	25,485	-	25,485
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	558,080	10,348	568,428
Accrued liabilities	33,825	-	33,825
Current portion of compensated absences	11,983	-	11,983
Current portion of notes payable	1,189,431	-	1,189,431
Payable from restricted assets:			
Current portion of bonds payable	204,122	-	204,122
Customer deposits	174,411	-	174,411
Total current liabilities	2,171,852	10,348	2,182,200
<b>NON-CURRENT LIABILITIES</b>			
Compensated absences	10,626	-	10,626
Notes payable	22,595,380	-	22,595,380
Bonds payable	1,394,933	-	1,394,933
Net pension liability	48,519	-	48,519
Total non-current liabilities	24,049,458	-	24,049,458
Total liabilities	26,221,310	10,348	26,231,658
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	16,540	-	16,540
<b>NET POSITION</b>			
Net investment in capital assets	21,603,241	3,589,971	25,193,212
Restricted for:			
Capital projects	2,688,970	-	2,688,970
Debt service	240,866	-	240,866
Unrestricted	9,771,977	76,544	9,848,521
Total net position	\$ 34,305,054	\$ 3,666,515	\$ 37,971,569

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

**CITY OF RICHMOND HILL, GEORGIA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Water and Sewer Fund</b>	<b>Storm Water Utility Fund</b>	<b>Enterprise Funds</b>
<b>OPERATING REVENUE</b>			
Charges for services	\$ 7,280,390	\$ 549,347	\$ 7,829,737
Miscellaneous	390,685	-	390,685
Total operating revenues	<u>7,671,075</u>	<u>549,347</u>	<u>8,220,422</u>
<b>OPERATING EXPENSES</b>			
Cost of sales and services	4,478,405	538,553	5,016,958
Depreciation	1,281,915	117,476	1,399,391
Total operating expenses	<u>5,760,320</u>	<u>656,029</u>	<u>6,416,349</u>
Operating income (loss)	<u>1,910,755</u>	<u>(106,682)</u>	<u>1,804,073</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	55,321	-	55,321
Interest expense	(404,523)	-	(404,523)
Total non-operating expenses, net	<u>(349,202)</u>	<u>-</u>	<u>(349,202)</u>
Income (loss) before contributions and transfers	1,561,553	(106,682)	1,454,871
<b>CAPITAL CONTRIBUTIONS</b>	2,383,506	-	2,383,506
<b>TRANSFERS</b>			
Transfers out	<u>(81,805)</u>	<u>-</u>	<u>(81,805)</u>
Net change in net position	3,863,254	(106,682)	3,756,572
<b>Net position, beginning of year</b>	<u>30,441,800</u>	<u>3,773,197</u>	<u>34,214,997</u>
<b>Net position, end of year</b>	<u>\$ 34,305,054</u>	<u>\$ 3,666,515</u>	<u>\$ 37,971,569</u>

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

# CITY OF RICHMOND HILL, GEORGIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Water and Sewer Fund	Storm Water Utility Fund	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 7,724,018	\$ 546,679	\$ 8,270,697
Cash paid to suppliers	(3,905,230)	(550,179)	(4,455,409)
Cash paid to employees	(440,269)	-	(440,269)
Net cash provided by (used in) operating activities	3,378,519	(3,500)	3,375,019
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers out	(81,805)	-	(81,805)
Net cash used in non-capital and related financing activities	(81,805)	-	(81,805)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the issuance of capital leases	2,487,281	-	2,487,281
Acquisition and construction of capital assets	(2,899,824)	-	(2,899,824)
Capital contributions	2,383,506	-	2,383,506
Principal payments on debt	(1,370,020)	-	(1,370,020)
Interest payments on debt	(406,532)	-	(406,532)
Net cash provided by capital and related financing activities	194,411	-	194,411
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned on investments	55,321	-	55,321
Net cash provided by investing activities	55,321	-	55,321
Net increase (decrease) in cash and cash equivalents	3,546,446	(3,500)	3,542,946
Cash and cash equivalents, beginning of year	9,100,092	52,792	9,152,884
Cash and cash equivalents, end of year	\$ 12,646,538	\$ 49,292	\$ 12,695,830
Cash and cash equivalents	\$ 9,608,008	\$ 49,292	\$ 9,657,300
Restricted cash	3,038,530	-	3,038,530
	\$ 12,646,538	\$ 49,292	\$ 12,695,830

(Continued)

**CITY OF RICHMOND HILL, GEORGIA**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Water and Sewer Fund</u>	<u>Storm Water Utility Fund</u>	<u>Total Enterprise Funds</u>
<b>RECONCILIATION OF OPERATING INCOME                  (LOSS) TO NET CASH PROVIDED BY (USED IN)</b>			
<b>OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,910,755	\$ (106,682)	\$ 1,804,073
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,281,915	117,476	1,399,391
(Increase) decrease in:			
Accounts receivable	9,129	(2,668)	6,461
Long term receivable	43,814	-	43,814
Deferred outflows of resources - pension	(8,295)	-	(8,295)
Increase (decrease) in:			
Accounts payable	142,946	(11,626)	131,320
Accrued liabilities	3,991	-	3,991
Customer deposits	(16,525)	-	(16,525)
Compensated absences	(243)	-	(243)
Net pension liability	41,942	-	41,942
Deferred inflows of resources - pension	(30,910)	-	(30,910)
Net cash provided by (used in) operating activities	<u>\$ 3,378,519</u>	<u>\$ (3,500)</u>	<u>\$ 3,375,019</u>

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

# CITY OF RICHMOND HILL, GEORGIA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **A. Reporting Entity**

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

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

#### **Blended Component Units**

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

The Downtown Development Authority (“DDA”) of Richmond Hill was created for the purpose of the revitalization and redevelopment of the central business district of the City. The DDA develops and promotes for the public good and general welfare trade, commerce, industry and employment opportunities and promotes the general welfare of the City by creating a climate favorable to the location of new industry, trade and commerce and development of the existing industry, trade and commerce within the City. The DDA is composed of a seven-member board which is appointed as provided by state law.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. Reporting Entity (Continued)

##### 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 (the "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 the 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, 2019, the City paid \$12,065 in such dues. Membership in a Regional Commission ("RC") is required by the Official Code of Georgia Annotated ("O.C.G.A.") §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. O.C.G.A. §50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Management believes that the CRC is currently accumulating sufficient financial resources to meet its financial obligations. Separate financial statements may be obtained from:

Coastal Regional Commission  
127 F Street  
Brunswick, Georgia 31520

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-wide and Fund Financial Statements

##### *Government-wide Statements*

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

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

##### *Fund Financial Statements*

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

##### *Major Funds*

The City reports the following major governmental funds:

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

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

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

#### ***Nonmajor Funds***

Additionally, the City reports the following nonmajor funds:

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Receivables and Payables

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the Georgia Local Government Investment Pool ("Georgia Fund 1") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the Georgia Fund 1 are reported as investments.

#### E. Receivables and Payables

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

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

All trade and tax receivables are reported net of an allowance for the uncollectibles, where applicable. Unbilled water charges are accrued as receivables and revenue at December 31, 2019.

#### F. Capital Assets

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

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. These assets generally result from expenditures in the governmental fund. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Fund are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### F. Capital Assets (Continued)

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

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

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

<u>Asset</u>	<u>Years</u>
Utility plant and equipment	20 – 50
Buildings and improvements	20 – 50
Infrastructure and other structures	10 – 50
Machinery, equipment & vehicles	3 – 20

#### G. Deferred Outflows/Inflows of Resources

##### *Deferred Outflows of Resources*

In addition to assets, the Statement of Net Position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category, which are related to pension obligations as follows:

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. Deferred Outflows/Inflows of Resources (Continued)

##### *Deferred Inflows of Resources*

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category, which are related to pension obligations as follows:

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

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

#### H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Richmond Hill Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Net Position and Fund Balance

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

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

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

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

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

***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by Council or by an official or body to which Council delegates the authority. The City Council has not delegated such authority as of December 31, 2019.

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Net Position and Fund Balance (Continued)

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

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

#### J. Accounting Estimates

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

#### K. Compensated Absences

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **L. Accrued Liabilities and Long-Term Obligations**

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

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

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

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

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

### **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgetary Information**

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

#### Budgetary Information (Continued)

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 GAAP. Project length budgets are adopted for the capital projects funds.

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

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

For the fiscal year ended December 31, 2019, expenditures exceeded final amended budgets in the following funds:

	<b>Excess</b>
General Fund	
Public works	\$ 88,868

### NOTE 3. CASH AND INVESTMENTS

Total cash and cash equivalents as of December 31, 2019, are summarized as follows:

Statement of net position:	
Cash and cash equivalents	\$ 20,027,191
Restricted cash	3,176,461
Component unit - cash and cash equivalents	89,686
	\$ 23,293,338
Cash deposited with financial institutions	\$ 16,909,838
Cash deposited with Georgia Fund 1	6,383,500
	\$ 23,293,338

Certain cash and cash equivalents of the City are legally restricted for specified purposes. Restrictions at December 31, 2019, represented amounts owed back to customers for utility deposits and amounts in escrow.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

In its investment of public funds, the City follows state statutes and adopted investment policies. As of December 31, 2019, the investments of the City were:

<u>Investment</u>	<u>Average Credit Rating</u>	<u>Fair Value</u>	<u>Average Maturity Days</u>
Georgia Fund 1	AAAf	\$ 6,383,500	39

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

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

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

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

**Custodial Credit Risk – Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2019, all of the deposits for the City were fully collateralized in accordance with the state statutes.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates 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 one year beyond the date of calculation.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. RECEIVABLES

Receivables as of December 31, 2019, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	SPLOST VII Fund	TSPLOST Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Storm Water Fund	Total
Receivables:							
Taxes	\$ 114,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,153
Accounts	928,550	-	-	60,959	880,238	60,759	1,930,506
Due from other governments	362,501	391,622	1,751,142	-	-	-	2,505,265
Gross receivables	1,405,204	391,622	1,751,142	60,959	880,238	60,759	4,549,924
Less allowance for uncollectibles	(64,230)	-	-	-	(354,380)	(23,159)	(441,769)
Net receivables	<u>\$ 1,340,974</u>	<u>\$ 391,622</u>	<u>\$ 1,751,142</u>	<u>\$ 60,959</u>	<u>\$ 525,858</u>	<u>\$ 37,600</u>	<u>\$ 4,108,155</u>

**Property Taxes.** Property taxes are assessed as of January 1 and taxes were levied on August 13, 2019. A millage rate of 4.132 mills was adopted on August 6, 2019. Tax bills were rendered on November 15, 2019 and are considered past due 60 days after the respective tax billing date at which time the applicable property is subject to lien and penalties and interest are assessed. An allowance is established for delinquent taxes to the extent their collection is improbable.

### NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund receivable and payable balances as of December 31, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 26,121
Nonmajor governmental	Nonmajor governmental	41,646
General	SPLOST VII	23,914
		<u>\$ 91,681</u>
Discretely presented component unit - Convention and Visitor's Bureau	Primary government - Nonmajor governmental	<u>\$ 41,627</u>

These amounts represent short-term receivables and payables. The balances resulted from the time lag between dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

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

Transfer in	Transfer out	Amount
General	Water and Sewer	\$ 81,805
General	Nonmajor governmental	368,767
Nonmajor governmental	Nonmajor governmental	245,960
Nonmajor governmental	General	33,234
		\$ 729, 766

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.

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2019, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated					
Land	\$ 3,428,077	\$ -	\$ -	\$ -	\$ 3,428,077
Right of way	310,000	-	-	-	310,000
Construction in progress	813,974	255,298	-	(541,203)	528,069
Total	4,552,051	255,298	-	(541,203)	4,266,146
Capital assets, being depreciated:					
Buildings and improvements	10,102,069	66,876	-	525,816	10,694,761
Infrastructure and other structures	13,464,392	616,067	-	15,387	14,095,846
Machinery, equipment and vehicles	6,090,286	1,215,790	(48,233)	-	7,257,843
Total	29,656,747	1,898,733	(48,233)	541,203	32,048,450
Less accumulated depreciation for:					
Buildings and improvements	(3,572,657)	(338,594)	-	-	(3,911,251)
Infrastructure and other structures	(2,614,600)	(464,354)	-	-	(3,078,954)
Machinery, equipment and vehicles	(4,631,342)	(461,371)	13,781	-	(5,078,932)
Total	(10,818,599)	(1,264,319)	13,781	-	(12,069,137)
Total capital assets, being depreciated, net	18,838,148	634,414	(34,452)	541,203	19,979,313
Governmental activities capital assets, net	\$ 23,390,199	\$ 889,712	\$ (34,452)	\$ -	\$ 24,245,459

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

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

General government	\$ 77,840
Public safety	429,101
Public works	493,176
Culture and recreation	77,042
Housing and development	187,160
Total depreciation expense - governmental activities	\$ 1,264,319

Capital asset activity for the business-type activities for the year ended December 31, 2019, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,100,329	\$ -	\$ -	\$ -	\$ 1,100,329
Construction in progress	334,931	2,819,822	-	-	3,154,753
Total	1,435,260	2,819,822	-	-	4,255,082
Capital assets, being depreciated:					
Utility plant and equipment	57,274,600	74,670	-	-	57,349,270
Buildings	124,464	-	-	-	124,464
Machinery, equipment and vehicles	849,912	5,332	-	-	855,244
Total	58,248,976	80,002	-	-	58,328,978
Less accumulated depreciation for:					
Utility plant and equipment	(9,733,646)	(1,365,380)	-	-	(11,099,026)
Buildings	(124,467)	-	-	-	(124,467)
Machinery, equipment and vehicles	(749,478)	(34,011)	-	-	(783,489)
Total	(10,607,591)	(1,399,391)	-	-	(12,006,982)
Total capital assets, being depreciated, net	47,641,385	(1,319,389)	-	-	46,321,996
Business-type activities capital assets, net	\$ 49,076,645	\$ 1,500,433	\$ -	\$ -	\$ 50,577,078

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

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

<b>Business-type activities</b>	
Water and Sewer Fund	\$ 1,281,915
Storm Water Utility Fund	<u>117,476</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,399,391</u></u>

### NOTE 7. LONG-TERM DEBT

#### *Capital Leases*

The City has entered into lease agreements as lessee for financing the acquisition of land, buildings, vehicles, and other equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, the assets have been recorded at the present value of the future minimum lease payments as of the inception date in the general capital assets. The amortization of assets recorded under capital leases is included with depreciation expense in the amount of \$74,950.

The assets acquired through capital leases are as follows:

<b>Asset Class</b>	<b>Governmental Activities</b>
Machinery and equipment	\$ 1,024,748
Less: Accumulated depreciation	<u>(154,950)</u>
Total	<u><u>\$ 869,798</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

Year ending December 31,	Governmental Activities
2020	185,015
2021	185,015
2022	185,015
2023	185,015
2024	132,541
2025 – 2026	64,101
Total minimum lease payments	936,702
Less: Amounts representing interest	(69,358)
Present value of future minimum lease payments	867,344
Less current portion	(162,037)
Long-term portion of leases	\$ 705,307

#### ***Revenue Bonds***

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### *Revenue Bonds (Continued)*

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 Visitor’s Bureau, and (ii) the fees and expenses to be incurred in connection with the issuance of this bond. The bonds are limited obligations of the Authority, payable from payments made by the City to the Authority under the contractual obligation. The City is unconditionally obligated to make the payments required. The obligation of the City to make payments constitutes a general obligation of the City for which the full faith and credit of the City is pledged. The principal amount of the bond is \$3,500,000 at a rate of 2.72% and maturity of 15 years.

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

Year	Principal	Interest	Total
2020	\$ 538,217	\$ 148,222	\$ 686,439
2021	550,507	130,061	680,568
2022	568,854	111,714	680,568
2023	587,821	92,747	680,568
2024	607,210	73,358	680,568
2025 – 2029	1,388,404	202,469	1,590,873
2030 – 2032	806,551	35,349	841,900
	\$ 5,047,564	\$ 793,920	\$ 5,841,484

#### **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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

*Notes (Continued)*

The note debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2020	\$ 51,864	\$ 17,816	\$ 69,680
2021	53,704	15,977	69,681
2022	55,608	14,073	69,681
2023	57,580	12,101	69,681
2024	59,622	10,058	69,680
2025 – 2028	248,808	18,303	267,111
	\$ 527,186	\$ 88,328	\$ 615,514

***Intergovernmental Payable***

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

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

Year	Principal	Interest	Total
2020	\$ 1,105,000	\$ 140,826	\$ 1,245,826
2021	1,143,000	119,290	1,262,290
2022	1,181,000	80,828	1,261,828
2023	1,221,000	41,086	1,262,086
	\$ 4,650,000	\$ 382,030	\$ 5,032,030

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### *Georgia Environmental Finance Authority (“GEFA”) Loans*

The City has obtained GEFA loans for the development and expansion of its water and sewer systems and for the construction of the wastewater treatment facility and for a Floridian Aquifer well. The City has pledged its full faith and credit and revenue-raising power including its taxing power, for repayment of these obligations.

The loans outstanding at year-end are as follows:

<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Loan Payable</u>
GEFA - Pump station rehabilitation and force main replacement - construction loan	\$ 2,500,000	2.91%	\$ 1,929,859
GEFA - Construction of new wastewater treatment facility and all necessary appurtenances - Phase I	3,500,000	3.00%	2,896,925
GEFA - Construction of new wastewater treatment facility and all necessary appurtenances - Phase II	10,000,000	1.40%	7,661,066
GEFA - Construction of new wastewater treatment facility and all necessary appurtenances - Phase III	10,500,000	1.03%	8,809,681
GEFA - Construction of a master lift station and a force main connection to the water reclamation facility and related appurtenances	3,000,000	2.09%	130,084
GEFA - Construction of a water main, sewer force main, and re-use main infrastructure	2,900,000	1.75%	<u>2,357,196</u>
Total loans			23,784,811
Less: current portion			<u>(1,189,431)</u>
Total long-term debt			<u>\$ 22,595,380</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### *Georgia Environmental Finance Authority (“GEFA”) Loans (Continued)*

GEFA loans debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2020	\$ 1,189,431	\$ 332,478	\$ 1,521,909
2021	1,208,482	313,427	1,521,909
2022	1,227,842	294,067	1,521,909
2023	1,247,600	274,309	1,521,909
2024	1,267,727	254,183	1,521,910
2025 – 2029	6,655,249	954,299	7,609,548
2030 – 2034	7,140,766	387,132	7,527,898
2035 – 2036	1,360,434	10,315	1,370,749
	\$ 21,297,531	\$ 2,820,210	\$ 24,117,741

The GEFA loans on the previous page with outstanding balances of \$130,084 and \$2,357,196 are still in the drawdown phase, and are, therefore, not included in the maturity schedule above.

#### ***Water and Sewer Bond***

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

Debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2020	\$ 204,122	\$ 36,744	\$ 240,866
2021	209,159	31,707	240,866
2022	214,320	26,546	240,866
2023	219,608	21,258	240,866
2024	225,027	15,840	240,867
2025 – 2027	526,819	15,129	541,948
	\$ 1,599,055	\$ 147,224	\$ 1,746,279

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### *Changes in Long-term Liabilities*

Long-term liability activity for the year ended December 31, 2019, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities</b>					
Capital leases payable	\$ 329,098	\$ 624,748	\$ (86,502)	\$ 867,344	\$ 162,037
Bonds payable	5,566,723	-	(519,159)	5,047,564	538,217
Notes payable	577,274	-	(50,088)	527,186	51,864
Intergovernmental payable	4,650,000	-	-	4,650,000	1,105,000
Compensated absences	156,046	119,615	(117,315)	158,346	83,923
Net pension liability	58,887	1,398,727	(622,727)	834,887	-
Total long-term liabilities	<u>\$ 11,338,028</u>	<u>\$ 2,143,090</u>	<u>\$ (1,395,791)</u>	<u>\$ 12,085,327</u>	<u>\$ 1,941,041</u>
<b>Business-type activities</b>					
Bonds payable	\$ 1,798,262	\$ -	\$ (199,207)	\$ 1,599,055	\$ 204,122
GEFA loans payable	22,468,343	2,487,281	(1,170,813)	23,784,811	1,189,431
Compensated absences	22,852	14,236	(14,479)	22,609	11,983
Net pension liability	6,577	45,309	(3,367)	48,519	-
Total long-term liabilities	<u>\$ 24,296,034</u>	<u>\$ 2,546,826</u>	<u>\$ (1,387,866)</u>	<u>\$ 25,454,994</u>	<u>\$ 1,405,536</u>

### NOTE 8. RISK MANAGEMENT

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 8. RISK MANAGEMENT (CONTINUED)**

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, 2019. No provisions have been made in the financial statements for the year ended December 31, 2019, for any estimate of potential unpaid claims.

The City pays unemployment claims to the State Department of Labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued.

### **NOTE 9. COMMITMENTS AND CONTINGENCIES**

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

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

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

At December 31, 2019, the City had outstanding construction commitments totaling \$3,412,341 related to GEFA projects.

### **NOTE 10. DEFINED BENEFIT PENSION PLAN**

#### **Plan Description**

The City of Richmond Hill Pension Plan, covering all full-time employees, has a noncontributory plan for Class 0 and 1 employees; however, employees who have elected for the enhanced retirement option must contribute 3% of their salary to the plan. These employees are considered Class 2 and 3. Effective February 1, 2008, new hires and re-hired regular employees will be required to make contributions. Class 1 and 2 employees are police officers who do not contribute to social security under the plan provisions. Class 0 and 3 employees are all other employees of the City. The plan also includes the City’s discretely presented component unit, the Convention and Visitor’s Bureau, employees.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Plan Description (Continued)

The City's pension plan is administered through the Georgia Municipal Employee Benefit System ("GMEBS"), an agent multiple-employer pension plan administered by the Georgia Municipal Association. GMEBS handles all administrative and investment functions relative to the plan. These benefit provisions and all other requirements are established or amended by local ordinance. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at [www.gmanet.com](http://www.gmanet.com) or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

#### Benefits Provided

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

#### Contributions

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Plan Membership

As of July 1, 2019, the date of the most recent actuarial valuation, there were 167 participants consisting of the following:

Inactive plan members or beneficiaries currently receiving benefits	30
Inactive plan members entitled to but not receiving benefits	45
Active plan members	92
	<hr/>
	<u>167</u>

#### Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019, with updated procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2019.

*Actuarial Assumptions.* The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2010 – June 30, 2014.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Net Pension Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	45 %	6.40 %
International equity	20	7.40
Real estate	10	5.10
Global fixed income	5	3.03
Domestic fixed income	20	1.75
Total	100 %	

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

#### Discount Rate

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Changes in the Net Pension Liability of the City

The changes in the components of the net pension liability of the City for the year ended December 31, 2019, were as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at December 31, 2018</b>	\$ 9,183,327	\$ 9,116,587	\$ 66,740
<b>Changes for the year:</b>			
Service cost	234,054	-	234,054
Interest	703,609	-	703,609
Differences between expected and actual experience	382,012	-	382,012
Assumption changes	148,123	-	148,123
Contributions - employer	-	217,360	(217,360)
Contributions - employee	-	124,125	(124,125)
Net investment income	-	323,893	(323,893)
Benefit payments, including refunds of employee contributions	(368,107)	(368,107)	-
Administrative expense	-	(26,697)	26,697
<b>Net changes</b>	<u>1,099,691</u>	<u>270,574</u>	<u>829,117</u>
<b>Balances at December 31, 2019</b>	<u>\$ 10,283,018</u>	<u>\$ 9,387,161</u>	<u>\$ 895,857</u>

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

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

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

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
City's net pension liability	\$ 2,382,794	\$ 895,857	\$ 315,241

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2019, and the current sharing pattern of costs between employer and employee.

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

For the year ended December 31, 2019, the City recognized pension expense of \$89,051. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 445,683	\$ (137,716)
Changes in assumptions	-	(92,042)
Net difference between projected and actual earnings on pension plan investments	24,487	-
City contributions subsequent to the measurement date	150,467	-
Total	<b>\$ 620,637</b>	<b>\$ (229,758)</b>

City contributions subsequent to the measurement date of \$150,467 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending December 31,</b>	
2020	\$ 83,803
2021	(6,791)
2022	91,830
2023	71,570
Total	<b>\$ 240,412</b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 11. TAX ABATEMENTS

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

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

For the City's fiscal year ended December 31, 2019, the cumulative property tax not collected by the City due to incentive agreements was \$128,894. Such agreements in effect for the City resulted in over \$148 million in capital investment and 176 jobs.

### NOTE 12. HOTEL/MOTEL TAX

The City has levied a 7% hotel/motel tax. For the year ended December 31, 2019, \$860,600 of hotel/motel tax was collected. Of the total, 100% was used to promote tourism within the City (\$245,873 to the Convention and Visitor's Bureau, \$368,767 to the General Fund, and \$245,960 to the City Center Fund).

### NOTE 13. RESTATEMENT

Effective January 1, 2019, it was determined that the Downtown Development Authority ("DDA") met the definition of a blended component unit of the City. As such, the City restated beginning fund balance as of January 1, 2019 as follows:

	<b><u>Downtown Development Authority Fund</u></b>
Beginning fund balance, December 31, 2018, as previously reported	\$ -
Adjustment to record DDA Fund	<u>72,978</u>
Beginning fund balance, December 31, 2018, as restated	<u>\$ 72,978</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 13. RESTATEMENT (CONTINUED)

The City restated beginning net position as of January 1, 2019 as follows:

	<u>Governmental Activities</u>
Beginning net position, December 31, 2018, as previously reported	\$ 21,543,318
Adjustment to record DDA Fund	<u>72,978</u>
Beginning net position, December 31, 2018, as restated	<u>\$ 21,616,296</u>

### NOTE 14. SUBSEQUENT EVENTS

In January of 2020, the Georgia Environmental Finance Authority ("GEFA") approved a loan to the City in the amount of \$3,000,000 for Phase III of the Belfast Keller Interchange Water and Sewer Project.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF RICHMOND HILL, GEORGIA**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>					
Service cost	\$ 234,054	\$ 255,469	\$ 221,705	\$ 224,265	\$ 250,565
Interest on total pension liability	703,609	684,447	607,952	563,736	562,342
Differences between expected and actual experience	382,012	(252,797)	397,935	(56,591)	165,667
Benefit payments, including refunds of employee contributions	(368,107)	(302,558)	(178,570)	(143,182)	(145,209)
Assumption changes	148,123	(184,083)	-	-	(816,396)
<b>Net change in total pension liability</b>	<b>1,099,691</b>	<b>200,478</b>	<b>1,049,022</b>	<b>588,228</b>	<b>16,969</b>
<b>Total pension liability - beginning</b>	<b>9,183,327</b>	<b>8,982,849</b>	<b>7,933,827</b>	<b>7,345,599</b>	<b>7,328,630</b>
<b>Total pension liability - ending (a)</b>	<b>10,283,018</b>	<b>9,183,327</b>	<b>8,982,849</b>	<b>7,933,827</b>	<b>7,345,599</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	217,360	247,318	219,119	322,297	277,878
Contributions - employee	124,125	113,490	112,041	97,268	89,480
Net investment income	323,893	1,003,747	896,892	25,554	587,119
Benefit payments, including refunds of employee contributions	(368,107)	(302,558)	(178,570)	(143,182)	(145,209)
Administrative expenses	(26,697)	(26,917)	(27,333)	(18,175)	(16,303)
<b>Net change in plan fiduciary net position</b>	<b>270,574</b>	<b>1,035,080</b>	<b>1,022,149</b>	<b>283,762</b>	<b>792,965</b>
<b>Plan fiduciary net position - beginning</b>	<b>9,116,587</b>	<b>8,081,507</b>	<b>7,059,358</b>	<b>6,775,596</b>	<b>5,982,631</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>9,387,161</b>	<b>9,116,587</b>	<b>8,081,507</b>	<b>7,059,358</b>	<b>6,775,596</b>
<b>City's net pension liability (a) - (b)</b>	<b>\$ 895,857</b>	<b>\$ 66,740</b>	<b>\$ 901,342</b>	<b>\$ 874,469</b>	<b>\$ 570,003</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>91.3%</b>	<b>99.3%</b>	<b>90.0%</b>	<b>89.0%</b>	<b>92.2%</b>
<b>Covered payroll</b>	<b>\$ 4,520,012</b>	<b>\$ 4,042,212</b>	<b>\$ 3,970,402</b>	<b>\$ 3,446,777</b>	<b>\$ 3,345,260</b>
<b>City's net pension liability as a percentage of covered payroll</b>	<b>19.82%</b>	<b>1.65%</b>	<b>22.70%</b>	<b>25.37%</b>	<b>17.04%</b>

**Notes to the Schedule**

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

**CITY OF RICHMOND HILL, GEORGIA**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 200,623	\$ 246,360	\$ 222,145	\$ 217,867	\$ 346,287
Contributions in relation to the actuarially determined contribution	<u>200,623</u>	<u>246,336</u>	<u>331,160</u>	<u>189,672</u>	<u>371,519</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ (109,015)</u>	<u>\$ 28,195</u>	<u>\$ (25,232)</u>
Covered payroll	\$ 4,520,012	\$ 4,042,212	\$ 3,970,402	\$ 3,446,777	\$ 3,345,260
Contributions as a percentage of covered payroll	4.4%	6.1%	8.3%	5.5%	11.1%

**Notes to the Schedule**

Valuation date	July 1, 2019
Cost method	Projected unit credit
Actuarial asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed rate of return on investments	7.50%
Projected salary increases	2.75% plus service based merit increases
Cost of living adjustments	2.75%
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period o

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

## **SUPPLEMENTARY INFORMATION**

# CITY OF RICHMOND HILL, GEORGIA

## NONMAJOR GOVERNMENTAL FUNDS

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### SPECIAL REVENUE FUNDS

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

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

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

**Downtown Development Authority Fund** – accounts for the blended component unit activity related to services and benefits for the community.

### CAPITAL PROJECTS FUND

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

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**CITY OF RICHMOND HILL, GEORGIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Confiscated Assets Fund	Hotel/Motel Fund	City Center Fund	Downtown Development Authority Fund	SPLOST VI Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 49,722	\$ 48,435	\$ 93,404	\$ 132,690	\$ 226,883	\$ 551,134
Receivables, net of allowance	-	60,959	-	-	-	60,959
Due from other funds	-	-	41,646	-	-	41,646
Total assets	<u>\$ 49,722</u>	<u>\$ 109,394</u>	<u>\$ 135,050</u>	<u>\$ 132,690</u>	<u>\$ 226,883</u>	<u>\$ 653,739</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 23,197	\$ -	\$ 38,292	-	\$ 226,883	\$ 288,372
Due to component unit	-	41,627	-	-	-	41,627
Due to other funds	-	67,767	-	-	-	67,767
Total liabilities	<u>23,197</u>	<u>109,394</u>	<u>38,292</u>	<u>-</u>	<u>226,883</u>	<u>397,766</u>
<b>FUND BALANCE</b>						
Restricted for:						
Public safety	26,525	-	-	-	-	26,525
Housing and development	-	-	96,758	132,690	-	229,448
Total fund balance	<u>26,525</u>	<u>-</u>	<u>96,758</u>	<u>132,690</u>	<u>-</u>	<u>255,973</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 49,722</u>	<u>\$ 109,394</u>	<u>\$ 135,050</u>	<u>\$ 132,690</u>	<u>\$ 226,883</u>	<u>\$ 653,739</u>

**CITY OF RICHMOND HILL, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Bonds				Capital Project Funds	
	Confiscated	Hotel/Motel	City Center	Downtown	SPLOST VI	Governmental
	Assets Fund	Tax Fund	Fund	Development Authority Fund	Fund	Funds
<b>Revenues</b>						
Taxes	\$ -	\$ 860,600	\$ -	\$ -	\$ -	\$ 860,600
Fines and forfeitures	25,245	-	-	-	-	25,245
Interest income	138	-	2,055	-	4,162	6,355
Miscellaneous	-	-	-	152,860	-	152,860
Total revenues	<u>\$ 25,383</u>	<u>\$ 860,600</u>	<u>\$ 2,055</u>	<u>\$ 152,860</u>	<u>\$ 4,162</u>	<u>\$ 1,045,060</u>
<b>Expenditures</b>						
Current:						
Public safety	\$ 12,709	\$ -	\$ -	\$ -	\$ -	\$ 12,709
Culture and recreation	-	245,873	-	-	-	245,873
Housing and development	-	-	322,852	93,148	-	416,000
Capital outlay	-	-	-	-	532,874	532,874
Debt service:						
Principal retirement	-	-	-	-	286,085	286,085
Interest	-	-	-	-	92,064	92,064
Total expenditures	<u>12,709</u>	<u>245,873</u>	<u>322,852</u>	<u>93,148</u>	<u>911,023</u>	<u>1,585,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,674</u>	<u>614,727</u>	<u>(320,797)</u>	<u>59,712</u>	<u>(906,861)</u>	<u>(540,545)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	245,960	-	33,234	279,194
Transfers out	-	(614,727)	-	-	-	(614,727)
Total other financing sources (uses)	<u>-</u>	<u>(614,727)</u>	<u>245,960</u>	<u>-</u>	<u>33,234</u>	<u>(335,533)</u>
Net change in fund balances	12,674	-	(74,837)	59,712	(873,627)	(876,078)
<b>Fund balances, beginning of year, as restated</b>	<u>13,851</u>	<u>-</u>	<u>171,595</u>	<u>72,978</u>	<u>873,627</u>	<u>1,132,051</u>
<b>Fund balance, end of year</b>	<u>\$ 26,525</u>	<u>\$ -</u>	<u>\$ 96,758</u>	<u>\$ 132,690</u>	<u>\$ -</u>	<u>\$ 255,973</u>

**CITY OF RICHMOND HILL, GEORGIA**

**BALANCE SHEET  
CONVENTION AND VISITOR'S BUREAU  
DECEMBER 31, 2019**

<b>ASSETS</b>		
Cash and cash equivalents		\$ 89,686
Receivables, net of allowance		<u>41,627</u>
Total assets		<u><u>\$ 131,313</u></u>
 <b>LIABILITIES</b>		
Accounts payable		\$ 11,130
Total liabilities		<u>11,130</u>
 <b>FUND BALANCE</b>		
Restricted for:		
Culture and recreation		<u>120,183</u>
Total fund balance		<u>120,183</u>
Total liabilities and fund balance		<u><u>\$ 131,313</u></u>

**Reconciliation of the Convention and Visitor's Bureau Balance Sheet to the  
Statement of Net Position**

Total fund balance	\$ 120,183
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Amounts reported for the Convention and Visitor's Bureau in the Statement of Net Position are different because:

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

Net pension liability	\$ (12,451)	
Deferred outflows related to pension	7,540	
Deferred inflows related to pension	<u>(1,239)</u>	<u>(6,150)</u>

<b>Net position of the Convention and Visitor's Bureau in the Statement of Net Position</b>	<u><u>\$ 114,033</u></u>
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**CITY OF RICHMOND HILL, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
CONVENTION AND VISITOR'S BUREAU  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Revenues</b>	
Taxes	\$ 245,873
Interest income	1,207
Miscellaneous	11,435
Total revenues	258,515
<b>Expenditures</b>	
Current:	
Culture and recreation	317,149
Total expenditures	317,149
Net change in fund balances	(58,634)
<b>Fund balance, beginning of year</b>	178,817
<b>Fund balance, end of year</b>	\$ 120,183

**Reconciliation of the Convention and Visitor's Bureau Schedule of Revenues, Expenditures and  
Changes in Fund Balance to the Statement of Activities**

Net change in fund balance	\$ (58,634)
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Amounts reported for the Convention and Visitor's Bureau in the Statement of Activities are different because:

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

(729)

<b>Change in net position of the Convention and Visitor's Bureau in the Statement of Activities</b>	<b>\$ (59,363)</b>
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**CITY OF RICHMOND HILL, GEORGIA**

**SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST VI  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Project	Original	Current	Expenditures		
	Estimated Cost	Estimated Cost	Prior Years	Current Year	Total
Roads, streets, bridges, sidewalks and bicycle paths; cultural, recreational, historical and municipal facilities to include the City Center, water and sewer capital outlay projects; previously incurred general obligation debt; public safety facilities and capital equipment; storm water 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	-	175,000	87,013	87,007	174,020
Sterling Creek Park	-	218,000	179,866	-	179,866
JF Gregory Park	-	265,000	126,679	-	126,679
Park equipment	-	75,000	74,287	-	74,287
Storage facility	-	50,000	-	-	-
Road improvements	-	700,000	246,903	186,174	433,077
Traffic light - Mulberry/US 17	-	68,455	295,338	226,883	522,221
Longwood Drive	-	150,000	150,000	-	150,000
Rushing Street Mast Arm	-	350,000	1,841	-	1,841
Lexington Court	-	-	33,451	-	33,451
Piercefield Drive	-	-	104,026	-	104,026
Mulberry Drive	-	-	9,464	-	9,464
Rice Gate	-	-	46,030	-	46,030
Edsel Drive	-	-	35,650	-	35,650
Ellis Drive	-	-	65,050	-	65,050
Sidewalks - Timber Trail/Harris Trail/Casey Drive	-	607,900	607,212	-	607,212
Sidewalks - Ivy Street	-	66,959	66,959	-	66,959
Sidewalks	-	166,000	160,074	-	160,074
Drainage master plan	-	8,490	8,478	-	8,478
Drainage - Sandpiper Road/Piercefield Road	-	245,491	245,491	-	245,491
Drainage canals - land purchase	-	73,154	73,154	-	73,154
Streets equipment	-	318,000	253,674	-	253,674
Streets - vehicle maintenance building	-	18,000	17,715	-	17,715
Streets - Sommers Blvd. building renovations	-	52,975	52,975	-	52,975
Streets - signal installation and upgrade landscaping Hwy 17 and 144	-	585,361	344,178	-	344,178
Water and sewer WWTP road access	-	353,522	353,522	-	353,522
Water and sewer equipment	-	50,000	30,865	-	30,865
Public safety - police department building	-	274,047	274,047	-	274,047
Public safety - police department equipment	-	600,000	490,446	-	490,446
Public safety - police department vehicle equipment	-	38,404	109,117	-	109,117
Public safety - fire department building renovation	-	238,857	238,857	-	238,857
Public safety - fire department equipment	-	300,000	286,460	-	286,460
Public safety - fire department vehicles	-	31,810	31,810	-	31,810
Public safety - fire truck	-	42,471	42,471	-	42,471
Building and zoning equipment and vehicles	-	77,417	77,417	-	77,417
Building and zoning equipment and vehicles	-	50,000	-	32,810	32,810
Capital outlay total	11,000,000	6,536,008	5,506,215	532,874	6,039,089

**CITY OF RICHMOND HILL, GEORGIA**

**SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST VI  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Project	Original Estimated Cost	Current Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Debt service:					
City Center	\$ -	\$ 2,474,000	\$ 2,473,559	\$ 197,669	\$ 2,671,228
Sweet Shop	-	288,000	288,000	120,000	408,000
Streets - backhoe	-	35,243	35,243	-	35,243
Streets - excavator	-	78,249	78,249	-	78,249
Water and sewer infrastructure - GEFA loans	-	400,000	400,000	-	400,000
Sommers Boulevard land and buildings	-	350,000	348,404	34,840	383,244
Fire truck	-	200,000	101,090	25,640	126,730
Police vehicles	-	638,500	633,390	-	633,390
Total debt service	-	4,463,992	4,357,935	378,149	4,736,084
Totals	\$ 11,000,000	\$ 11,000,000	\$ 9,864,150	\$ 911,023	\$ 10,775,173

**CITY OF RICHMOND HILL, GEORGIA**

**SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST VII  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Project	Original Estimated Cost	Current Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
General Capital Outlays	\$ 12,000,000	\$ 752,909	\$ -	\$ -	\$ -
J. F. Gregory Park improvements	-	160,304	-	-	-
Sterling Creek Park	-	175,000	-	-	-
Boles Park improvements	-	65,000	-	-	-
Road paving - All streets	-	1,250,000	-	184,952	184,952
Traffic signal - Cherry Street	-	250,000	-	-	-
Teal Lake signs	-	1,805	-	1,805	1,805
Speed tables	-	20,000	-	-	-
Timber Trail Bridge	-	124,800	-	-	-
Richmond Heights drainage	-	475,000	-	43,469	43,469
Police Department equipment	-	674,573	-	542,597	542,597
P & Z vehicles code enforcement	-	30,000	-	-	-
P & Z building improvement security	-	35,000	-	35,000	35,000
LED fixtures J. F. Gregory Park	-	10,213	-	-	-
Fire Department - (2) generators	-	44,081	-	44,081	44,081
Fire truck pumper	-	449,998	-	449,998	449,998
Fire truck ladder	-	864,000	-	-	-
Fire Station 2 renovation	-	13,525	-	13,525	13,525
New Fire Station-Belfast	-	2,000,000	-	-	-
Fire department vehicle	-	35,000	-	-	-
Debt service	-	4,568,792	-	426,150	426,150
<b>Totals</b>	<b>\$ 12,000,000</b>	<b>\$ 12,000,000</b>	<b>\$ -</b>	<b>\$ 1,741,577</b>	<b>\$ 1,741,577</b>

Debt service included in the schedule of revenues,  
expenditures, and changes in fund balance for  
capital outlay already included above.

23,914  
Total expenditures SPLOST VII Fund \$ 1,765,491

**CITY OF RICHMOND HILL, GEORGIA**

**SCHEDULE OF EXPENDITURES OF  
TRANSPORTATION SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Expenditures</u>		<u>Total</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Interchange at Belfast Keller and I-95	\$ 2,724,124	\$ 2,724,124	\$ 2,724,124	\$ -	\$ 2,724,124
Connector Road	4,500,000	3,982,350	224,000	155,348	379,348
Totals	<u>\$ 7,224,124</u>	<u>\$ 6,706,474</u>	<u>\$ 2,948,124</u>	<u>\$ 155,348</u>	<u>\$ 3,103,472</u>

## **COMPLIANCE SECTION**



**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond Hill, Georgia (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 8, 2020.

**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) as a basis for designing 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

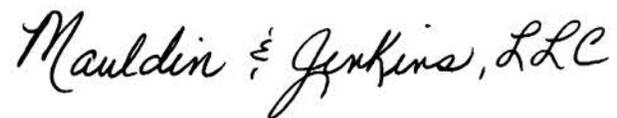
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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Savannah, Georgia  
October 8, 2020

**CITY OF RICHMOND HILL, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**SECTION I**  
**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	___ Yes <u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u> X </u> No
Noncompliance material to financial statements noted?	___ Yes <u> X </u> No

**Federal Awards**

There was not an audit of major federal award programs as of December 31, 2019, due to the total amount expended being less than \$750,000.

**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III**  
**STATUS OF PRIOR YEAR FINDINGS**

**2018-001. Year-end Closeout Procedures**

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

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

**Auditee Response/Status:** Resolved.

**CITY OF RICHMOND HILL, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**SECTION III (CONTINUED)**  
**STATUS OF PRIOR YEAR FINDINGS**

**2018-002. Correction of Errors**

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

**Condition/Context:** As of December 31, 2017, accrued payroll was not recorded for the General Fund, Water and Sewer Fund, and the Convention and Visitor’s Bureau component unit.

**Auditee Response/Status:** Resolved.